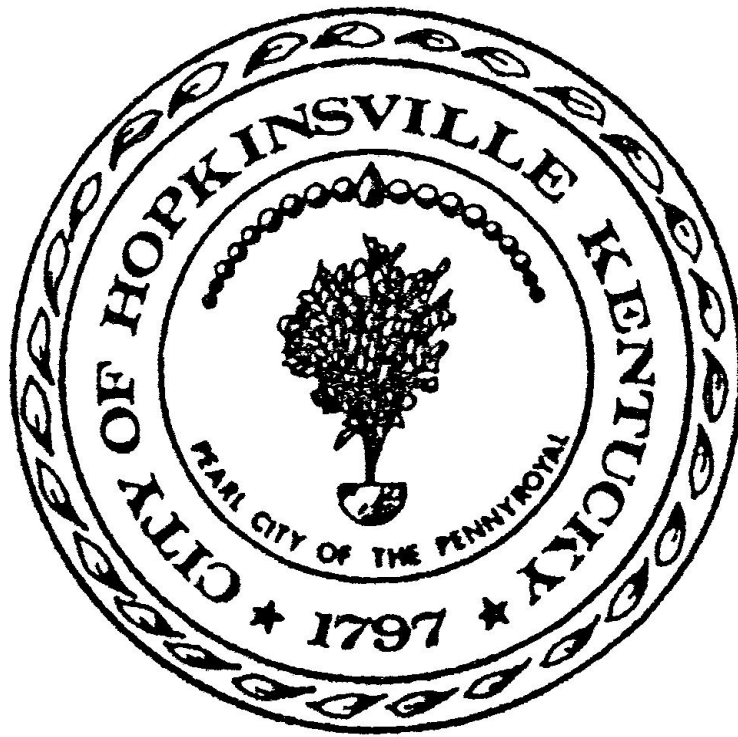


**CITY OF HOPKINSVILLE, KENTUCKY
FINANCIAL STATEMENTS**



**For the Year Ended
June 30, 2023**

**CITY OF HOPKINSVILLE
HOPKINSVILLE, KENTUCKY**

TABLE OF CONTENTS

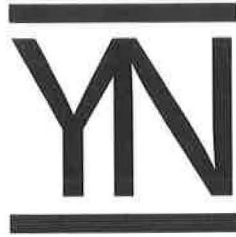
	<u>PAGE</u>
Table of Contents	i-iii
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-15
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	16-17
Statement of Activities	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Net Position – Proprietary Fund	23
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	24
Statement of Cash Flows – Proprietary Fund	25
Statement of Net Position – Fiduciary Fund	26
Statement of Changes in Net Position – Fiduciary Fund	27
Statement of Net Position – Component Units	28-29
Statement of Activities – Component Units	30
Notes to the Basic Financial Statements	31-118

TABLE OF CONTENTS, continued

Required Supplementary Information:	
Schedule of City of Hopkinsville's Proportionate Share of the Net Pension Liability (CERS)	119
Schedule of Component Units' Proportionate Share of the Net Pension Liability (CERS)	120
Schedule of City of Hopkinsville's Pension Contributions (CERS)	121
Schedule of Component Units' Pension Contributions (CERS)	122
Schedule of Changes in the Net Pension Liability and Related Ratios – Policemen's and Firefighter's Pension Fund	123
Schedule of Contributions – Policemen's and Firefighter's Pension Fund	124
Schedule of Investment Return – Policemen's and Firefighter's Pension Fund	125
Schedule of City of Hopkinsville's Proportionate Share of the Net OPEB Liability (CERS)	126
Schedule of Component Units' Proportionate Share of the Net OPEB Liability (CERS)	127
Schedule of City of Hopkinsville's OPEB Contributions (CERS)	128
Schedule of Component Units' OPEB Contributions (CERS)	129
Budgetary Comparison Schedule – General Fund	130
Notes to Required Supplementary Information (RSI) on Budgetary Accounting and Control	131
Note to Budgetary Comparison Schedule – General Fund	132
Combining Nonmajor Fund Financial Statements:	
Combining Balance Sheet – Nonmajor Governmental Funds	133
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	134
Combining Balance Sheet – Nonmajor Special Revenue Funds	135
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	136

TABLE OF CONTENTS, continued

Combining Nonmajor Fund Financial Statements, continued:	
Budgetary Comparison Schedule – Municipal Road Aid Special Revenue Fund	137
Combining Balance Sheet – Nonmajor Capital Projects Funds	138
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Funds	139
Single Audit Section:	
Schedule of Expenditures of Federal Awards	140-141
Notes to Schedule of Expenditures of Federal Awards	142
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	143-144
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	145-147
Schedule of Findings and Questioned Costs	148
Schedule of Prior Findings and Questioned Costs	149



YORK, NEEL & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS
INDEPENDENT AUDITOR'S 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 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, 2023, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hopkinsville, Kentucky as of June 30, 2023, 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 Auditor's 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.

Auditor's 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 auditor's 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 4-15, pension schedules on pages 119-129, and budgetary comparison information on pages 130-132, 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 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2024 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.

Gork, Neal & Associates, LLP

Hopkinsville, Kentucky
January 25, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Hopkinsville, Kentucky (City) offers Management's Discussion and Analysis to provide a narrative overview and analysis of City financial activities for the fiscal year ended June 30, 2023. To fully understand the entire scope of the City's financial activities, this information should be read in conjunction with the financial statements (pages 16-30) provided in this document.

FINANCIAL HIGHLIGHTS

- The City's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources at the close of the fiscal year ended June 30, 2023 by \$17.8 million (net position). This amount includes \$803 thousand that is restricted to specific projects by laws, regulations, or contractual agreements and \$26.8 million that is the City's net investment in capital assets. There was an unrestricted deficit total of \$45.4 million due to the reporting of pension and OPEB liabilities as required by Governmental Accounting Standards Board (GASB) Statements No. 68 and No. 75.
- The City's total net position (deficit) increased (reduction in the deficit) of \$979 thousand this year.
- As of June 30, 2023, the City's governmental funds reported combined ending fund balances of \$29.4 million, an increase of \$2.6 million from the prior year. Approximately \$14.1 million, 47.85% of this total amount, is unassigned and available for spending.
- The City's governmental activities total debt increased by a net amount of \$2.9 million. Debt increases included \$6.3 million in general obligation bonds and \$3.7 million for new financing arrangements on behalf of a component unit. Debt decreases included \$1.5 million due to the repayment of debt by the City and \$5.6 million due to the component units' repayment of debt.

OVERVIEW OF FINANCIAL 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.

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.

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF FINANCIAL STATEMENTS, continued

Government-Wide Financial Statements, continued

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. The City no longer has business-type activities.

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 16-18 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.

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 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, ARPA Fund, and Grants Fund,

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF FINANCIAL STATEMENTS, continued

Fund Financial Statements, continued

Governmental Funds, continued:

which are considered to be major funds. Data from the other 11 governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found at page 19 and page 21 of this report.

The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are described in the reconciliations on page 20 and page 22.

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: (1) 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 (2) 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 enterprise funds to account for the discretely presented component units that provide water, sewerage, and natural gas services, solid waste services, and stormwater utility services. The City formerly had an enterprise fund, Tie Breaker Family Aquatic Center, that was transferred to the General Fund as a part of the parks and recreation department in the fiscal year ended June 30, 2021.

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 23-25 of this report.

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF FINANCIAL STATEMENTS, continued

Fund Financial Statements, continued

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 26-27 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 31-118 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 are presented immediately following the required supplementary information. Combining and fund statements and schedules can be found on pages 133-136 and 138-139 of this report.

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, 2023, the City as a whole had liabilities and deferred inflows of resources that exceeded assets and deferred outflows of resources by (\$17.8) million, a reduction in the deficit net position of \$979 thousand 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 (\$17.8) million, \$26.8 million was net investment in capital assets,

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

\$803 thousand was restricted, and (\$45.4) 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 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 services 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, 2023, 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.

The following table provides a summary of the City's net position as of June 30, 2023, as compared to June 30, 2022.

City of Hopkinsville – Net Position

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 67,299,045	\$ 63,933,472
Capital assets	52,329,735	49,082,601
Total assets	<u>\$ 119,628,780</u>	<u>\$ 113,016,073</u>
Deferred outflows of resources	<u>\$ 15,366,357</u>	<u>\$ 14,572,009</u>
Long-term liabilities	\$ 143,151,245	\$ 131,531,462
Other liabilities	2,785,036	1,799,560
Total liabilities	<u>\$ 145,936,281</u>	<u>\$ 133,331,022</u>
Deferred inflows of resources	<u>\$ 6,828,946</u>	<u>\$ 13,006,052</u>
Net investment in capital assets	\$ 26,807,885	\$ 25,557,175
Restricted	802,512	917,116
Unrestricted (deficit)	<u>(45,380,487)</u>	<u>(45,223,283)</u>
Total net position (deficit)	<u>\$ (17,770,090)</u>	<u>\$ (18,748,992)</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 fiscal year ended June 30, 2023, as compared to the prior fiscal year ended June 30, 2022. Governmental activities increased the City's net position by \$979 thousand.

City of Hopkinsville – Changes in Net Position

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
<u>Revenues:</u>		
Program revenues:		
Charges for services and sales	\$ 5,238,728	\$ 2,506,209
Operating grants and contributions	9,570,001	12,124,238
Capital grants and contributions	477,014	740,918
General revenues:		
Property taxes	6,461,684	5,991,389
Occupational taxes	19,997,074	18,427,572
Insurance premium tax	5,975,308	5,449,529
Franchise tax	476,077	438,780
Transient room tax	1,190,825	1,125,987
Payment in lieu of taxes	1,045,324	998,342
Investment income	1,049,703	100,266
Gain on sale of capital assets	-	12,624
Miscellaneous	85,650	92,272
Total revenues	<u>\$ 51,567,388</u>	<u>\$ 48,008,126</u>
<u>Expenses:</u>		
General government	\$ 5,309,784	\$ 5,230,566
Public safety	23,478,920	22,183,835
Public works	5,914,047	5,791,731
Community development	11,762,098	7,124,273
Parks and recreation	3,261,362	2,752,749
Interest on long-term debt	862,275	709,657
Total expenses	<u>\$ 50,588,486</u>	<u>\$ 43,792,811</u>
Excess (deficiency) before transfers	\$ 978,902	\$ 4,215,315
Transfers	-	-
Increase (decrease) in net position (deficit)	978,902	4,215,315
Net position (deficit), beginning	<u>(18,748,992)</u>	<u>(22,964,307)</u>
Net position (deficit), ending	<u>\$ (17,770,090)</u>	<u>\$ (18,748,992)</u>

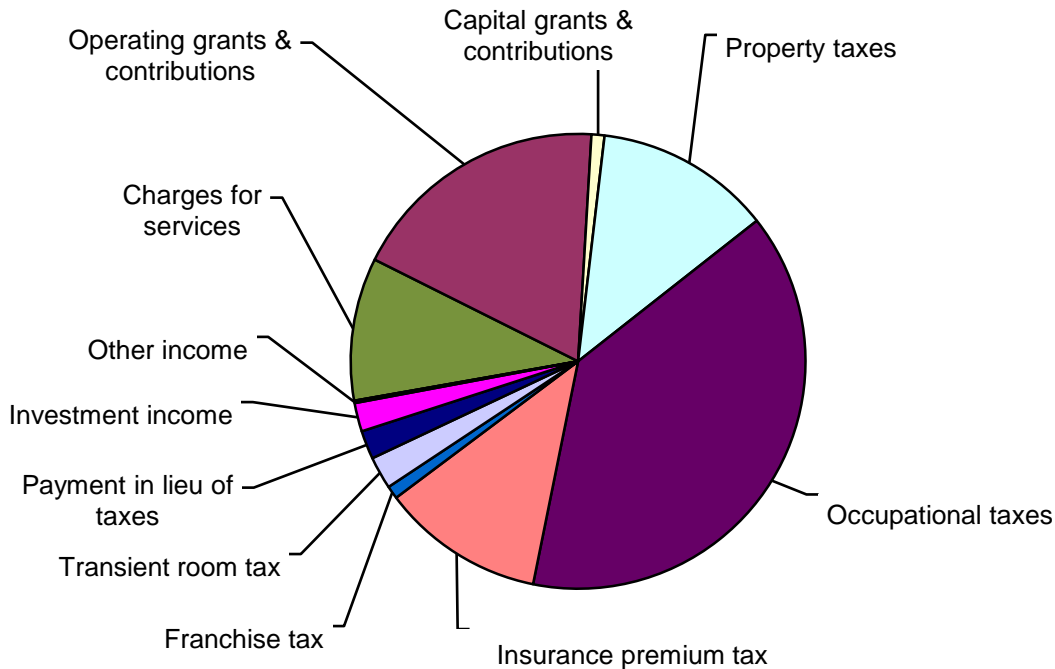
CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

Governmental Activities

Total revenues for the City's governmental activities are \$51.6 million for the year ended June 30, 2023, compared to \$48.0 million last year. This increase in revenues is mainly attributable to the increase in property taxes, occupational taxes, insurance premium taxes, and investment income. Occupational taxes total \$20.0 million or 38.78% of total revenue. The second largest category of government revenues, operating grants and contributions, accounts for \$9.6 million or 18.56% of revenue. The third largest category of government revenues, property taxes, accounts for \$6.5 million or 12.53% of total revenues. Insurance premium tax totals \$6.0 million or 11.59% of total revenue, and charges for services and sales totals \$5.2 million or 10.16% of total revenue. Miscellaneous sources account for \$86 thousand or 0.17% of total revenues.

Revenue by Source – Governmental Activities



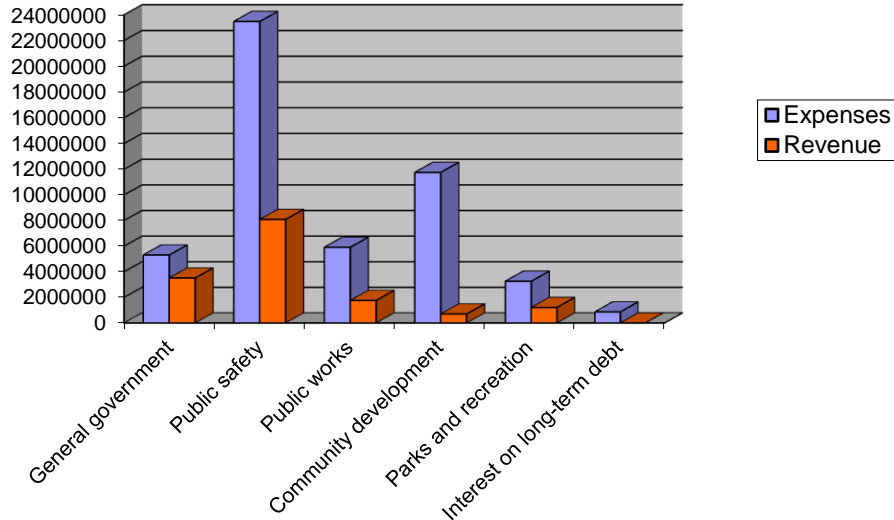
For the fiscal year ended June 30, 2023, total expenses of the City's governmental activities were \$50.6 million, compared to \$43.8 million last year. Public safety expenses total \$23.5 million and account for 46.41% of total expenses. The second largest category of expenses, community development, totals \$11.8 million and accounts for 23.25% of expenses. Public works is the next largest category and totals \$5.9 million or 11.69% of expenses. General government totals \$5.3 million or 10.50% 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

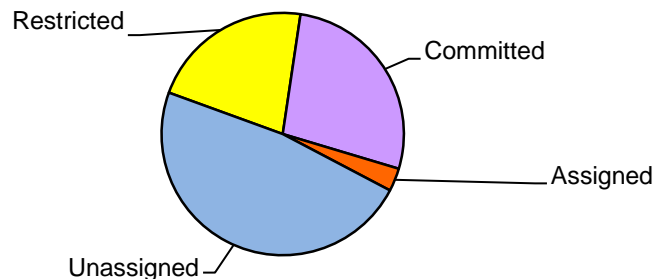


FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

At June 30, 2023, the City governmental funds reported combined ending fund balances of \$29.4 million, an increase of \$2.6 million from June 30, 2022. Approximately 47.85% of the total amount of governmental fund balance, \$14.1 million, is unassigned fund balance, which is available for spending at the government's discretion. Approximately 21.80%, \$6.4 million, is restricted fund balance. Approximately 3.08%, \$906 thousand, has been encumbered or is assigned. The remainder of fund balance, \$8.0 million, is committed to indicate it is not available for new spending.

Ending Fund Balances – Governmental Funds



CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS, continued

Governmental Funds, continued

The General Fund is the chief operating fund of the City. At June 30, 2023, the total fund balance in the General Fund was \$21.9 million, which represents an increase of \$4.2 million from the prior year. Of the total fund balance in the General Fund, unassigned fund balance was \$14.1 million. As a measure of general fund liquidity, readers may compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents 29.25% of total general fund expenditures of \$48.2 million, and total fund balance represents 45.44% of total general fund expenditures.

Taxes in the General Fund increased \$580 thousand, which represents an 8.34% increase over the prior year, due to the increase in property taxes and payment in lieu of taxes. Licenses and permits increased \$2.0 million, which represents a 7.16% increase over the prior year due to an increase in payroll taxes, insurance premium taxes, and transient room taxes.

General government expenditures in the General Fund increased \$156 thousand. Public safety expenditures increased \$2.4 million, and public works expenditures increased \$1.2 million; both of these increases are primarily due to wage increases. Community development expenditures in the General Fund increased \$4.1 million primarily due to \$3.6 million in land purchased with bond proceeds that was granted to Ascend Elements. Parks and recreation expenditures increased \$39 thousand.

Major funds for the fiscal year ended June 30, 2023 included the ARPA Fund and Grants Fund.

Fund balance for the ARPA Fund decreased \$397 thousand; this is a reflection of expenditures of funds received in previous years from the Coronavirus State and Local Fiscal Recovery Fund through the American Rescue Plan.

Fund balance from the Grants Fund increased \$15 thousand due to the timing of expenditures related to grants received.

Proprietary Funds

The City no longer has any business-type enterprise funds. However, there is an internal service fund for employee health insurance, which is also reflected in the governmental activities. Net position for the internal service fund increased \$490 thousand primarily due to a \$500 thousand transfer from the General Fund.

CITY OF HOPKINSVILLE, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$1.7 million or 4.19% during the year ended June 30, 2023. The changes in appropriations can be briefly summarized as follows:

• \$	80,617	increase in general administrative
• \$	50,000	increase in tax department
• \$	(64,946)	decrease in information technology
• \$	50,000	increase in legislative
• \$	32,631	increase in police
• \$	-	no change in emergency communications
• \$	190,331	increase in fire
• \$	275,000	increase in EMS
• \$	-	no change in other public safety
• \$	(5,225)	decrease in public works administrative
• \$	(55,475)	decrease in street
• \$	15,415	increase in Ft. Campbell contracts
• \$	-	no change in service center
• \$	55,203	increase in other public works
• \$	620,160	increase in community development
• \$	15,106	increase in parks and recreation
• \$	-	no change in debt service principal
• \$	50,442	increase in interest and finance charges
• \$	345,839	increase in capital outlays

The net increase to appropriations of \$1.7 million 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 actual appropriations resulted in a \$1.9 million decrease in actual appropriations in comparison to the budgeted appropriations. The most significant differences were due to lower than budgeted wages and related labor expenses in various departments and reclassifications for capital outlays.

Total budgeted revenues increased \$3.8 million or 9.31% from the original budget. This is primarily due to expected increases in intergovernmental revenues and licenses. Differences between final budgeted revenues and actual revenues resulted in a \$1.8 million increase in actual revenues. The most significant differences were due to higher taxes and licenses collected than budgeted.

Additional information on the City's budgetary comparison for the General Fund can be found on pages 130-132.

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS

The City's total investment in capital assets is \$52.3 million (net of accumulated depreciation) as of June 30, 2023, which represents an increase of \$3.2 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.

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

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Land	\$ 2,200,850	\$ 2,200,850
Construction in progress	1,411,470	333,898
Buildings and improvements	26,665,947	23,755,308
Equipment	3,770,081	3,768,298
Infrastructure	7,687,928	7,848,142
Land improvements	8,843,527	9,581,255
Vehicles	<u>1,749,932</u>	<u>1,594,850</u>
Total assets	<u>\$ 52,329,735</u>	<u>\$ 49,082,601</u>

Additional information on the City's capital assets can be found in Note 4 in the footnotes on pages 53-55.

DEBT ADMINISTRATION

At June 30, 2023, the City had \$59.5 million in outstanding debt compared to \$56.6 million at June 30, 2022, a net increase of \$2.9 million. The City issued two general obligation bonds during the fiscal year ended June 30, 2023 for a total of \$6.3 million. The City, on behalf of a component unit, entered into multiple finance arrangements for various solid waste trucks of \$3.7 million. The following table illustrates the changes in outstanding bonds, notes payable, and other financing arrangements:

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
General obligation bonds	\$ 53,085,513	\$ 50,514,581
Revenue bond	1,447,500	1,640,000
Notes payable	1,012,060	1,250,361
Other financing arrangements	<u>3,906,630</u>	<u>3,154,115</u>
Total	<u>\$ 59,451,703</u>	<u>\$ 56,559,057</u>

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

DEBT ADMINISTRATION, continued

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 \$239,963,648. 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 on pages 95-107.

ECONOMIC FACTORS

Unemployment Rate

The unemployment rate for the City of Hopkinsville (Christian County) as of June 2023 was 5.5%. This rate compares unfavorably to the state unemployment rate of 3.8% and the federal unemployment rate of 3.6%.

Next Year's Budget

The current and future needs of the City were considered when the 2022-2023 budget for the City of Hopkinsville was prepared. The beginning General Fund fund balance for fiscal year 2022-2023 was \$17.7 million, and there is an ending General Fund fund balance of \$21.9 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 Melissa Clayton, Chief Financial Officer, City of Hopkinsville, 715 South Virginia Street, Hopkinsville, Kentucky 42240.

BASIC FINANCIAL STATEMENTS

City of Hopkinsville, Kentucky
Statement of Net Position
June 30, 2023

	<u>Primary Government</u> Governmental Activities	Component Units
ASSETS		
Pooled cash and cash equivalents	\$ 22,168,751	\$ -
Non-pooled cash and cash equivalents	1,048,268	8,399,961
Investments	39,859	-
Accounts receivable	-	2,477,240
Taxes receivable	3,672,083	-
Inventory	-	813,883
Prepaid items	-	37,896
Accrued interest on note receivable	-	162
Other current assets	-	-
Notes receivable	265,976	64,609
Other receivables	1,453,510	1,259,134
Due from component unit	124,102	-
Restricted assets:		
Due from Component Units:		
Due within one year	5,047,806	-
Due beyond one year	29,354,243	-
Temporarily restricted:		
Cash and cash equivalents	3,452,044	3,411,524
Investments	214,993	5,939,612
Permanently restricted assets:		
Cash and cash equivalents	115,002	-
Investments	342,408	-
Other assets	-	708,052
Capital Assets:		
Land and construction in progress	3,612,320	41,776,926
Capital assets, net of accumulated depreciation	48,717,415	114,457,883
Total capital assets	52,329,735	156,234,809
Total assets	119,628,780	179,346,882
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pensions-CERS	9,645,669	3,007,594
Deferred outflows from pensions-PFPF	54,692	-
Deferred outflows from OPEB	5,447,539	2,245,677
Deferred refunding costs	218,457	167,604
Total deferred outflows of resources	15,366,357	5,420,875
 Total assets and deferred outflows of resources	 \$ 134,995,137	 \$ 184,767,757

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, 2023

	<u>Primary Government</u> Governmental Activities	<u>Component</u> Units
LIABILITIES		
Accounts payable	\$ 1,512,756	\$ 888,317
Accrued salaries	965,976	438,013
Claims payable	4,962	-
Accrued interest	300,342	234,379
Transient bond deposits	1,000	-
Construction retainage and contracts payable	-	987,886
Customer deposits	-	118,174
Due to primary government:		
Due within one year	-	5,047,806
Due beyond one year	-	29,354,243
Noncurrent liabilities:		
Due within one year	6,654,568	2,863,300
Due beyond one year	135,028,089	84,756,846
Compensated absences:		
Due within one year	146,859	472,712
Due beyond one year	1,321,729	904,761
Total liabilities	<u>145,936,281</u>	<u>126,066,437</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue - USACE	-	4,025,523
Deferred inflows from pensions-CERS	1,760,518	515,285
Deferred inflows from pensions-PFPF	-	-
Deferred inflows from OPEB	5,068,428	2,035,509
Total deferred inflows of resources	<u>6,828,946</u>	<u>6,576,317</u>
NET POSITION		
Net investment in capital assets	26,807,885	70,329,446
Restricted:		
Equipment maintenance and replacement	-	2,501,038
Capital projects	-	84,155
Perpetual care:		
Expendable	345,102	-
Nonexpendable	457,410	-
Unrestricted (deficit)	<u>(45,380,487)</u>	<u>(20,789,636)</u>
Total net position (deficit)	<u>(17,770,090)</u>	<u>52,125,003</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 134,995,137</u>	 <u>\$ 184,767,757</u>

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

City of Hopkinsville, Kentucky
Statement of Activities
For the Fiscal Year Ended June 30, 2023

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for	Operating Grants	Capital Grants	Primary Government	
	Expenses	Services and Sales	and Contributions	and Contributions	Governmental Activities	Component Units
PRIMARY GOVERNMENT						
Governmental activities:						
General government	\$ (5,309,784)	\$ 3,368,365	\$ 144,166	\$ -	\$ (1,797,253)	\$ -
Public safety	(23,478,920)	58,659	8,019,139	12,760	(15,388,362)	-
Public works	(5,914,047)	1,026,055	736,368	-	(4,151,624)	-
Community development	(11,762,098)	-	240,717	464,254	(11,057,127)	-
Parks and recreation	(3,261,362)	785,649	429,611	-	(2,046,102)	-
Interest on long-term debt	(862,275)	-	-	-	(862,275)	-
Total governmental activities	(50,588,486)	5,238,728	9,570,001	477,014	(35,302,743)	-
Total - primary government	\$ (50,588,486)	\$ 5,238,728	\$ 9,570,001	\$ 477,014	\$ (35,302,743)	\$ -
COMPONENT UNITS						
Hopkinsville Water Environment Authority	\$ (22,202,876)	\$ 22,414,938	\$ -	\$ 288,989	\$ -	\$ 501,051
Hopkinsville Solid Waste Enterprise	(10,745,185)	9,219,919	-	-	-	(1,525,266)
Hopkinsville Surface and Stormwater Utility	(1,367,021)	1,307,263	69,583	-	-	9,825
Total - component units	\$ (34,315,082)	\$ 32,942,120	\$ 69,583	\$ 288,989	\$ -	\$ (1,014,390)
GENERAL REVENUES						
Property taxes					\$ 6,461,684	\$ -
Occupational taxes					19,997,074	-
Insurance premium tax					5,975,308	-
Franchise tax					476,077	-
Transient room tax					1,190,825	-
Payment in lieu of taxes					1,045,324	-
Investment income					1,049,703	700,603
Gain on sale of capital assets					-	50,285
Miscellaneous					85,650	533,818
Total general revenues					36,281,645	1,284,706
Transfers					-	-
Total general revenues and transfers					36,281,645	1,284,706
Change in net position					978,902	270,316
Net position (deficit), beginning of year					(18,748,992)	51,854,687
Net position (deficit), end of year					\$ (17,770,090)	\$ 52,125,003

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

City of Hopkinsville, Kentucky
Balance Sheet
Governmental Funds
June 30, 2023

	General	ARPA	Grants	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Pooled cash and cash equivalents	\$ 19,404,507	\$ -	\$ -	\$ 2,764,244	\$ 22,168,751
Non-pooled cash and cash equivalents	292,474	3,258,093	-	552,172	4,102,739
Investments	39,858	-	-	557,402	597,260
Taxes receivable	3,214,250	-	-	-	3,214,250
Loans receivable	-	-	-	265,976	265,976
Due from component unit	124,102	-	-	-	124,102
Other receivables	-	-	1,390,524	62,986	1,453,510
	<u>-</u>	<u>-</u>	<u>1,390,524</u>	<u>62,986</u>	<u>1,453,510</u>
Total assets	<u>\$ 23,075,191</u>	<u>\$ 3,258,093</u>	<u>\$ 1,390,524</u>	<u>\$ 4,202,780</u>	<u>\$ 31,926,588</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 218,431	\$ 4,830	\$ 1,168,417	\$ 121,078	\$ 1,512,756
Accrued salaries	965,976	-	-	-	965,976
Transient bond deposits	1,000	-	-	-	1,000
	<u>1,185,407</u>	<u>4,830</u>	<u>1,168,417</u>	<u>121,078</u>	<u>2,479,732</u>
Total liabilities	<u>1,185,407</u>	<u>4,830</u>	<u>1,168,417</u>	<u>121,078</u>	<u>2,479,732</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	3,253,263	222,107	2,943,170	6,418,540
Committed	7,645,539	-	-	385,183	8,030,722
Assigned	153,129	-	-	753,349	906,478
Unassigned	14,091,116	-	-	-	14,091,116
	<u>21,889,784</u>	<u>3,253,263</u>	<u>222,107</u>	<u>4,081,702</u>	<u>29,446,856</u>
Total fund balances	<u>21,889,784</u>	<u>3,253,263</u>	<u>222,107</u>	<u>4,081,702</u>	<u>29,446,856</u>
Total liabilities and fund balances	<u>\$ 23,075,191</u>	<u>\$ 3,258,093</u>	<u>\$ 1,390,524</u>	<u>\$ 4,202,780</u>	<u>\$ 31,926,588</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, 2023

Total fund balance - total governmental funds	\$ 29,446,856
Amounts reported for governmental activities in the statement of net position are different because:	
Taxes receivable based on availability criteria; \$54,228 property taxes, \$385,323 insurance premium taxes, and \$18,283 franchise taxes.	457,834
Deferred outflows of resources - bond refinancing charges, amortizable over life of debt	218,457
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.	7,939,843
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.	379,111
Capital assets of \$100,453,448, net of accumulated depreciation of (\$48,123,713), are not financial resources and, therefore, are not reported in the funds. See note 4 to financial statements for detail.	52,329,735
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 net \$507,612 are included in governmental activities in the statement of net position.	507,612
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.	(143,151,245)
Receivables from component units for long-term debt where the City is contingently liable are not reported in the funds.	34,402,049
Accrued interest payable	<u>(300,342)</u>
Net position of governmental activities	<u>\$ (17,770,090)</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 Fiscal Year Ended June 30, 2023

	General	ARPA	Grants	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 7,536,283	\$ -	\$ -	\$ -	\$ 7,536,283
Licenses and permits	30,294,124	-	-	-	30,294,124
Fines and forfeitures	109,461	-	-	-	109,461
Intergovernmental	4,962,854	-	264,564	1,829,911	7,057,329
Investment income	853,935	139,745	-	38,580	1,032,260
Donations	106,600	-	-	-	106,600
Other revenue	<u>3,466,297</u>	<u>-</u>	<u>1,478,976</u>	<u>354,011</u>	<u>5,299,284</u>
Total revenues	<u>47,329,554</u>	<u>139,745</u>	<u>1,743,540</u>	<u>2,222,502</u>	<u>51,435,341</u>
EXPENDITURES					
Current:					
General government	4,265,469	-	-	136,610	4,402,079
Public safety	21,308,337	-	47,916	1,110,294	22,466,547
Public works	7,891,508	-	-	139,705	8,031,213
Community development	10,341,081	15,000	292,873	331,784	10,980,738
Parks and recreation	1,984,053	-	-	116,961	2,101,014
Debt service:					
Principal	1,145,000	-	-	292,507	1,437,507
Interest	793,589	-	-	33,972	827,561
Expenditures	95,484	-	-	80,432	175,916
Capital outlay	<u>345,839</u>	<u>386,566</u>	<u>1,448,885</u>	<u>5,754,473</u>	<u>7,935,763</u>
Total expenditures	<u>48,170,360</u>	<u>401,566</u>	<u>1,789,674</u>	<u>7,996,738</u>	<u>58,358,338</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(840,806)</u>	<u>(261,821)</u>	<u>(46,134)</u>	<u>(5,774,236)</u>	<u>(6,922,997)</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	685,000	-	61,095	2,529,221	3,275,316
Transfers to other funds	(3,043,137)	(135,000)	-	(597,179)	(3,775,316)
Issuance of long-term debt	7,296,630	-	-	2,395,000	9,691,630
Premium (discount) on bond issue	<u>120,658</u>	<u>-</u>	<u>-</u>	<u>189,408</u>	<u>310,066</u>
Total other financing sources (uses)	<u>5,059,151</u>	<u>(135,000)</u>	<u>61,095</u>	<u>4,516,450</u>	<u>9,501,696</u>
Net change in fund balances	4,218,345	(396,821)	14,961	(1,257,786)	2,578,699
Fund balances, beginning of year	<u>17,671,439</u>	<u>3,650,084</u>	<u>207,146</u>	<u>5,339,488</u>	<u>26,868,157</u>
Fund balances, end of year	<u>\$ 21,889,784</u>	<u>\$ 3,253,263</u>	<u>\$ 222,107</u>	<u>\$ 4,081,702</u>	<u>\$ 29,446,856</u>

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

City of Hopkinsville, Kentucky
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2023

Net change in fund balances - total governmental funds	\$ 2,578,699
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$7,935,763 exceeded depreciation of (\$4,343,407) in the current period.	3,592,356
Issuance of debt is revenue in the governmental funds, but the debt and related premiums increase long-term liabilities in the statement of net position.	(10,001,696)
Debt issued on behalf of component units is an expense in the governmental funds, but the debt to be paid by the component units is a receivable in the statement of net position	3,676,630
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.	209,873
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 \$490,038 is reported with governmental activities.	490,038
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,437,507
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.	(498,742)
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 (\$54,138), increase in accrued interest payable of (\$59,887), amortization of deferred charges of (\$16,789), amortization of debt premium/(discount) net of \$41,961, correction of prior year adjustment of (\$71,690), and loss on disposal of assets of (\$345,220).	<u>(505,763)</u>
Change in net position of governmental activities	<u>\$ 978,902</u>

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

City of Hopkinsville, Kentucky
Statement of Net Position
Proprietary Fund
June 30, 2023

	Governmental Activities Internal Service Fund
	<hr/>
ASSETS	
Current assets:	
Non-pooled cash and cash equivalents	\$ 512,574
Other receivables	<u>-</u>
Total current assets	<u>512,574</u>
Total assets	<u><u>\$ 512,574</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ -
Incurred, not yet reported	<u>4,962</u>
Total current liabilities	<u>4,962</u>
Total liabilities	<u>4,962</u>
NET POSITION	
Unrestricted	<u>507,612</u>
Total net position	<u>507,612</u>
Total liabilities and net position	<u><u>\$ 512,574</u></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 Fund
For the Fiscal Year Ended June 30, 2023

	Governmental Activities Internal Service Fund
	<hr/>
OPERATING REVENUES	
Employee contributions	\$ 511,377
Employer contributions	<u>1,932,526</u>
Total operating revenues	<u>2,443,903</u>
OPERATING EXPENSES	
Administrative	246,045
Claims expense	<u>2,225,263</u>
Total operating expenses	<u>2,471,308</u>
Operating income (loss)	<u>(27,405)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	<u>17,443</u>
Total nonoperating revenues (expenses)	<u>17,443</u>
Income (loss) before transfers	<u>(9,962)</u>
Transfers in	500,000
Transfers out	<u>-</u>
Total transfers	<u>500,000</u>
Change in net position	490,038
Net position, beginning of year	<u>17,574</u>
Net position, end of year	<u><u>\$ 507,612</u></u>

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

City of Hopkinsville, Kentucky
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2023

	Governmental Activities Internal Service Fund
<hr/>	
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from employees/employer	\$ 2,443,903
Cash payments to vendors	(246,045)
Cash payments for claims	<u>(2,599,830)</u>
Net cash provided by (used in) operating activities	<u>(401,972)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in	500,000
Transfers out	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>500,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned on investments	<u>17,443</u>
Net cash provided by (used in) investing activities	<u>17,443</u>
Net increase (decrease) in cash and cash equivalents	115,471
Cash and cash equivalents, beginning of year	<u>397,103</u>
Cash and cash equivalents, end of year	<u><u>\$ 512,574</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Operating income (loss)	\$ (27,405)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
(Increase) decrease in assets:	
Other receivables	-
Increase (decrease) in liabilities:	
Accounts payable	-
Accrued liabilities	<u>(374,567)</u>
Net cash provided by (used in) operating activities	<u><u>\$ (401,972)</u></u>

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

City of Hopkinsville, Kentucky
Statement of Net Position
Fiduciary Fund
Policemen's and Firefighter's Pension Fund
June 30, 2023

ASSETS

Cash and cash equivalents	\$ 137,788
---------------------------	------------

Investments, at fair value:

Certificates of deposit	618,660
Corporate bond	21,626
Municipal bonds	270,256
U.S. bond	146,075
	1,056,617

Total assets	\$ 1,194,405
--------------	--------------

LIABILITIES

Accounts payable	\$ -
------------------	------

Total liabilities	-
-------------------	---

NET POSITION

Net position restricted for pensions	\$ 1,194,405
--------------------------------------	--------------

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

City of Hopkinsville, Kentucky
Statement of Changes in Net Position
Fiduciary Fund
Policemen's and Firefighter's Pension Fund
For the Fiscal Year Ended June 30, 2023

ADDITIONS

Contributions:

Employer	\$ 235,000
----------	------------

Investment income:

Interest and dividends	25,082
Net increase (decrease) in fair value investments	<u>(11,183)</u>
Net investment income	<u>13,899</u>

Total additions	248,899
-----------------	---------

DEDUCTIONS

Benefits paid	189,540
Administrative expenses	<u>17,467</u>

Total deductions	<u>207,007</u>
------------------	----------------

Net increase (decrease) in net position	41,892
---	--------

Net position, beginning of year	<u>1,152,513</u>
---------------------------------	------------------

Net position, end of year	<u><u>\$ 1,194,405</u></u>
---------------------------	----------------------------

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, 2023

	Major			
	Hopkinsville Water Environment Authority	Hopkinsville Solid Waste Enterprise	Hopkinsville Surface and Stormwater Utility	Total
ASSETS				
Cash and cash equivalents	\$ 6,412,559	\$ 877,881	\$ 1,109,521	\$ 8,399,961
Accounts receivable	1,608,184	721,756	147,300	2,477,240
Inventory	813,883	-	-	813,883
Prepaid insurance	37,896	-	-	37,896
Accrued interest on note receivable	162	-	-	162
Other current assets	-	-	-	-
Notes receivable	64,609	-	-	64,609
Other receivables	1,259,134	-	-	1,259,134
Restricted assets:				
Cash and cash equivalents	2,501,038	695,546	214,940	3,411,524
Investments	-	-	5,939,612	5,939,612
Other assets	-	-	708,052	708,052
Capital assets, net of depreciation:				
Land and construction in progress	38,677,575	615,582	2,483,769	41,776,926
Depreciable capital assets	97,127,957	11,009,214	6,320,712	114,457,883
Net capital assets	<u>135,805,532</u>	<u>11,624,796</u>	<u>8,804,481</u>	<u>156,234,809</u>
Total assets	<u>148,502,997</u>	<u>13,919,979</u>	<u>16,923,906</u>	<u>179,346,882</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension	2,157,325	850,269	-	3,007,594
Deferred outflows from OPEB	1,548,524	697,153	-	2,245,677
Deferred refunding costs	<u>167,604</u>	<u>-</u>	<u>-</u>	<u>167,604</u>
Total deferred outflows of resources	<u>3,873,453</u>	<u>1,547,422</u>	<u>-</u>	<u>5,420,875</u>
Total assets and deferred outflows of resources	<u>\$ 152,376,450</u>	<u>\$ 15,467,401</u>	<u>\$ 16,923,906</u>	<u>\$ 184,767,757</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, 2023

	Major			
	Hopkinsville Water Environment Authority	Hopkinsville Solid Waste Enterprise	Hopkinsville Surface and Stormwater Utility	Total
LIABILITIES				
Accounts payable	\$ 614,908	\$ 258,148	\$ 15,261	\$ 888,317
Accrued salaries	209,516	228,497	-	438,013
Accrued interest	156,314	-	78,065	234,379
Construction retainage and contracts payable	987,886	-	-	987,886
Customer deposits	118,174	-	-	118,174
Accrued compensated absences, current portion	371,165	101,547	-	472,712
Current portion of long-term debt	2,753,659	109,641	-	2,863,300
Payable to City of Hopkinsville, current portion	2,178,500	2,564,306	305,000	5,047,806
Long-term liabilities:				
Compensated absences, net of current portion	329,327	575,434	-	904,761
State Revolving Fund loans, net of current portion	60,522,381	-	-	60,522,381
Notes payable, net of current portion	-	-	-	-
Finance lease payable, net of current portion	-	48,942	-	48,942
Payable to City of Hopkinsville, net of current portion	9,003,041	4,773,338	8,896,670	22,673,049
Net pension liability	12,224,768	6,774,815	-	18,999,583
Net OPEB liability	3,336,758	1,849,182	-	5,185,940
Accrued landfill closure costs, payable to City of Hopkinsville	-	6,681,194	-	6,681,194
Total liabilities	<u>92,806,397</u>	<u>23,965,044</u>	<u>9,294,996</u>	<u>126,066,437</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - USACE	4,025,523	-	-	4,025,523
Deferred inflows from pension	190,451	324,834	-	515,285
Deferred inflows from OPEB	<u>1,269,257</u>	<u>766,252</u>	<u>-</u>	<u>2,035,509</u>
Total deferred inflows of resources	<u>5,485,231</u>	<u>1,091,086</u>	<u>-</u>	<u>6,576,317</u>
NET POSITION				
Net investment in capital assets	60,527,669	4,128,569	5,673,208	70,329,446
Restricted:				
Equipment maintenance and replacement	2,501,038	-	-	2,501,038
Capital projects	-	-	84,155	84,155
Unrestricted (deficit)	<u>(8,943,885)</u>	<u>(13,717,298)</u>	<u>1,871,547</u>	<u>(20,789,636)</u>
Total net position (deficit)	<u>54,084,822</u>	<u>(9,588,729)</u>	<u>7,628,910</u>	<u>52,125,003</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 152,376,450</u>	<u>\$ 15,467,401</u>	<u>\$ 16,923,906</u>	<u>\$ 184,767,757</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 Fiscal Year Ended June 30, 2023

		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	\$ (22,202,876)	\$ 22,414,938	\$ -	\$ 288,989	\$ 501,051	\$ -	\$ -	\$ 501,051
Hopkinsville Solid Waste Enterprise	(10,745,185)	9,219,919	-	-	-	(1,525,266)	-	(1,525,266)
Hopkinsville Surface and Stormwater Utility	<u>(1,367,021)</u>	<u>1,307,263</u>	<u>69,583</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,825</u>	<u>9,825</u>
Total component units	<u>\$ (34,315,082)</u>	<u>\$ 32,942,120</u>	<u>\$ 69,583</u>	<u>\$ 288,989</u>	<u>\$ 501,051</u>	<u>\$ (1,525,266)</u>	<u>\$ 9,825</u>	<u>\$ (1,014,390)</u>
GENERAL REVENUES:								
Investment income					\$ 429,927	\$ 38,854	\$ 231,822	\$ 700,603
Gain on sale of capital assets					50,285	-	-	50,285
Miscellaneous					<u>532,150</u>	<u>1,668</u>	<u>-</u>	<u>533,818</u>
Total general revenues					<u>1,012,362</u>	<u>40,522</u>	<u>231,822</u>	<u>1,284,706</u>
Change in net position					1,513,413	(1,484,744)	241,647	270,316
Net position (deficit), beginning of year					<u>52,571,409</u>	<u>(8,103,985)</u>	<u>7,387,263</u>	<u>51,854,687</u>
Net position (deficit), end of year					<u>\$ 54,084,822</u>	<u>\$ (9,588,729)</u>	<u>\$ 7,628,910</u>	<u>\$ 52,125,003</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.

The more significant of the City's accounting policies are summarized as follows:

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 GAAP, 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, City Council, appoints HWEA's governing board and 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 City. HWEA is presented as a proprietary fund type. Complete financial statements for this individual component unit may be obtained at HWEA'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. City Council appoints Solid Waste's governing board and 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 City. Solid Waste is presented as a proprietary fund type. Complete financial statements for this individual component unit may be obtained at Solid Waste'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. City Council appoints Stormwater's governing board and approves the rates for user charges and bond issuance authorizations. The legal liability for the general obligation

**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

portion of Stormwater's debt remains with the City. Stormwater is presented as a proprietary fund type. Complete financial statements for this individual component unit may be obtained at Stormwater'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 (if any) for the fiscal year ended June 30, 2023:

<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	894,728
Hopkinsville-Christian County Public Library	336,163

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 (if any) for the fiscal year ended June 30, 2023:

<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	758,985
Museums of Historic Hopkinsville-Christian County	36,636

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

1. Summary of Significant Accounting Policies, continued

A. Reporting Entity, continued

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 (if any) for the fiscal year ended June 30, 2023:

<u>Agency</u>	<u>City Funding</u>
Christian County-Hopkinsville Development Corporation	\$ -
Hopkinsville-Christian County 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 \$84,846 for the year ended June 30, 2023.

B. Basis of Presentation

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

Government-Wide Financial Statements

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

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

1. Summary of Significant Accounting Policies, continued

B. Basis of Presentation, continued

Government-Wide Financial Statements, continued

The 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. The City has no business-type activities currently. The City previously reported Tie Breaker Family Aquatic operations as a business-type activity; however, this fund was transferred to the General Fund and became part of the parks and recreation department on June 30, 2021.

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 difference 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. This is always a major fund of the City.

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 retained in this expendable trust fund and the remaining portion being designated to the permanent non-expendable trust fund.

ARPA Fund – established to account for funds received from the Coronavirus State and 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.

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.

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 are as follows:

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

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

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 does not have an enterprise fund currently. The City previously reported Tie Breaker Family Aquatic operations as an enterprise fund; however, this fund was transferred to the General Fund and became part of the parks and recreation department on June 30, 2021.

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' 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 County Employees Retirement Systems' plan.

D. Measurement Focus

Government-Wide Financial Statements

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

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

D. Measurement Focus, continued

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 and fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the activity of these funds are included on their statement of net position. Proprietary funds report revenues and expenses on the statement of revenues, expenses, and changes in net position; fiduciary funds report revenues and expenses on the statement of changes in net position. These statements reflect revenues when they are earned and expenses when a liability is incurred, regardless of the timing of related cash flows. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

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 revenues susceptible to accrual are taxes and intergovernmental revenues. All other revenues are considered to be measurable and available only when the City receives cash.

Deferred Revenue

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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

1. Summary of Significant Accounting Policies, continued

F. Deposits and Investments

Cash balances of the City's funds are pooled and invested. Interest earned from investments purchased with pooled cash is allocated to the various funds based on the fund's average cash balance. Funds with negative cash balances are not charged interest.

Investments are reported at fair value in all funds. Fair values are obtained from market quotations on the last business day of the 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 stated at cost. Inventory consists of supplies and parts used in the operation of HWEA's treatment plants and for the maintenance of sewers, fleet vehicles, and other related equipment.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid expenses.

J. Restricted Assets

Restricted assets for the City consist of debt proceeds which were loaned to the City for various construction projects, federal grants received for specific purposes, cash and investments that are in trust funds not available to be used by the City, and amounts owed by component units to the City for outstanding debt that was issued by the City on behalf of the component unit.

Restricted assets for HWEA consist of funds set aside to meet reserve requirements associated with loans with the Kentucky Infrastructure Authority.

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

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

1. Summary of Significant Accounting Policies, continued

J. Restricted Assets, continued

Restricted assets for Stormwater consist of cash and investments for use in the acquisition, construction, and installation of surface and stormwater projects within the City.

K. Capital Assets

General capital assets are long-lived assets of the City as a whole. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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.

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 are estimated based on the City's historical records of necessary improvements and replacement.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land	N/A
Buildings and Improvements	15-50 Years
Equipment	5-30 Years
Infrastructure	20-40 Years
Land Improvements	10-40 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.

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

1. Summary of Significant Accounting Policies, continued

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 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, 2023.

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 are liabilities that, once incurred, are paid in a timely manner and in full from current financial resources. 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, finance leases, and long-term loans are recognized as a liability on the fund financial statements when due.

O. Bond Premiums, Discounts, and Issuance Costs

In the government-wide financial statements, bond premiums and discounts are netted against the corresponding liability on the statement of net position, and those premiums and discounts are amortized over the term of the bonds using the straight-line method, which approximates the effective interest rate. In the general fund financial statements, bond premiums and discounts are recognized in the current period. In both the government-wide financial statements and the general fund financial statements, bond issuance costs are expensed as incurred.

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

1. Summary of Significant Accounting Policies, continued

P. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the various pension plans of the City. 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 assets that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

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 assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until then.

R. Net Position

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

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

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

1. Summary of Significant Accounting Policies, continued

R. Net Position, continued

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

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

The City had deficit unrestricted net position of (\$45,380,487) at June 30, 2023. 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 (\$8,943,885) at June 30, 2023. 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 (\$13,717,298) at June 30, 2023. 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 following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or enabling legislation.
- *Committed fund balance* – amounts constrained to specific purposes by the City itself, by ordinance approved by City Council. To be reported as committed, amounts cannot be used for any other purpose unless the City takes action to remove or change the constraint.
- *Assigned fund balance* – amounts the City intends to use for a specific purpose (such as encumbrances), but are neither restricted nor committed. Intent is expressed by the City Council or by any other official or body to which the City Council has delegated the authority to assign amounts to be used for a specific purpose.

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

1. Summary of Significant Accounting Policies, continued

S. Fund Balance, continued

- *Unassigned fund balance* – amounts that are available for any purpose. The General Fund is the only governmental fund which reports an unassigned fund balance.

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

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

The City strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 25% of the actual GAAP (generally accepted accounting principles) basis expenditures and other financing sources and uses.

T. Interfund Activity

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

U. Use of Estimates

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

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

1. Summary of Significant Accounting Policies, continued

V. Budgetary Information

Annual budgets are adopted for the General Fund and Municipal Road Aid Special Revenue Fund 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 or 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 re-appropriated 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.

Custodial Credit Risk

For deposits, custodial credit risk 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, 2023, the City, HWEA, Solid Waste, and Stormwater did not have any deposited funds exposed to custodial credit risk.

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

2. Deposits and Investments, continued

B. Investments

Custodial Credit Risk

For investments, 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, 2023, none of the City's or Stormwater'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 deposit, mutual funds, corporate bonds, municipal bonds, and US government securities; all of these types of investments are specifically excluded from this type of risk.

Interest Rate Risk

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

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

2. Deposits and Investments, continued

B. Investments, continued

The investments for City of Hopkinsville consisted of the following as of June 30, 2023:

	<u>Fair Value/ Carrying Value</u>	<u>Average Credit Rating</u>	<u>Average Maturity</u>
<u>Types of Investments:</u>			
Primary Government:			
Certificates of deposit	\$ 39,859	N/A	0.20 Years
Mutual funds	<u>557,401</u>	N/A	N/A
Total primary government investments	<u>\$ 597,260</u>		
Pension Trust Fund:			
Certificates of deposit	\$ 618,660	N/A	1.87 Years
Corporate bond	21,626	AA-	5.20 Years
Municipal bonds	270,256	AA-AAA	3.34 Years
U.S. bond	<u>146,075</u>	AA+	2.28 Years
Total pension trust fund investments	<u>\$ 1,056,617</u>		

The investments for Stormwater consisted of the following as of June 30, 2023:

	<u>Fair Value/ Carrying Value</u>	<u>Average Credit Rating</u>	<u>Average Maturity</u>
<u>Types of Investments:</u>			
Certificates of deposit	\$ 250,000	N/A	1.00 Years
U.S. agency obligations	1,399,656	AA+	0.75 Years
U.S. Treasury obligations	<u>4,289,956</u>	AA+	0.54 Years
Total Stormwater investments	<u>\$ 5,939,612</u>		

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The asset's fair value measurement within the fair value hierarchy is based on the lowest level of any input 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.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

2. Deposits and Investments, continued

B. Investments, continued

Mutual funds and bonds classified as Level 1 are valued using prices quoted in active markets for those securities. Certificates of deposit 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, 2023:

<u>Fair Value Measurements Using:</u>				
	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>Types of Investments:</u>				
Primary Government:				
Certificates of deposit	\$ 39,859	\$ -	\$ 39,859	\$ -
Mutual funds	<u>557,401</u>	<u>557,401</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 597,260</u>	<u>\$ 557,401</u>	<u>\$ 39,859</u>	<u>\$ -</u>
Pension Trust Fund:				
Certificates of deposit	\$ 618,660	\$ -	\$ 618,660	\$ -
Corporate bond	21,626	21,626	-	-
Municipal bonds	270,256	270,256	-	-
U.S. bond	<u>146,075</u>	<u>146,075</u>	<u>-</u>	<u>-</u>
Total pension trust fund	<u>\$1,056,617</u>	<u>\$ 437,957</u>	<u>\$ 618,660</u>	<u>\$ -</u>

Stormwater has the following fair value measurements as of June 30, 2023:

<u>Fair Value Measurements Using:</u>				
	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>Types of Investments:</u>				
Certificates of deposit	\$ 250,000	\$ -	\$ 250,000	\$ -
U.S. agency obligations	1,399,656	1,399,656	-	-
U.S. Treasury obligations	<u>4,289,956</u>	<u>4,289,956</u>	<u>-</u>	<u>-</u>
Total Stormwater	<u>\$5,939,612</u>	<u>\$ 5,689,612</u>	<u>\$ 250,000</u>	<u>\$ -</u>

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

2. Deposits and Investments, continued

C. Restricted Assets

Debt issued in the City's name on behalf of component units and the accrued landfill closure/post-closure costs liability are reported as debt both by the City and the component unit, with an offsetting receivable in restricted assets on the City's statement of net position for the amount owed by the component unit. The City also has restricted assets for debt proceeds loaned to the City for various construction projects, federal funds received for specific purposes, and cash and investments that are in expendable and non-expendable trust funds that are not available to be used.

The balances of the City's restricted asset accounts are as follows as of June 30, 2023:

<u>Due from component units:</u>	
Hopkinsville Water Environment Authority	\$ 11,181,541
Hopkinsville Solid Waste Enterprise	14,018,838
Hopkinsville Surface & Stormwater Utility	<u>9,201,670</u>
Total – due from component units	<u>\$ 34,402,049</u>
<u>Temporarily restricted:</u>	
Debt proceeds in checking	\$ 63,843
ARPA proceeds in checking	3,258,093
Money market funds, expendable trust	130,108
Investments, expendable trust	<u>214,993</u>
Total – temporarily restricted	<u>\$ 3,667,037</u>
<u>Permanently restricted:</u>	
Money market funds, non-expendable trust	\$ 115,002
Investments, non-expendable trust	<u>342,408</u>
Total – permanently restricted	<u>\$ 457,410</u>

HWEA's restricted assets consist of the equipment maintenance and replacement fund and includes funds set aside to meet reserve requirements associated with loans with the Kentucky Infrastructure Authority.

The balance of HWEA's restricted asset account is as follows as of June 30, 2023:

Equipment maintenance and replacement, cash	<u>\$ 2,501,038</u>
Total restricted assets - HWEA	<u>\$ 2,501,038</u>

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

2. Deposits and Investments, continued

C. Restricted Assets, continued

Solid Waste's restricted assets consist of capital equipment reserve funds set aside for larger capital equipment purchases and improvements and landfill closure costs funds set aside to comply with state law for funding future landfill closure/post-closure costs.

The balances of Solid Waste's restricted asset accounts are as follows as of June 30, 2023:

Capital equipment reserve, cash	\$ 433,142
Landfill closure costs, cash	<u>262,404</u>
Total restricted assets - Solid Waste	<u>\$ 695,546</u>

Stormwater's restricted assets consist of funds held for use in certain surface and stormwater projects.

The balances of Stormwater's restricted asset accounts are as follows as of June 30, 2023:

Unspent debt proceeds, cash	\$ 214,940
Unspent debt proceeds, investments	<u>5,939,612</u>
Total restricted assets - Stormwater	<u>\$ 6,154,552</u>

3. Receivables

A. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. These taxes are levied annually by ordinance, generally in September, and are payable by December 31. The City bills and collects its own property taxes, with the exception of vehicle taxes which are billed and collected by the Christian County Clerk and remitted to the City each month based upon collections in the previous months. Property tax bills are considered past due after December 31, at which time the applicable property is subject to lien, and penalties and interest are assessed.

B. Accounts Receivable

HWEA's net customer receivables included the following as of June 30, 2023:

Customer accounts receivable	\$ 1,558,637
Miscellaneous receivables	<u>49,547</u>
Total customer receivables - HWEA	<u>\$ 1,608,184</u>

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

3. Receivables, continued

B. Accounts Receivable, continued

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 (income) was \$65,565 for the year ended June 30, 2023.

Solid Waste's net customer receivables included the following as of June 30, 2023:

Customer accounts receivable	\$ 735,151
Allowance for uncollectible accounts	<u>(13,395)</u>
Total customer receivables - Solid Waste	<u>\$ 721,756</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. Net bad debt expense (income) was \$325 for the year ended June 30, 2023.

Stormwater's net customer receivables included the following as of June 30, 2023:

Customer accounts receivable	\$ 155,053
Allowance for uncollectible accounts	<u>(7,753)</u>
Total customer receivables - Stormwater	<u>\$ 147,300</u>

The allowance for uncollectible accounts is based on collection rates of similar organizations in the industry. Net bad debt expense (income) was \$2,481 for the year ended June 30, 2023.

C. Other Receivables/Deferred Revenues

HWEA had grant funds receivable of \$161,148 at June 30, 2023 for amounts due from the Delta Regional Authority, as provided by the States' Economic Development Assistance Program, for the reimbursement of costs incurred on certain sewer projects.

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 1.00%, due April 2027. The balance of this receivable was \$64,609 at June 30, 2023.

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

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

3. Receivables, continued

C. Other Receivables/Deferred Revenues, continued

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 4.00%, due in August 2027. The balance of this other receivable was \$1,097,986 at June 30, 2023. 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, 2023, \$143,587 was amortized to miscellaneous revenue. The balance of this deferred revenue account was \$4,025,523 at June 30, 2023.

4. Capital Assets

A summary of City governmental activities property, plant and equipment activity for the year ended June 30, 2023, is as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 2,200,850	\$ -	\$ -	\$ 2,200,850
Construction in Progress	333,898	1,411,470	333,898	1,411,470
Total Capital Assets Not Being Depreciated	<u>2,534,748</u>	<u>1,411,470</u>	<u>333,898</u>	<u>3,612,320</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	33,694,022	3,894,898	43,579	37,545,341
Equipment	11,312,594	760,561	2,402,977	9,670,178
Infrastructure	25,581,051	546,934	-	26,127,985
Land Improvements	16,447,220	243,905	1,506	16,689,619
Vehicles	8,789,381	1,411,891	3,393,267	6,808,005
Total Capital Assets Being Depreciated	<u>95,824,268</u>	<u>6,858,189</u>	<u>5,841,329</u>	<u>96,841,128</u>
Less Accumulated Depreciation:				
Buildings and Improvements	9,938,714	940,680	-	10,879,394
Equipment	7,544,296	1,010,389	2,654,588	5,900,097
Infrastructure	17,732,909	707,148	-	18,440,057
Land Improvements	6,865,965	980,127	-	7,846,092
Vehicles	7,194,531	705,063	2,841,521	5,058,073
Total Accumulated Depreciation	<u>49,276,415</u>	<u>4,343,407</u>	<u>5,496,109</u>	<u>48,123,713</u>
Total	<u>\$ 49,082,601</u>	<u>\$ 3,926,252</u>	<u>\$ 679,118</u>	<u>\$ 52,329,735</u>

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

4. Capital Assets, continued

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, 2023 was as follows:

General Government	\$ 512,317
Public Safety	1,260,692
Public Works	1,133,057
Community Development	541,562
Parks and Recreation	<u>895,779</u>
Total depreciation expense	<u><u>\$4,343,407</u></u>

A summary of HWEA's business-type activities property, plant and equipment activity for the year ended June 30, 2023, is as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Business-type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,571,840	\$ -	\$ -	\$ 1,571,840
Construction in Progress	<u>27,837,518</u>	<u>10,086,161</u>	<u>817,944</u>	<u>37,105,735</u>
Total Capital Assets Not Being Depreciated	<u>29,409,358</u>	<u>10,086,161</u>	<u>817,944</u>	<u>38,677,575</u>
Capital Assets Being Depreciated:				
Structures and Improvements	183,338,769	2,235,212	517,018	185,056,963
Equipment	8,872,258	570,007	1,564,555	7,877,710
Vehicles	<u>1,439,057</u>	<u>254,749</u>	<u>3,519</u>	<u>1,690,287</u>
Total Capital Assets Being Depreciated	<u>193,650,084</u>	<u>3,059,968</u>	<u>2,085,092</u>	<u>194,624,960</u>
Less Accumulated Depreciation:				
Structures and Improvements	85,770,985	4,720,876	341,792	90,150,069
Equipment	7,150,780	365,946	1,467,086	6,049,640
Vehicles	<u>1,167,041</u>	<u>130,253</u>	<u>-</u>	<u>1,297,294</u>
Total Accumulated Depreciation	<u>94,088,806</u>	<u>5,217,075</u>	<u>1,808,878</u>	<u>97,497,003</u>
Total - HWEA	<u>\$ 128,970,636</u>	<u>\$ 7,929,054</u>	<u>\$ 1,094,158</u>	<u>\$ 135,805,532</u>

Depreciation expense for HWEA for the year ended June 30, 2023 was \$5,217,075.

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, 2023, is as follows:

<u>Business-type Activities</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
Capital Assets Not Being Depreciated:				
Land	\$ 615,582	\$ -	\$ -	\$ 615,582
Construction in Progress	13,000	-	13,000	-
Total Capital Assets Not Being Depreciated	<u>628,582</u>	<u>-</u>	<u>13,000</u>	<u>615,582</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	3,033,888	67,514	-	3,101,402
Equipment	10,449,002	3,784,674	3,758,113	10,475,563
Land Improvements	<u>5,874,841</u>	<u>49,335</u>	<u>-</u>	<u>5,924,176</u>
Total Capital Assets Being Depreciated	<u>19,357,731</u>	<u>3,901,523</u>	<u>3,758,113</u>	<u>19,501,141</u>
Less Accumulated Depreciation:				
Buildings and Improvements	449,199	111,291	-	560,490
Equipment	5,401,936	1,190,917	958,804	5,634,049
Land Improvements	<u>1,900,776</u>	<u>396,612</u>	<u>-</u>	<u>2,297,388</u>
Total Accumulated Depreciation	<u>7,751,911</u>	<u>1,698,820</u>	<u>958,804</u>	<u>8,491,927</u>
Total - Solid Waste	<u>\$ 12,234,402</u>	<u>\$ 2,202,703</u>	<u>\$ 2,812,309</u>	<u>\$ 11,624,796</u>

Depreciation expense for Solid Waste for the year ended June 30, 2023 was \$1,698,820.

A summary of Stormwater business-type activities property, plant and equipment activity for the year ended June 30, 2023, is as follows:

<u>Business-type Activities</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
Capital Assets Not Being Depreciated:				
Land	\$ 1,058,283	\$ -	\$ -	\$ 1,058,283
Construction in Progress	<u>774,937</u>	<u>650,549</u>	<u>-</u>	<u>1,425,486</u>
Total Capital Assets Not Being Depreciated	<u>1,833,220</u>	<u>650,549</u>	<u>-</u>	<u>2,483,769</u>
Capital Assets Being Depreciated:				
Infrastructure	<u>9,436,417</u>	<u>109,291</u>	<u>-</u>	<u>9,545,708</u>
Less Accumulated Depreciation:				
Infrastructure	<u>2,847,539</u>	<u>377,457</u>	<u>-</u>	<u>3,224,996</u>
Total - Stormwater	<u>\$ 8,422,098</u>	<u>\$ 382,383</u>	<u>\$ -</u>	<u>\$ 8,804,481</u>

Depreciation expense for Stormwater for the year ended June 30, 2023 was \$377,457.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

5. Termination Benefits

All employees are compensated for unused vacation time and a portion of unused sick time when employment is terminated (retirement or otherwise). In addition, qualified participants in the County Employees Retirement Systems (CERS), under certain circumstances, are eligible to convert accrued sick pay benefits into additional credit for years of service upon retirement. Costs and notification of payment for these benefits are not calculated by the CERS actuary until a qualified participant submits an application for retirement benefits. The City has included this in their estimates for compensated absences.

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 Public Pensions Authority (KPPA), 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 positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate.

Under the provisions of Kentucky Revised Statute Sections 78.782 and 61.645, the Board of Trustees of KPPA administers Kentucky Employees Retirement System (KERS), CERS, and State Police Retirement System (SPRS). Although the assets of the funds are invested as a whole, each plan's assets are accounted for separately, invested according to plan-specific asset allocation goals, and are used only for the payment of benefits to the members of that plan and a pro rata share of administrative costs, in accordance with the provisions of Kentucky Revised Statute Sections 78.630, 61.570, and 16.555.

KPPA 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 Public Pension Authority, 1260 Louisville Road, Frankfort, Kentucky 40601, or it may be found at the KRS website at www.kyret.ky.gov.

**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:

Schedules pertaining to the City's and its component units' proportionate share of the CERS net pension liabilities are located on pages 119 & 120.

Basis of Accounting:

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

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 KPPA 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.

**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:

For retirement purposes, members are grouped into three tiers, based on hire date, and may qualify for either a reduced benefit or an unreduced benefit:

Non-hazardous

Tier 1	Participation date	Before September 1, 2008
	Unreduced benefit	27 years' service or 65 years old
	Reduced benefit	At least 5 years' service and 55 years old At least 25 years' service and any age
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced benefit	At least 5 years' service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced benefit	At least 10 years' service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced benefit	At least 5 years' service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced benefit	Not available

Hazardous

Tier 1	Participation date	Before September 1, 2008
	Unreduced benefit	At least 5 years' service and 55 years old At least 25 years' service and any age
	Reduced benefit	At least 15 years' service and 50 years old
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced benefit	At least 5 years' service and 60 years old At least 25 years' service and any age
	Reduced benefit	At least 15 years' service and 50 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced benefit	At least 5 years' service and 60 years old or age At least 25 years' service and any age
	Reduced benefit	Not available

**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:

Benefits are paid based on a formula that includes three variables: 1) the member's final compensation; 2) benefit factors, which are set by statute and vary depending upon the type of service, amount of service, participation date, and retirement date; and 3) the member's years of service.

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 KPPA upon the retired member's death. Senate Bill 169, passed during the 2021 legislative session, increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability.

Pension Contributions:

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

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, with 5.00% credited to the member's account and 1.00% deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund. 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

**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:

Section 401(h) in the Insurance Fund, 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 are required to contribute 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 KPPA Board on the basis of the last annual valuation preceding July 1 of a new biennium. The KPPA 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 KPPA Board.

For the fiscal year ended June 30, 2023 participating employers contributed 26.79% for nonhazardous members (23.4% allocated to pension and 3.39% allocated to OPEB) and 49.59% for hazardous members (42.81% allocated to pension and 6.78% allocated to OPEB) of each employee's creditable compensation. These percentages are inclusive of both pension and insurance payments for employers. Administrative costs of KPPA 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, 2023. The City's total employer contributions to the pension fund (excluding the insurance portion) were \$5,452,398 (\$1,553,438 for nonhazardous and \$3,898,960 for hazardous) for the year ended June 30, 2023.

HWEA met 100.00% of the contribution funding requirements to the pension fund for the year ended June 30, 2023. HWEA's total contributions to the pension fund (excluding the insurance portion) were \$1,159,629 for the year ended June 30, 2023. 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, 2023. Solid Waste's total contributions to the pension fund (excluding the insurance portion) were \$615,035 for the year ended June 30, 2023. Solid Waste has no employees classified as hazardous.

Schedules pertaining to CERS pension contributions by the City and its component units are located on pages 121 & 122.

**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**

Pension Liabilities:

For the City's fiscal year ended June 30, 2023, the total pension liability was rolled forward from the valuation date (June 30, 2021) to the plan's fiscal year ended June 30, 2022, using generally accepted actuarial principles and was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Inflation:	2.30%
Payroll Growth Rate:	2.00%
Salary Increase:	3.30% to 10.30%, varies by service
Investment Rate of Return:	6.25%

The mortality table used for active members was Pub-2010 General Mortality table, for the nonhazardous plans and the Pub-2010 Public Safety Mortality table for the hazardous plans, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for disabled members was Pub-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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, 2023, the City's proportionate share of the nonhazardous net pension liability was 0.210444%, and its share of the hazardous net pension liability was 1.426677%; HWEA's proportionate share of the nonhazardous net pension liability was 0.169107%; and Solid Waste's proportionate share of the nonhazardous net pension liability was 0.093717%.

**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, 2023, included in noncurrent liabilities, due beyond one year:

	<u>Net Pension Liability</u>
City of Hopkinsville:	
CERS:	
Nonhazardous	\$ 15,213,025
Hazardous	<u>43,534,439</u>
Total City of Hopkinsville	<u>\$ 58,747,464</u>
HWEA:	
Nonhazardous	<u>\$ 12,224,768</u>
Solid Waste:	
Nonhazardous	<u>\$ 6,774,815</u>

The net pension liabilities for June 30, 2023 were measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. 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, 2022 measurement date, the City was allocated \$5,584,155 in CERS pension expense, which consisted of \$2,435,194 for nonhazardous and \$3,148,961 for hazardous. For the June 30, 2022 measurement date HWEA was allocated \$1,843,111 in CERS pension expense for nonhazardous pensions, and Solid Waste was allocated \$486,866 in CERS pension expense for nonhazardous pensions.

Also see Note 6C for total pension expense for all pension plans.

**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:

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 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, 2023, the City reported deferred outflows of resources and deferred inflows of resources relation to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
City of Hopkinsville:		
Difference between expected and actual liability experience:		
Nonhazardous	\$ 16,265	\$ 135,479
Hazardous	<u>1,248,209</u>	<u>-</u>
	<u>1,264,474</u>	<u>135,479</u>
Difference between projected and actual earnings on pension plan investments:		
Nonhazardous	390,007	-
Hazardous	<u>1,005,525</u>	<u>-</u>
	<u>1,395,532</u>	<u>-</u>
Effect of change in assumptions:		
Nonhazardous	-	-
Hazardous	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</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 of Hopkinsville, continued:		
Changes in proportion and differences between employer contributions and proportionate share of plan contributions:		
Nonhazardous	\$ 1,533,265	\$ -
Hazardous	<u>-</u>	<u>1,625,039</u>
	<u>1,533,265</u>	<u>1,625,039</u>
 Subtotal	 4,193,271	 1,760,518
 City contributions subsequent to the measurement date:		
Nonhazardous	1,553,438	-
Hazardous	<u>3,898,960</u>	<u>-</u>
	<u>5,452,398</u>	<u>-</u>
 Total	 <u>\$ 9,645,669</u>	 <u>\$1,760,518</u>

The \$5,452,398 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, 2024. 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:	
2023	\$ 1,109,846
2024	435,667
2025	(534,487)
2026	1,421,727
2027	-
Thereafter	<u>-</u>
	<u>\$ 2,432,753</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, 2023, HWEA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
HWEA:		
Difference between expected and actual liability experience	\$ 13,070	\$ 108,867
Difference between projected and actual earnings on pension plan investments	313,399	-
Effect of change in assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of plan contributions	<u>671,227</u>	<u>81,584</u>
Subtotal	997,696	190,451
HWEA's contributions subsequent to the measurement date	<u>1,159,629</u>	<u>-</u>
Total	<u><u>\$ 2,157,325</u></u>	<u><u>\$ 190,451</u></u>

The \$1,159,629 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, 2024. 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:

**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:

HWEA, continued:

Year Ending June 30:	
2023	\$ 562,178
2024	518
2025	(102,730)
2026	347,279
2027	-
Thereafter	<u>-</u>
	<u>\$ 807,245</u>

At June 30, 2023, 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>
Solid Waste:		
Difference between expected and actual liability experience	\$ 7,243	\$ 60,333
Difference between projected and actual earnings on pension plan investments	173,681	-
Effect of change in assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of plan contributions	<u>54,310</u>	<u>264,501</u>
Subtotal	235,234	324,834
Solid Waste's contributions subsequent to the measurement date	<u>615,035</u>	<u>-</u>
Total	<u>\$ 850,269</u>	<u>\$ 324,834</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:

Solid Waste, continued:

The \$615,035 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, 2024. 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:	
2023	\$ (102,268)
2024	(122,857)
2025	(56,932)
2026	192,457
2027	-
Thereafter	<u>-</u>
	<u>\$ (89,600)</u>

Actuarial Assumptions and Other Inputs - Pension

Actuarial Assumptions:

For the City's fiscal year ended June 30, 2023, the total pension liability, net pension liability, and sensitivity information were based on an actuarial valuation date of the June 30, 2021. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2022, using generally accepted actuarial principles.

There have been no actuarial assumption or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2021.

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for the plan's fiscal year ended June 30, 2022:

Valuation Date:	June 30, 2020
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percent of Pay

**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:

Amortization Period:	30 Years closed period at June 30, 2019 <i>(gains/losses incurring after 2019 will be amortized over separate 20-year amortization bases)</i>
Payroll Growth Rate:	2.00%
Asset Valuation Method:	20.00% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation:	2.30%
Salary Increase:	3.30% to 10.30%, varies by service
Investment Rate of Return:	6.25%
Mortality:	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Phase-in Provision:	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS nonhazardous and hazardous

Discount Rate Assumptions:

- a. 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, 2022 measurement date. The single discount rate was based on the expected rate of return on pension plan investments for each plan.
- b. Projected Cash Flows: The projection of cash flows used to determine the single discount rate includes an assumption regarding actual employer contributions made each future year. 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. The assumed future employer contributions reflect the provision of House Bill 362, passed during the 2018 legislative session, which limits the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.
- c. Long-Term Rate of Return: The long-term expected rate of return was determined by using a building block method in which best-estimate ranges of expected future real 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

Discount Rate Assumptions, continued:

- d. Municipal Bond Rate: The discount rate determination does not use a municipal bond rate.
- e. Periods of Projected Benefit Payments: 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 rates of return on pension plan investments were applied to all periods of the projected benefit payments to determine the total pension liability for each plan.
- f. Assumed Asset Allocations: For the June 30, 2022 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>
Equity:		
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income:		
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected:		
Real Estate	7.00%	3.67%
Real Return	<u>13.00%</u>	<u>4.07%</u>
Expected Real Return	<u>100.00%</u>	4.28%
Long-Term Inflation Assumption		<u>2.30%</u>
Expected Nominal Return for Portfolio		<u>6.58%</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

Discount Rate Assumptions, continued:

- g. Sensitivity Analysis: For the June 30, 2022 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>
City of Hopkinsville:			
<u>CERS Nonhazardous:</u>			
Discount Rate	5.25%	6.25%	7.25%
Proportionate Share NPL	<u>\$ 19,014,394</u>	<u>\$ 15,213,025</u>	<u>\$ 12,068,978</u>
<u>CERS Hazardous:</u>			
Discount Rate	5.25%	6.25%	7.25%
Proportionate Share NPL	<u>\$ 54,229,269</u>	<u>\$ 43,534,439</u>	<u>\$ 34,824,161</u>
HWEA:			
<u>CERS Nonhazardous:</u>			
Discount Rate	5.25%	6.25%	7.25%
Proportionate Share NPL	<u>\$ 15,279,443</u>	<u>\$ 12,224,768</u>	<u>\$ 9,698,298</u>
Solid Waste:			
<u>CERS Nonhazardous:</u>			
Discount Rate	5.25%	6.25%	7.25%
Proportionate Share NPL	<u>\$ 8,467,678</u>	<u>\$ 6,774,815</u>	<u>\$ 5,374,676</u>

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

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

Other Information about the Pension Plan

Payables to the Pension Plan:

At June 30, 2023, the City and its component units 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 Public Pensions Authority Annual Comprehensive Financial Report at www.kyret.ky.gov.

B. Policemen's and Firefighter's Pension Fund

General Information about the Pension Plan

The City of Hopkinsville Policemen's and Firefighter's Pension Fund (PFPF) is a single-employer, defined benefit pension plan administered by a Board of Trustees consisting of the Mayor, the City's Chief Financial Officer, and two beneficiaries. PFPF was established to provide benefits for widows/widowers and retiring personnel of the police and fire departments who elected to continue to participate in the plan. During the fiscal 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 123-125.

Plan Membership:

As of January 1, 2023, PFPF had 12 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:

**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

General Information about the Pension Plan, continued

Benefits Provided, continued:

<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.

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).

**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

General Information about the Pension Plan, continued

Benefits Provided, continued:

- 3) Death of a retired or disabled member (requires the completion of one year of service with respect to eligibility for benefits).
- 4) Death of a member under conditions of 1), 2), or 3) who is not survived by an eligible spouse or unmarried dependent children.

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

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

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

Contributions:

Active members were 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 fiscal year ended June 30, 2023.

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, 2023, 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 on page 124.

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

Net Pension Liability:

The City's net pension liability (asset) was measured as of January 1, 2023, and the total net pension liability (asset) was determined by an actuarial valuation as of that date.

The following is a summary of net pension liability shown on the statement of net position as of June 30, 2023, included in noncurrent liabilities, due beyond one year:

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a) – (b)</u>
Balances – June 30, 2022	\$ 2,319,256	\$ 1,300,071	\$1,019,185
Changes for the Year:			
Service cost	-	-	-
Interest cost	49,770	-	49,770
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(149,962)	-	(149,962)
Changes of assumptions	(245,925)	-	(245,925)
Contributions – City	-	235,000	(235,000)
Contributions – Employees	-	-	-
Net investment income	-	(35,230)	35,230
Benefit payments	(197,976)	(197,976)	-
Plan administration expenses	-	(28,340)	28,340
Net changes	<u>(544,093)</u>	<u>(26,546)</u>	<u>(517,547)</u>
Balances – June 30, 2023	<u>\$ 1,775,163</u>	<u>\$ 1,273,525</u>	<u>\$ 501,638</u>

The components of the PFPF's at June 30, 2023, were as follows:

Total Pension Liability	\$ 1,775,163*
Plan Fiduciary Net Position	<u>(1,273,525)</u>
Net Pension Liability	<u>\$ 501,638</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71,74%

*Assumes 1.75% 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 Liabilities, Pension Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

Net Pension Liability, continued:

Also see the Schedule of Changes in the Net Pension Liability and Related Ratios for the PFPF that is located on page 123.

Pension Expense (Income):

For the year ended June 30, 2023, the City recognized pension expense (income) of (\$328,607) for the Policemen's and Firefighter's Pension Fund. Also see Note 6C for total pension expense for all pension plans.

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

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to PFPF from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Liability gains and losses	\$ -	\$ -
Change of assumptions	-	-
Net difference between projected and actual earnings on investments	<u>54,692</u>	<u>-</u>
Total	<u>\$ 54,692</u>	<u>\$ -</u>

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

**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 Liabilities, Pension Expense (Income), 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:

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:	
2024	\$ 11,686
2025	13,512
2026	17,144
2027	12,350
2028	<u>-</u>
	<u>\$ 54,692</u>

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

Actuarial Assumptions and Other Inputs - Pension

Actuarial Assumptions:

The total pension liability as of the January 1, 2023, 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:	1.75% per annum – based on 10-year COLA experience.
Retiree Joint & Survivor Percentage:	Actual contingent annuitant benefit divided by current retiree monthly annuity.
Mortality Rates:	RP-2014 Generational Mortality Tables (Blue Collar) adjusted to 2006 with projected mortality improvements after year 2006 under Projection Scale MP-2021 (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 – 4.31% per annum, which represents the long-term rate of return assumption.

**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 - Pension, continued

Actuarial Assumptions, continued:

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

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

Changes in Assumptions and Methods from Prior Actuarial Valuation:

The discount rate was previously 2.25%, whereas the current discount rate is 4.31%. This change was in recognition of the 20 Year High Grade Bond Rate Environment as of the valuation date.

The Cost-of-Living Adjustment (COLA) rate was previously 1.50%, whereas the current COLA rate is 1.75%. This change was in recognition of the 10 year COLA experience study.

Sensitivity Analysis:

The following presents the net pension liability (asset) of the City calculated using the discount rate of 4.31%, as well as the net pension liability (asset) if calculated using a discount rate that is 1 percentage point lower (3.31%) or 1 percentage point higher (5.31%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Discount Rate	3.31%	4.31%	5.31%
Net Pension Liability	<u>\$629,495</u>	<u>\$501,638</u>	<u>\$388,550</u>

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

6. Defined Benefit Pension Plans, continued

C. Total Pension Expense – Defined Benefit Pension Plans

For the year ended June 30, 2023, total pension expense for the City was as follows:

CERS – Nonhazardous employees	\$ 2,435,194
CERS – Hazardous employees	3,148,961
PFPF	<u>(328,607)</u>
Total pension expense	<u>\$ 5,255,548</u>

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 Other Postemployment Benefits (OPEB) plan administered by the Kentucky Public Pensions Authority (KPPA), 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 positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. The plans provide for health insurance benefits to plan members. Health insurance benefits may be extended to beneficiaries of plan members under certain circumstances.

Schedules pertaining to the City's and its component units' proportionate share of the CERS net OPEB liabilities are located on pages 126 & 127.

Basis of Accounting:

For purposes of measuring the net other post-employment benefits plan (OPEB) liability, deferred outflow of resources and deferred inflow of resources related to OPEB, and OPEB expense, information about fiduciary net position of CERS and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Since 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. GASB 74 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

**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:

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 KPPA Board also administers the KRS Insurance Fund. The Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS, KERS, and 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 Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. KPPA 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 nonhazardous 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 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 judgment, 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 of members who die as a direct result of an act in the line of duty or from a duty-related injury.

**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:

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 are required to contribute 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 KPPA Board on the basis of the last annual valuation preceding July 1 of a new biennium. The KPPA 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 KPPA Board.

For the fiscal year ended June 30, 2023 participating employers contributed 26.79% for nonhazardous members (23.40% allocated to pension and 3.39% allocated to OPEB) and 49.59% for hazardous members (42.81% allocated to pension and 6.78% allocated to OPEB) of each employee's creditable compensation. These percentages are inclusive of both pension and insurance payments for employers. Administrative costs of KPPA 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, 2023. The City's total employer contributions to the insurance fund (excluding the pension portion) were \$842,544 (\$225,049 for nonhazardous and \$617,495 for hazardous) for the year ended June 30, 2023.

HWEA met 100.00% of the contribution funding requirements to the insurance fund for the year ended June 30, 2023. HWEA's total contributions to the insurance fund (excluding the pension portion) were \$167,998 for the year ended June 30, 2023. 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, 2023. Solid Waste's total contributions to the insurance fund (excluding the pension portion) were \$89,101 for the year ended June 30, 2023. Solid Waste has no employees classified as hazardous.

Schedules pertaining to CERS OPEB contributions by the City and its component units are located on pages 128 & 129.

**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

OPEB Liabilities:

For the City's fiscal year ended June 30, 2023, the total OPEB liability was rolled forward from the valuation date (June 30, 2021) to the plan's fiscal year ended June 30, 2022, using generally accepted actuarial principles and was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Inflation:	2.30%
Payroll Growth Rate:	2.00%
Salary Increase:	3.30% to 10.30%, varies by service
Investment Rate of Return:	6.25%
Healthcare Trend Rates (Pre-65):	Initial trend starting at 6.20% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Healthcare Trend Rates (Post-65):	Initial trend starting at 9.00% at January 1, 2024 then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Mortality:	
Pre-retirement:	Pub-2010 General Mortality table, for the nonhazardous plans and the Pub-2010 Public Safety Mortality table for the hazardous plans, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non-disabled):	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using base year of 2019
Post-retirement (disabled):	Pub-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The net OPEB liabilities for June 30, 2023 were measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date to the measurement date using generally accepted actuarial principles. The City's and its component units' proportion of the net OPEB liabilities were based on the City and its component units' share of contributions to the OPEB plan relative to the contributions of all participating employers. At June 30, 2023, the City's proportionate share of the nonhazardous net OPEB liability was 0.210414%, and its share of the hazardous net OPEB

**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

liability was 1.426193%; HWEA's proportionate share of the nonhazardous net OPEB liability was 0.169077%; and Solid Waste's proportionate share of the nonhazardous net OPEB liability was 0.093700%.

The following is a summary of net OPEB liability shown on the statement of net position as of June 30, 2023, included in noncurrent liabilities, due after one year:

	<u>Net OPEB Liability</u>
City of Hopkinsville:	
CERS:	
Nonhazardous	\$ 4,152,549
Hazardous	<u>12,148,109</u>
Total City of Hopkinsville	<u>\$ 16,300,658</u>
HWEA:	
Nonhazardous	<u>\$ 3,336,758</u>
Solid Waste:	
Nonhazardous	<u>\$ 1,849,182</u>

OPEB Expense:

For the June 30, 2022 measurement date, the City was allocated \$1,955,554 in CERS OPEB expense, which consisted of \$824,102 for nonhazardous and \$1,131,452 for hazardous. For the year ended June 30, 2022 measurement date, HWEA was allocated \$626,589 in CERS OPEB expense for nonhazardous pensions, and Solid Waste was allocated \$282,518 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 as deferred outflows.

**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 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.

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, 2023, the City 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>
City of Hopkinsville:		
Difference between expected and actual liability experience:		
Nonhazardous	\$ 417,989	\$ 952,276
Hazardous	<u>268,420</u>	<u>719,479</u>
	<u>686,409</u>	<u>1,671,755</u>
Difference between projected and actual earnings on OPEB plan investments:		
Nonhazardous	168,541	-
Hazardous	<u>443,397</u>	<u>-</u>
	<u>611,938</u>	<u>-</u>
Effects of change in assumptions:		
Nonhazardous	656,755	541,162
Hazardous	<u>2,027,873</u>	<u>2,090,254</u>
	<u>2,684,628</u>	<u>2,631,416</u>
Changes in proportion and differences between employer contributions and proportionate shares of plan contributions:		
Nonhazardous	622,020	10,593
Hazardous	<u>-</u>	<u>754,664</u>
	<u>622,020</u>	<u>765,257</u>
Subtotal	<u>4,604,995</u>	<u>5,068,428</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>
City of Hopkinsville, continued:		
City contributions subsequent to the measurement date:		
Nonhazardous	\$ 225,049	\$ -
Hazardous	<u>617,495</u>	<u>-</u>
	<u>842,544</u>	<u>-</u>
 Total	 <u>\$ 5,447,539</u>	 <u>\$5,068,428</u>

The \$842,544 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, 2024. 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 amount will decrease OPEB expense) for the future measurement periods:

Year Ending June 30:	
2023	\$ 70,913
2024	77,178
2025	(432,709)
2026	254,287
2027	(433,102)
Thereafter	<u>-</u>
	<u>\$ (463,433)</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, 2023, HWEA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
HWEA:		
Difference between expected and actual liability experience	\$ 335,872	\$ 765,196
Difference between projected and actual earnings on OPEB plan investments	135,431	-
Effect of change in assumptions	527,732	434,848
Changes in proportion and differences between employer contributions and proportionate share of plan contributions	<u>381,491</u>	<u>69,213</u>
Subtotal	1,380,526	1,269,257
HWEA's contributions subsequent to the measurement date	<u>167,998</u>	<u>-</u>
Total	<u><u>\$ 1,548,524</u></u>	<u><u>\$1,269,257</u></u>

The \$167,998 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, 2024. 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 amount will decrease OPEB expense) for the future measurement periods:

**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:

HWEA, continued:

Year Ending June 30:	
2023	\$ 114,102
2024	114,354
2025	(123,157)
2026	5,970
2027	-
Thereafter	<u>-</u>
	<u>\$ 111,269</u>

At June 30, 2023, 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>
Solid Waste:		
Difference between expected and actual liability experience	\$ 186,136	\$ 424,060
Difference between projected and actual earnings on OPEB plan investments	75,054	-
Effect of change in assumptions	292,461	240,986
Changes in proportion and differences between employer contributions and proportionate share of plan contributions	<u>54,401</u>	<u>101,206</u>
Subtotal	608,052	766,252
Solid Waste's contributions subsequent to the measurement date	<u>89,101</u>	<u>-</u>
Total	<u>\$ 697,153</u>	<u>\$ 766,252</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:

Solid Waste, continued:

The \$89,101 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, 2024. 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 amount will decrease OPEB expense) for the future measurement periods:

Year Ending June 30:	
2023	\$ (1,411)
2024	(15,656)
2025	(128,639)
2026	(12,494)
2027	-
Thereafter	<u>-</u>
	<u>\$ (158,200)</u>

Actuarial Assumptions and Other Inputs – OPEB

Actuarial Assumptions:

For the City's fiscal year ended June 30, 2023, the total OPEB liability, net OPEB liability, and sensitivity information were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2022, using generally accepted actuarial principles.

Compared to the prior year, the discount rate used to calculate the total OPEB liability increased from 5.20% to 5.70% for the nonhazardous fund and from 5.05% to 5.61% for the hazardous fund. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021 valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. There were no other material assumption changes.

**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:

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contributions for members hired on or after July 1, 2003, by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirements. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA.

The total OPEB liability as of June 30, 2022, was determined using these updated benefit provisions. There were no other material plan provision changes.

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for the plan's fiscal year ended June 30, 2022:

Valuation Date:	June 30, 2020
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percent of Pay
Amortization Period:	30 years closed period at June 30, 2019 <i>(gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases)</i>
Payroll Growth Rate:	2.00%
Asset Valuation Method:	20.00% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation:	2.30%
Salary Increases:	3.30% to 10.30%, varies by service
Investment Rate of Return:	6.25%
Mortality:	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Healthcare Trend Rates (Pre-65):	Initial trend starting at 6.40% on January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.

**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 (Post-65): Initial trend starting at 6.30% on January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided “Not to Exceed” 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.

Discount Rate Assumptions:

- a. Discount Rate: The discount rate used to measure the total OPEB liability for the nonhazardous fund was 5.70%, which increased from the prior year rate of 5.20%. The discount rate used to measure the total OPEB liability for the hazardous plan was 5.61%, which increased from the prior year rate of 5.05%. The discount rates for each year were based on the expected rate of return on OPEB plan investments of 6.25%.
- b. Projected Cash Flows: The projection of cash flows used to determine the single discount rates includes an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that each participating employer contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.
- c. Long-Term Rate of Return: The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of return were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage.
- d. Municipal Bond Rate: The discount rate determination used a municipal bond rate of 3.69%, as reported in Fidelity Index’s *20-Year Municipal GO AA Index* as of June 30, 2022.

**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 Assumptions, continued:

- e. Period of Projected Benefit Payments: Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions are projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy is not included in the calculation of the actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the Plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.
- f. Assumed Asset Allocations: For the June 30, 2022 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>
Equity:		
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income:		
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected:		
Real Estate	7.00%	3.67%
Real Return	<u>13.00%</u>	<u>4.07%</u>
Expected Real Return	<u>100.00%</u>	4.28%
Long-Term Inflation Assumption		<u>2.30%</u>
Expected Nominal Return for Portfolio		<u>6.58%</u>

- g. Sensitivity Analysis: For the June 30, 2022 measurement date, the following presents the City and its component units' proportionate share of the net OPEB liabilities calculated using the discount rate of 5.70% for nonhazardous and 5.61% for hazardous, as well as what the City and its component units' proportionate share of the net OPEB liability 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:

**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 Assumptions, continued:

g. Sensitivity Analysis, continued:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City of Hopkinsville:			
<u>CERS Nonhazardous:</u>			
Discount Rate	4.70%	5.70%	6.70%
Proportionate Share Net OPEB Liability	<u>\$ 5,551,296</u>	<u>\$ 4,152,549</u>	<u>\$ 2,996,251</u>
<u>CERS Hazardous:</u>			
Discount Rate	4.61%	5.61%	6.61%
Proportionate Share Net OPEB Liability	<u>\$ 16,879,435</u>	<u>\$ 12,148,109</u>	<u>\$ 8,305,389</u>
HWEA:			
<u>CERS Nonhazardous:</u>			
Discount Rate	4.70%	5.70%	6.70%
Proportionate Share Net OPEB Liability	<u>\$ 4,460,713</u>	<u>\$ 3,336,758</u>	<u>\$ 2,407,621</u>
Solid Waste:			
<u>CERS Nonhazardous:</u>			
Discount Rate	4.70%	5.70%	6.70%
Proportionate Share Net OPEB Liability	<u>\$ 2,472,062</u>	<u>\$ 1,849,182</u>	<u>\$ 1,334,268</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

Discount Rate Assumptions, continued:

g. Sensitivity Analysis, continued:

For the June 30, 2022 measurement date, the following presents the City and its component units' proportionate share of the net OPEB liability calculated using the healthcare cost trend rate, as well as what the City and its component units' proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
City of Hopkinsville:			
<u>Nonhazardous:</u>			
Proportionate Share Net OPEB Liability	<u>\$ 3,087,328</u>	<u>\$ 4,152,549</u>	<u>\$ 5,431,679</u>
<u>Hazardous:</u>			
Proportionate Share Net OPEB Liability	<u>\$ 8,482,872</u>	<u>\$ 12,148,109</u>	<u>\$ 16,615,836</u>
HWEA:			
<u>Nonhazardous:</u>			
Proportionate Share Net OPEB Liability	<u>\$ 2,480,805</u>	<u>\$ 3,336,758</u>	<u>\$ 4,364,595</u>
Solid Waste:			
<u>Nonhazardous:</u>			
Proportionate Share Net OPEB Liability	<u>\$ 1,374,826</u>	<u>\$ 1,849,182</u>	<u>\$ 2,418,795</u>

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

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

Other Information about the OPEB Plan

Payables to the OPEB Plan:

At June 30, 2023, the City and its component units reported no payables for outstanding contributions to the OPEB plans 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 Public Pensions Authority Annual Comprehensive Financial Report at www.kyret.ky.gov.

Total OPEB Expense

For the year ended June 30, 2023, total OPEB expense for the City was as follows:

CERS – Nonhazardous employees	\$ 824,102
CERS – Hazardous employees	<u>1,131,452</u>
Total OPEB expense	<u>\$ 1,955,554</u>

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 by the City are the deferred inflows of resources associated with the pension and OPEB plans. This deferred inflow will be recognized in pension and OPEB expense in future years.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

8. Deferred Outflows and Inflows of Resources, continued

The deferred outflows of resources for HWEA include deferred charges on various debt refundings and deferred outflows relating to HWEA's pension and OPEB plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. Those amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows relating to the pension and OPEB plans will be recognized as reductions 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 and OPEB 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 and OPEB plans will be recognized as reductions 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 and OPEB 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, 2023, the following changes occurred in long-term liabilities:

	Principal Outstanding <u>July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	Principal Outstanding <u>June 30, 2023</u>	Due Within <u>One Year</u>
Governmental Activities:					
General Obligation Bonds-City	\$ 25,000,000	\$ 6,015,000	\$ 1,145,000	\$ 29,870,000	\$ 1,365,000
General Obligation Bonds- on behalf of component units	24,256,250	-	2,402,083	21,854,167	2,455,000
Revenue Bond- on behalf of component unit	1,640,000	-	192,500	1,447,500	198,500
Notes Payable-City	1,250,361	-	238,301	1,012,060	241,762
Other Financing Arrangements-City	54,206	-	54,206	-	-
Other Financing Arrangements- on behalf of component units	3,099,909	3,676,630	2,869,909	3,906,630	2,394,306
Plus: Unamortized Premium-City	602,540	310,066	43,027	869,579	-
Plus: Unamortized Premium- on behalf of component units	681,696	-	165,606	516,090	-
Less: Unamortized Discount-City	(21,857)	-	(1,066)	(20,791)	-
Less: Unamortized Discount- on behalf of component units	(4,048)	-	(516)	(3,532)	-
Total long-term debt	56,559,057	10,001,696	7,109,050	59,451,703	6,654,568
Compensated Absences	1,414,449	216,765	162,626	1,468,588	146,859*
Net Pension Liability (PFPF)	1,019,185	-	517,547	501,638	-
Net Pension Liability (CERS)	51,457,741	11,701,256	4,411,533	58,747,464	-
Net OPEB Liability (CERS)	15,585,850	2,033,896	1,319,088	16,300,658	-
Accrued landfill closure/post-closure costs, on behalf of component units	5,495,180	1,186,014	-	6,681,194	-
Total Governmental Activities	<u>\$ 131,531,462</u>	<u>\$ 25,139,627</u>	<u>\$ 13,519,844</u>	<u>\$ 143,151,245</u>	<u>\$ 6,801,427</u>

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

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

	Principal Outstanding July 1, 2022	Additions	Reductions	Principal Outstanding June 30, 2023	Due Within One Year
<u>Business-type Activities-HWEA:</u>					
Notes Payable-SRF loans	\$ 56,564,567	\$ 9,418,124	\$ 2,706,651	\$ 63,276,040	\$ 2,753,659
Payable to City of Hopkinsville:					
Revenue Bond	1,640,000	-	192,500	1,447,500	198,500
General Obligation Bonds	11,200,000	-	1,915,000	9,285,000	1,980,000
Plus: Unamortized Premium	615,443	-	162,870	452,573	-
Less: Unamortized Discount	(4,048)	-	(516)	(3,532)	-
Total long-term debt	70,015,962	9,418,124	4,976,505	74,457,581	4,932,159
Compensated Absences	578,635	406,907	285,050	700,492	371,165*
Net Pension Liability (CERS)	10,928,222	2,295,778	999,232	12,224,768	-
Net OPEB Liability (CERS)	3,280,640	328,936	272,818	3,336,758	-
Total Business-type Activities-HWEA	<u>\$ 84,803,459</u>	<u>\$ 12,449,745</u>	<u>\$ 6,533,605</u>	<u>\$ 90,719,599</u>	<u>\$ 5,303,324</u>
<u>Business-type Activities-Solid Waste:</u>					
Note Payable	\$ 259,516	\$ -	\$ 166,294	\$ 93,222	\$ 93,222
Finance Lease Payable	84,165	-	18,804	65,361	16,419
Payable to City of Hopkinsville:					
General Obligation Bonds	3,586,250	-	167,083	3,419,167	170,000
Other Financing Arrangements	3,099,909	3,676,630	2,869,908	3,906,630	2,394,306
Plus: Unamortized Premium	12,591	-	744	11,847	-
Total long-term debt	7,042,431	3,676,630	3,222,833	7,496,227	2,673,947
Compensated Absences	742,986	-	66,005	676,981	101,547*
Net Pension Liability (CERS)	6,355,637	419,178	-	6,774,815	-
Net OPEB Liability (CERS)	1,907,960	-	58,778	1,849,182	-
Accrued Landfill Closure/Post-Closure Costs, payable to City	5,495,180	1,186,014	-	6,681,194	-
Total Business-type Activities-Solid Waste	<u>\$ 21,544,194</u>	<u>\$ 5,281,822</u>	<u>\$ 3,347,616</u>	<u>\$ 23,478,399</u>	<u>\$ 2,775,494</u>
<u>Business-type Activities-Stormwater:</u>					
Payable to City of Hopkinsville:					
General Obligation Bonds	\$ 9,470,000	\$ -	\$ 320,000	\$ 9,150,000	\$ 305,000
Plus: Unamortized Premium	53,662	-	1,992	51,670	-
Total Business-type Activities-Stormwater	<u>\$ 9,523,662</u>	<u>\$ -</u>	<u>\$ 321,992</u>	<u>\$ 9,201,670</u>	<u>\$ 305,000</u>
Total Business-type Activities-Component Units	<u>\$ 115,871,315</u>	<u>\$ 17,731,567</u>	<u>\$ 10,203,213</u>	<u>\$ 123,399,668</u>	<u>\$ 8,383,818</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.

General Obligation Bonds

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

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

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

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

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

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

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

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, 2022, the City issued general obligation refunding bonds (Series 2021A) for \$1,835,000 to refinance the 2011A bond issue for the acquisition and construction of Tie Breaker Family Aquatic Center, the Public Works Complex, and renovations at Gander Park, as well as the for improvements to the Old First City Bank Building. This obligation matures in 2035 with interest rates ranging from 1.25% to 2.00%. Interest is due in semi-annual installments.

During the year ended June 30, 2022, the City issued general obligation refunding bonds (Series 2021B) for \$6,240,000 to refinance the 2011B bond issue 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 4.00%. Interest is due in semi-annual installments.

During the year ended June 30, 2023, the City issued general obligation bonds (Series 2022B) for \$3,620,000 to finance the costs of the acquisition of 65 acres of land to be used in the development of a new industrial facility to be utilized in the manufacture of electronic vehicle batteries and a grant, the proceeds of which will be used to pay the costs of site preparation and improvements for the land on which the facility will be located. This obligation matures in 2042 with interest rates ranging from 4.00% to 5.00%. Interest is due in semi-annual installments.

During the year ended June 30, 2023, the City issued general obligation bonds (Series 2023A) for \$2,395,000 to finance the costs of the acquisition of a parcel of real estate consisting of approximately 10 acres of land with a single story industrial building to be converted into a new firehouse. This obligation matures in 2033 with interest rates ranging from 4.00% to 5.00%. 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 2038.

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

During the year ended June 30, 2015, the City, on behalf of HWEA, issued tax-exempt general obligation bonds (Series 2014C) for \$1,620,000 to currently refund and redeem the outstanding Kentucky Rural Water Finance Corporation revenue bonds dated March 3, 2004 and April 27, 2004 (Series 2001H and 2004B maturing in 2025 and 2029, respectively), the proceeds of which financed the acquisition, construction, installation, and equipping of extensions, additions, and improvements to the Oak Grove system. (These revenue bonds were assumed by HWEA upon HWEA's acquisition of the Oak Grove sewer system during the year ended June 30, 2008.) The Series 2014C general obligation bonds were also issued to pay other allowable expenditures including issuance costs. This current refunding took place to achieve debt service savings. This obligation matures in 2029 with interest rates ranging from 1.10% to 3.25%. Interest is due in semi-annual installments.

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

During the year ended June 30, 2021, the City, on behalf of Solid Waste, issued general obligation bonds (Series 2020) for \$3,525,000 for the purpose of funding the construction of a vertical expansion of the landfill. This bond matures in 2040 and has interest rates ranging from 2.00% to 2.50% plus administrative fees.

During the year ended June 30, 2021, the City, on behalf of Solid Waste, issued general obligation bonds (Series 2021) for \$335,000 for the purpose of additional funding for the construction of a vertical expansion of the landfill. This bond matures in 2040 and has an interest rate of 2.00% plus administrative fees.

During the year ended June 30, 2022, the City, on behalf of Stormwater, issued general obligation bonds (Series 2022) for \$6,165,000 for the purpose of financing the costs of the acquisition, construction, installation, and equipping of improvements to the South Fork Little River Flood Control and related facilities within the City. This bond matures in 2052 with interest rates ranging from 3.00% to 4.00%. 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

The outstanding debt related to general obligation bonds at June 30, 2023, was:

<u>Governmental Activities:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
US Bank National Association GO, 2013 Series C - \$3,965,000	2038	2.00%-3.75%	\$ 3,000,000
US Bank National Association GO, 2014 Series A - \$2,545,000	2034	2.00%-3.25%	725,000
US Bank National Association GO, 2016 Series - \$2,970,000	2038	2.00%-3.00%	2,350,000
US Bank National Association GO, 2017 Series - \$7,335,000	2042	2.00%-3.25%	6,240,000
US Bank National Association GO, 2018 Series - \$3,500,000	2044	3.00%-3.625%	3,110,000
US Bank National Association GO, 2019 Series - \$995,000	2039	2.00%-3.50%	835,000
US Bank National Association GO, 2021 Series A - \$1,835,000	2035	1.25%-2.00%	1,475,000
US Bank National Association GO, 2021 Series B - \$6,240,000	2037	2.00%-4.00%	6,120,000
US Bank National Association GO, 2022 Series B - \$3,620,000	2042	4.00%-5.00%	3,620,000
US Bank National Association GO, 2023 Series A - \$2,395,000	2033	4.00%-5.00%	<u>2,395,000</u>
Bonds issued directly to the City			<u>\$29,870,000</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%	\$ 2,225,000
US Bank National Association GO, 2014 Series B - \$1,700,000	2038	1.50%-6.625%	1,365,000
US Bank National Association GO, 2014 Series C - \$1,620,000	2029	1.10%-3.25%	645,000
US Bank National Association GO, 2015 Series A - \$15,710,000	2026	4.00%	5,050,000
Kentucky Bond Corporation GO, 2020 Series C - \$3,525,000	2040	2.00%-2.50%	3,110,417
Kentucky Bond Corporation GO, 2021 Series C - \$335,000	2040	2.00%	308,750

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

General Obligation Bonds, continued

<u>Governmental Activities, continued:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
<u>Issued on behalf of component units, continued:</u>			
US Bank National Association			
GO, 2013 Series A - \$4,635,000	2038	2.00%	\$ 3,125,000
US Bank National Association			
GO, 2022 Series A - \$6,165,000	2052	3.00%-4.00%	<u>6,025,000</u>
Bonds issued on behalf of component units			<u>21,854,167</u>
Total bonds issued in the City's name			51,724,167
Plus: Unamortized bond premium			1,385,669
Less: Unamortized bond discount			<u>(24,323)</u>
Total			<u>\$53,085,513</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%	\$ 2,225,000
Due to City of Hopkinsville, US Bank	2038	1.50%-6.625%	1,365,000
Due to City of Hopkinsville, US Bank	2029	1.10%-3.25%	645,000
Due to City of Hopkinsville, US Bank	2026	4.00%	<u>5,050,000</u>
			9,285,000
Plus: Unamortized bond premium			452,573
Less: Unamortized bond discount			<u>(3,532)</u>
Total			<u>\$ 9,734,041</u>
<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%	\$ 3,110,417
Due to City of Hopkinsville, KBC	2040	2.00%	<u>308,750</u>
			3,419,167
Plus: Unamortized bond premium			<u>11,847</u>
Total			<u>\$ 3,431,014</u>

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

General Obligation Bonds, continued

<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%	\$ 3,125,000
Due to City of Hopkinsville, US Bank	2052	3.00%-4.00%	<u>6,025,000</u>
			9,150,000
Plus: Unamortized bond premium			<u>51,670</u>
	Total		<u>\$ 9,201,670</u>

Annual debt service requirements to maturity for general obligation bonds are as follows as of June 30, 2023:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u> <u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 3,820,000	\$ 1,733,970	\$ 2,455,000	\$ 747,819
2025	4,075,000	1,605,575	2,555,000	655,917
2026	4,165,000	1,460,192	2,605,000	559,279
2027	2,485,000	1,343,069	865,000	496,294
2028	2,585,000	1,253,513	910,000	466,807
2029-2033	13,790,000	4,826,542	4,445,000	1,854,489
2034-2038	12,360,000	2,591,735	3,955,000	1,108,466
2039-2043	5,694,167	1,044,676	1,519,167	622,698
2044-2048	1,510,000	393,237	1,305,000	389,521
2049-2052	<u>1,240,000</u>	<u>118,333</u>	<u>1,240,000</u>	<u>118,333</u>
Total	<u>\$ 51,724,167**</u>	<u>\$16,370,842**</u>	<u>\$ 21,854,167</u>	<u>\$ 7,019,623</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, 2010, the City, on behalf of HWEA, issued Series 2010B revenue bonds to fund the expansion of the Moss Water Treatment Plant. This obligation matures in 2030 with interest rates ranging from 3.20% to 4.40%. Interest is due in semi-annual installments.

Revenue bonds are direct obligations and pledge the income derived from the acquired assets and other sources to pay debt service. Revenue bonds outstanding are as follows at June 30, 2023:

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

Revenue Bonds, continued

<u>Governmental Activities:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
<u>Issued on behalf of component units:</u>			
Series 2010B - \$3,588,000	2030	3.20%-4.40%	<u>\$ 1,447,500</u>
	Total		<u>\$ 1,447,500</u>
<u>Business-type Activities-HWEA:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
Due to City of Hopkinsville, KY Rural Water Finance Corporation	2030	3.20%-4.40%	<u>\$ 1,447,500</u>
	Total		<u>\$ 1,447,500</u>

Annual debt service requirements projected to maturity for revenue bonds are as follows as of June 30, 2023:

<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>
2024	\$ 198,500	\$ 62,074	\$ 198,500	\$ 62,074
2025	205,000	53,737	205,000	53,737
2026	214,000	45,127	214,000	45,127
2027	225,000	36,139	225,000	36,139
2028	235,000	26,540	235,000	26,540
2029-2030	<u>370,000</u>	<u>21,780</u>	<u>370,000</u>	<u>21,780</u>
Total	<u>\$ 1,447,500**</u>	<u>\$ 245,397**</u>	<u>\$ 1,447,500</u>	<u>\$ 245,397</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.

As of June 30, 2022, HWEA has pledged future revenues to repay \$1,447,500 in total revenue bonds. Principal and interest on these bonds are payable through 2030, solely from net revenues. Annual principal and interest on these bonds are expected to require approximately 1.14% of such net revenues (based on principal and interest payments for the year ending June 30, 2024, as a percentage of net system revenues for the year ended June 30, 2023, which totaled \$22,947,088). Principal and interest paid for the year ended June 30, 2023, was \$266,649. As of June 30, 2023, pledged future revenues totaled \$1,692,897 which is the amount of the remaining principal and interest payments on these bonds.

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

9. Long-Term Obligations, continued

Revenue Bonds, continued

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.

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. The effective interest rate for this note was determined to be 2.12%.

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

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

The outstanding debt related to notes payable at June 30, 2023, was:

<u>Governmental Activities:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
Section 108 Guaranteed Loan - \$1,500,000	2031	2.50%	\$ 675,000
Utility Associates, Inc. - \$660,271	2025	2.12%	<u>337,060</u>
	Total		<u>\$ 1,012,060</u>

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

Notes Payable, continued

<u>Business-type Activities-HWEA:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
SRF B95-02 - Water - \$5,000,000	2026	1.90%	\$ 636,928
SRF A03-05 - Sewer - \$4,583,635	2026	1.00%	640,757
SRF A04-05 - Sewer - \$2,469,924	2027	1.00%	535,610
SRF F02-04 - Water - \$1,513,593	2028	1.00%	407,160
SRF F06-02 - Water - \$3,887,432	2028	3.00%	1,236,724
SRF F08-06 - Water - \$8,800,000	2032	1.00%	4,399,086
SRF A11-07 - Sewer - \$483,710	2033	2.00%	265,842
SRF A09-19 - Sewer - \$7,488,282	2034	2.00%	4,483,895
SRF A11-09 - Sewer - \$7,090,224	2036	2.00%	4,922,328
SRF A11-08 - Sewer - \$10,354,404	2036	2.00%	7,920,793
SRF F13-020 - Water - \$3,599,957	2040	1.75%	3,215,512
SRF A19-003 - Sewer - loan not closed yet		0.50%	32,438,748
SRF F16-001 - Water - loan not closed yet		1.75%	<u>2,172,657</u>
	Total		<u>\$ 63,276,040</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>93,222</u>
	Total		<u>\$ 93,222</u>

Annual debt service requirements to maturity for notes payable are as follows as of June 30, 2023:

<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>
2024	\$ 241,762	\$ 27,324	\$ 2,846,881	\$ 506,803
2025	245,298	21,588	2,801,599	457,363
2026	75,000	15,739	2,720,389	408,499
2027	75,000	13,451	2,417,694	361,684
2028	75,000	11,130	2,324,364	318,074
2029-2033	300,000	20,254	10,185,277	1,024,184
2034-2038	-	-	4,940,148	235,575
2039-2041	-	-	<u>35,132,910</u>	<u>13,771</u>
Total	<u>\$ 1,012,060</u>	<u>\$ 109,486</u>	<u>\$ 63,369,262</u>	<u>\$ 3,325,953</u>

HWEA utilizes funding provided through the Kentucky Infrastructure Authority's (KIA) State Revolving Fund (SRF). The SRF financing program provides low interest loans for infrastructure projects that are considered a priority based on the water pollution control criteria outlined in the Clean Water Act. HWEA's SRF loans are considered direct

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

Notes Payable, continued

placement debt and carry interest rates ranging between 0.50% and 3.00%. For construction projects that have been completed and the related SRF loan has been closed, principal and interest payments are payable semiannually at the fixed rate stipulated in the underlying assistance agreement. For construction projects that are not yet complete and the related SRF loan is still open, interest is payable semiannually, commencing after funds are first drawn on the SRF loan, at the fixed rate stipulated in the underlying assistance agreement. Final maturities on open SRF loans are established after the project is placed in operation.

Under the assistance agreements entered into with the KIA, in the event of default by HWEA, the 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 the KIA; 3) take whatever action may appear necessary or desirable to enforce its rights; and 4) submit a formal referral to the appropriate federal agency as required. Events of default include any one or more of the following: 1) failure by HWEA to pay specified payments at specified times; 2) failure by HWEA to observe or perform any covenant, condition or agreement; 3) the dissolution or liquidation of HWEA or the voluntary initiation by HWEA of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt, or any other form of debtor relief; and 4) a default by HWEA under the provisions of any agreements relating to its debt obligations.

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, 2023, HWEA has set aside \$2,501,038 to meet these reserve requirements, which are reported as restricted assets on the statement of net position.

As of June 30, 2023, HWEA has pledged future revenues to repay \$63,276,040 in total SRF loans, but they are subordinated to the existing revenue bonds. Principal and interest on these loans are payable through 2041, solely from net revenues. Annual principal and interest on these loans are expected to require approximately 14.20% of such net revenues (based on principal and interest payments for the year ending June 30, 2024, as a percentage of net system revenues for the year ended June 30, 2023, which totaled \$22,947,088). Principal and interest paid for the year ended June 30, 2023, was \$3,436,843. As of June 30, 2023, pledged future revenues totaled \$66,600,481, which was the amount of the remaining principal and interest payments on these SRF loans.

Other Financing Arrangements

See Note 10 regarding other financing arrangements.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

Defeasance of Debt and Current and Advance Refunding

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, 2023, 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, 2023 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 \$16,789 for the City and \$64,749 for HWEA for the year ended June 30, 2023.

10. Other Financing Arrangements

In accordance with GASBS No. 87, *Leases*, "lease" contracts that transfer ownership of the underlying asset without termination options (but may include fiscal funding clauses or a cancellation clause that is not reasonably certain of being exercised) should be reported as a financed purchased of the capital asset by the lessee and a sale by the lessor. As such, the City and its component units treat the following arrangements as financed purchases of capital assets that are not subject to the guidance of GASBS No. 87:

In March 2018, the City leased a street sweeper. The sweeper was leased at \$56,009 per year at an interest rate of 3.28%. The first annual payment was due in March 2019. This lease was paid off in March 2023. The City now owns the sweeper and is fully depreciated in capitalized assets.

The following are other financing arrangements entered into by the City on behalf of component units:

In June 2021, 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 2.12%. A lump sum principal payment was due at the expiration date in January 2023. There was an option to purchase the vehicles at any point during the agreement for the purchase price plus accrued interest. Some of the related property was sold and the balance was partially paid off in June 2022. The remaining assets were sold and the balance was paid off in August 2022.

In October 2021, 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 2.62%. A lump sum principal payment was due at the expiration date in April 2023. There was an option to purchase the vehicles at any point during the agreement for the purchase price plus accrued interest. The assets were sold and the balance was paid off in September 2022.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

10. Other Financing Arrangements, continued

In December 2021, the City, on behalf of Solid Waste, leased six trucks. The vehicles were leased for interest only payments each month at an interest rate of 2.62%. A lump sum principal payment was due at the expiration date in June 2023. There was an option to purchase the vehicles at any point during the agreement for the purchase price plus accrued interest. Some of the related property was sold and the balance was partially paid off in April 2022. The remaining assets were sold and the balance was paid off in January 2023.

In April 2022, 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 2.95%. A lump sum principal payment is due at the expiration date in October 2023. There is an option to purchase the vehicles at any point during the agreement for the purchase price plus accrued interest. Some of the related property was sold and the balance was partially paid off in May 2023. The balance on this agreement was \$230,000 at June 30, 2023.

In August 2022, the City, on behalf of Solid Waste, leased five trucks. The vehicles are being leased for interest only payments each month at an interest rate of 3.98%. A lump sum principal payment is due at the expiration date in February 2024. There is an option to purchase the vehicles at any point during the agreement for the purchase price plus accrued interest. Some of the related property was sold in June 2023. The balance on this agreement was \$1,137,792 at June 30, 2023.

In October 2022, the City, on behalf of Solid Waste, leased four trucks. The vehicles are being leased for interest only payments each month at an interest rate of 4.465%. A lump sum principal payment is due at the expiration date in April 2024. There is an option to purchase the vehicles at any point during the agreement for the purchase price plus accrued interest. The balance on this agreement was \$1,026,514 at June 30, 2023.

In January 2023, the City, on behalf of Solid Waste, leased five trucks. The vehicles are being leased for interest only payments each month at an interest rate of 5.375%. A lump sum principal payment is due at the expiration date in July 2024. There is an option to purchase the vehicles at any point during the agreement for the purchase price plus accrued interest. The balance on this agreement was \$900,576 at June 30, 2023.

In May 2023, the City, on behalf of Solid Waste, leased four trucks. The vehicles are being leased for interest only payments each month at an interest rate of 5.65%. A lump sum principal payment is due at the expiration date in November 2024. There is an option to purchase the vehicles at any point during the agreement for the purchase price plus accrued interest. The balance on this agreement was \$611,748 at June 30, 2023.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

10. Other Financing Arrangements, continued

Required payments under Solid Waste's other financing arrangements as of June 30, 2023 are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,394,306	\$ 140,905	\$ 2,535,211
2025	<u>1,512,324</u>	<u>18,435</u>	<u>1,530,759</u>
Total	<u>\$ 3,906,630</u>	<u>\$ 159,340</u>	<u>\$ 4,065,970</u>

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.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

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 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, 2023 was \$6,681,194. This represents the cumulative amount reported to date based on the use of the capacity of the landfill. The landfill had total capacity used of approximately 58% at June 30, 2023. 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.

As of June 30, 2023, the total amount of closure and post-closure costs are estimated to be \$11,519,300, leaving \$4,838,106 remaining to be recognized. The remaining life of the landfill is estimated to be 7.89 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, 2023, \$262,404 was held for closure and post-closure costs and reported in restricted cash 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 will be required.

13. Interfund Receivables and Payables

There were no interfund receivables or payables among the governmental funds at June 30, 2023.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

14. Commitments

At June 30, 2023, the City had the following material construction projects underway:

<u>Project</u>	<u>Approx. Cost-to-Date</u>	<u>Estimated Cost to Complete</u>
City Video Security Project	\$ 224,000	\$ 76,000
Sportsplex Building Addition	5,000	60,000
Commerce Park II Roadway	1,148,000	4,149,000
Commerce Park II Rail Spur	<u>34,000</u>	<u>1,280,000</u>
Total	<u>\$ 1,411,000</u>	<u>\$ 5,565,000</u>

At June 30, 2023, 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	\$ 261,000	\$ 194,000
Locust Grove to I-24 – Phase 4	121,000	119,000
Quarries – Raw Water Bypass	83,000	116,000
Sominco Farms Sewer Extension	382,000	208,000
Conference Center SPS Force Main Relocation	541,000	284,000
Clean Water Treatment Plant Expansion/Rehab	<u>35,500,000</u>	<u>12,532,000</u>
Total	<u>\$ 36,888,000</u>	<u>\$ 13,453,000</u>

At June 30, 2023, Solid Waste did not have any material construction projects underway.

At June 30, 2023, 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	<u>\$ 2,284,000</u>	<u>\$ 2,716,000</u>
Total	<u>\$ 2,284,000</u>	<u>\$ 2,716,000</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

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

14. Commitments, continued

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, 2023 as follows:

General Fund	\$ 153,129
ARPA Fund	-
Grants Fund	-
Nonmajor governmental funds	<u>753,349</u>
Total	<u>\$ 906,478</u>

During the year ended June 30, 2020, the City entered into three intergovernmental support agreements with the United States. These agreements are for the City to provide the following services to the United States (for the Ft. Campbell, Kentucky Army Base): (1) bulk salt from October 2019 to September 2024, (2) road striping from March 2020 to September 2029, and (3) traffic signage from October 2020 to September 2025. These services are provided as needed at agreed upon prices with incremental increases each year.

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) utilize 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 fiscal year ended June 30, 2023, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out:</u>			
	<u>Totals</u>	<u>General Fund</u>	<u>ARPA Fund</u>	<u>Grants Fund</u>	<u>Nonmajor Gov't Funds</u>
General Fund	\$ 685,000	\$ -	\$ 135,000	\$ -	\$ 550,000
ARPA Fund	-	-	-	-	-
Grants Fund	61,095	14,321	-	-	46,774
Nonmajor Gov't Funds	<u>2,529,221</u>	<u>3,028,816</u>	<u>-</u>	<u>-</u>	<u>405</u>
Totals	<u>\$ 3,275,316</u>	<u>\$ 3,043,137</u>	<u>\$ 135,000</u>	<u>\$ -</u>	<u>\$ 597,179</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, 2023 are as follows:

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	ARPA Fund	Grants Fund		
<u>Fund balances:</u>					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted:					
Streets and sidewalks	-	-	-	148,657	148,657
Police incentives	-	-	-	1,234	1,234
Urban development block grant	-	-	-	748,470	748,470
Cemetery trusts	-	-	-	802,512	802,512
Local fiscal recovery	-	3,253,263	-	-	3,253,263
Capital projects	-	-	222,107	1,242,297	1,464,404
	-	3,253,263	222,107	2,943,170	6,418,540
Committed:					
Inner city development	187,606	-	-	-	187,606
Property maintenance code enforcement	178,876	-	-	-	178,876
Capital projects	532,999	-	-	-	532,999
Sick leave payout	608,398	-	-	-	608,398
Law enforcement	-	-	-	385,183	385,183
Opioid litigation	227,802	-	-	-	227,802
Economic development	2,052,500	-	-	-	2,052,500
Pension	1,201,994	-	-	-	1,201,994
Health trust	153,750	-	-	-	153,750
Capital equipment replacement reserve	2,501,614	-	-	-	2,501,614
	7,645,539	-	-	385,183	8,030,722
Assigned:					
Major equipment	53,470	-	-	27,381	80,851
Public works services	43,908	-	-	-	43,908
Community services	55,751	-	-	-	55,751
Streets and sidewalks	-	-	-	353,253	353,253
Capital projects	-	-	-	372,715	372,715
	153,129	-	-	753,349	906,478
Unassigned	14,091,116	-	-	-	14,091,116
Total fund balances	<u>\$21,889,784</u>	<u>\$ 3,253,263</u>	<u>\$ 222,107</u>	<u>\$ 4,081,702</u>	<u>\$29,446,856</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, 2023, the claims liability was \$4,962 (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>
2021-2022	\$ 343,063	\$2,589,361	\$2,552,895	\$ 379,529
2022-2023	\$ 379,529	\$1,850,696	\$2,225,263	\$ 4,962

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, 2023, the claims liability was \$85,905. 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>
2021-2022	\$ 120,108	\$ 561,727	\$ 561,908	\$ 119,927
2022-2023	\$ 119,927	\$ 609,996	\$ 644,018	\$ 85,905

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, 2023:

	<u>HWEA</u>	<u>Solid Waste</u>
City PILOT revenue/entity expense	\$ 326,463	\$ 454,249
City receivable/entity payable for PILOT	84,761	39,341

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, 2023:

	<u>Solid Waste</u>	<u>Stormwater</u>
HWEA revenue collected as payable to entity/entity receivable	\$ 307,104	\$ 147,300
HWEA billing and collection services revenue/entity expense	96,651	96,537
HWEA leachate purification services revenue/entity expense	79,293	-
HWEA services receivable/entity payable	31,316	9,261

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, 2023, Stormwater's total expense (the City's total revenue) for these services was \$10,200.

Stormwater has contracted services with Community and Development Services for administration services and code enforcement for \$16,666 per month. Stormwater's total expense for these services was \$200,000 for the year ended June 30, 2023.

For the year ended June 30, 2023, the City paid salaries and benefits on behalf of two joint ventures, Hopkinsville-Christian County Emergency Communications Center (ECC) and Hopkinsville-Christian County Ambulance Service District (Ambulance). The City was reimbursed by ECC and Ambulance approximately \$1,553,953 and \$3,186,850, respectively.

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

Also see related party long-term obligation 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 plans to issue a bond in the fiscal year ending June 30, 2024 to remodel Fire Station 5. The City also plans to enter into various financing arrangements for equipment on behalf of Solid Waste.

22. Subsequent Events

During the fiscal year ended June 30, 2023, the City was awarded a \$7.0 million grant from the Kentucky Cabinet of Economic Development for road construction and infrastructure needs related to Commerce Park II and Ascend Elements, but no funds were drawn as of June 30, 2023. Subsequent to the fiscal year ended June 30, 2023, the City had received \$1.9 million of this grant. The City also assumed Nuisance Code Enforcement as a division of the fire department; as a result, the Fire Prevention Department was created by budget amendment in November 2023 and began enforcement in January 2024.

Subsequent to the fiscal year ended June 30, 2023, HWEA had a sewer rate increase of 9.50% for Hopkinsville and Pembroke effective January 2024. HWEA continues to make draws from open State Revolving Fund loans with KIA in order to finance various ongoing construction projects. HWEA's Board approved the motion to award the US-41A 24" Water Main Extension Contract A project at a cost of \$3,990,900 which will be funded through SRF loan F16-001. HWEA received grants from the Kentucky Cleaner Water Program of \$685,370 for the Meter Replacement Program, \$380,000 for the Conference Center Drive Project, and \$100,000 for the Manhole Rehabilitation Project. HWEA also received \$402,212 in grant funding from the Delta Regional Authority; of this amount, \$161,148 was recorded as grants receivable at June 30, 2023.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

22. Subsequent Events, continued

Subsequent to the fiscal year ended June 30, 2023, the City, on behalf of Solid Waste, entered into financing arrangements for vehicles totaling approximately \$2.6 million. Also, Solid Waste entered into financing arrangements for equipment totaling approximately \$1.5 million.

Management has evaluated subsequent events through January 25, 2024, the date on which the financial statements were available to be issued.

23. Implementation of GASB Pronouncements

A. Accounting Pronouncements Adopted during the Fiscal Year Ended June 30, 2023

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. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

During the fiscal year ended June 30, 2023, the City adopted the following GASB pronouncements:

- Statement No. 91: *Conduit Debt Obligations*
- Statement No. 94: *Public-Private and Public-Public Partnerships and Availability Payment Agreements*
- Statement No. 96: *Subscription-Based Information Technology Arrangements*
- Statement No. 99: *Omnibus 2022*

GASB Statements No. 91, No. 94, No. 96, and No. 99 were considered for application of use and determined not to have a material impact on financial reporting at this time.

B. Future Implementation of GASB Pronouncements

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

- Statement No. 100: *Accounting Changes and Error Corrections – an amendment of GASB No. 62* (effective fiscal year ending 2024)
- Statement No. 101: *Compensated Absences* (effective fiscal year ending 2025)

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

24. Single Audit Act

Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), requires non-federal entities that expend \$750,000 or more a year in federal awards to have an audit performed in accordance with the provisions of the guidance. The Single Audit section is included in this report beginning on page 140.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2023</u>	<u>2022</u>	<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	0.210444%	0.191445%	0.167561%	0.161441%	0.154914%	0.157111%	0.147963%	0.146015%	0.143192%
City's proportionate share of the net pension liability	\$ 15,213,025	\$ 12,206,120	\$ 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	\$ 6,490,506	\$ 5,480,591	\$ 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	234.39%	222.72%	274.13%	255.26%	232.13%	228.63%	198.80%	184.05%	141.55%
Total pension plan's fiduciary net position	\$ 7,963,586,000	\$ 8,565,652,000	\$ 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	\$ 15,192,599,000	\$ 14,941,437,000	\$ 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	52.42%	57.33%	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	1.426677%	1.474428%	1.515386%	1.538672%	1.601529%	1.689418%	1.628784%	1.648732%	1.659682%
City's proportionate share of the net pension liability	\$ 43,534,439	\$ 39,251,621	\$ 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	\$ 9,486,137	\$ 8,890,106	\$ 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	458.93%	441.52%	496.96%	459.07%	420.59%	398.30%	323.19%	300.19%	237.43%
Total pension plan's fiduciary net position	\$ 2,718,234,000	\$ 2,914,408,000	\$ 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	\$ 5,769,691,000	\$ 5,576,567,000	\$ 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	47.11%	52.26%	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 System measurement date is twelve months prior to the City's financial statements; the 2023 measurement date was June 30, 2022.

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 Fiscal Years Ended June 30,

	<u>2023</u>	<u>2022</u>	<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	0.169107%	0.171402%	0.146161%	0.130848%	0.130222%	0.136035%	0.129211%	0.118190%	0.114295%
HWEA's proportionate share of the net pension liability	\$ 12,224,768	\$ 10,928,222	\$ 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	\$ 4,720,038	\$ 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 proportionate share of the net pension liability as a percentage of its covered payroll	259.00%	247.39%	298.11%	278.89%	243.56%	237.32%	203.18%	183.67%	141.45%
Total pension plan's fiduciary net position	\$ 7,963,586,000	\$ 8,565,652,000	\$ 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	\$ 15,192,599,000	\$ 14,941,437,000	\$ 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	52.42%	57.33%	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	0.093717%	0.099684%	0.097806%	0.097613%	0.094047%	0.088442%	0.076398%	0.073008%	0.070445%
Solid Waste's proportionate share of the net pension liability	\$ 6,774,815	\$ 6,355,637	\$ 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	\$ 2,652,367	\$ 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 proportionate share of the net pension liability as a percentage of its covered payroll	255.43%	245.29%	299.42%	276.32%	244.86%	239.50%	206.39%	185.89%	141.96%
Total pension plan's fiduciary net position	\$ 7,963,586,000	\$ 8,565,652,000	\$ 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	\$ 15,192,599,000	\$ 14,941,437,000	\$ 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	52.42%	57.33%	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 System measurement date is twelve months prior to HWEA's and Solid Waste's financial statements; the 2023 measurement date was June 30, 2022.

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

	<u>2023</u>	<u>2022</u>	<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	\$ 1,553,438	\$ 1,244,148	\$ 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>(1,553,438)</u>	<u>(1,244,148)</u>	<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>	<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%	100.00%	100.00%
City's covered payroll	\$ 6,773,389	\$ 6,490,506	\$ 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	22.93%	19.17%	17.44%	17.87%	14.96%	13.66%	17.76%	16.43%	17.67%	18.91%
<u>Hazardous:</u>										
Statutorily required contributions	\$ 3,898,960	\$ 3,167,386	\$ 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>(3,898,960)</u>	<u>(3,167,386)</u>	<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>	<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%	100.00%	100.00%
City's covered payroll	\$ 9,224,714	\$ 9,486,137	\$ 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	42.27%	33.39%	30.01%	29.11%	23.54%	22.92%	30.35%	32.26%	34.31%	35.72%

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 Fiscal Years Ended June 30,

	<u>2023</u>	<u>2022</u>	<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	\$ 1,159,629	\$ 999,232	\$ 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>(1,159,629)</u>	<u>(999,232)</u>	<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>	<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%	100.00%	100.00%
HWEA's covered payroll	\$ 4,955,680	\$ 4,720,038	\$ 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	23.40%	21.17%	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	\$ 615,035	\$ 561,506	\$ 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>(615,035)</u>	<u>(561,506)</u>	<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>	<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%	100.00%	100.00%
Solid Waste's covered payroll	\$ 2,628,353	\$ 2,652,367	\$ 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	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	18.75%	17.61%	18.40%	18.96%

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
Schedule of Required Supplementary Information
Policemen's and Firefighter's Pension Fund
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Fiscal Years Ended June 30,

	<u>2023</u>	<u>2022</u>	<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	49,770	49,800	85,764	98,437	103,866	120,673	168,334	212,523	267,915
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(149,962)	(164,507)	(124,822)	(71,380)	(82,327)	26,565	(734,902)	(748,273)	(71,532)
Changes of assumptions	(245,925)	(49,030)	206,793	137,014	(344,703)	154,101	(100,401)	(235,376)	1,026,854
Benefit payments	(197,976)	(212,313)	(225,228)	(252,195)	(267,955)	(266,054)	(315,549)	(354,942)	(399,589)
Other	-	-	-	-	-	-	-	-	-
Net change in total pension liability	<u>(544,093)</u>	<u>(376,050)</u>	<u>(57,493)</u>	<u>(88,124)</u>	<u>(591,119)</u>	<u>35,285</u>	<u>(982,518)</u>	<u>(1,126,068)</u>	<u>823,648</u>
Total pension liability-beginning	<u>2,319,256</u>	<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>	<u>4,681,695</u>
Total pension liability-ending	<u>\$ 1,775,163</u>	<u>\$ 2,319,256</u>	<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	\$ 235,000	\$ 235,000	\$ 285,000	\$ 285,000	\$ 325,000	\$ 375,000	\$ 399,744	\$ 400,000
Contributions-employee	-	-	-	-	-	-	-	-	-
Net investment income	(35,230)	(1,348)	54,679	47,206	12,238	10,324	11,640	13,081	31,039
Benefit payments	(197,976)	(212,313)	(225,228)	(252,195)	(267,955)	(266,054)	(315,549)	(354,942)	(399,589)
Administration expenses	(28,340)	(15,926)	(24,119)	(16,778)	(8,444)	(21,933)	(7,162)	(13,440)	(6,405)
Other	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	<u>(26,546)</u>	<u>5,413</u>	<u>40,332</u>	<u>63,233</u>	<u>20,839</u>	<u>47,337</u>	<u>63,929</u>	<u>44,443</u>	<u>25,045</u>
Plan fiduciary net position-beginning	<u>1,300,071</u>	<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>	<u>989,500</u>
Plan fiduciary net position-ending	<u>\$ 1,273,525</u>	<u>\$ 1,300,071</u>	<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>\$ 501,638</u>	<u>\$ 1,019,185</u>	<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	71.74%	56.06%	48.03%	45.57%	41.93%	34.10%	33.06%	24.18%	18.43%
Covered-employee payroll	-	-	-	-	-	-	-	-	-
City's net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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
Policemen's and Firefighter's Pension Fund
Schedule of Contributions
For the Fiscal Years Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 215,403	\$ 293,749	\$ 324,428	\$ 360,414	\$ 488,532	\$ 497,550	\$ 731,484	\$ 989,356	\$ 851,707
Contributions in relation to the actuarially determined contribution	<u>235,000</u>	<u>235,000</u>	<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>\$ (19,597)</u>	<u>\$ 58,749</u>	<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-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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
Policemen's and Firefighter's Pension Fund
Schedule of Investment Return
For the Fiscal Years Ended June 30,

	<u>2023</u>	<u>2022</u>	<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	-3.99%	-1.02%	2.73%	2.95%	0.37%	1.07%	1.33%	1.59%	3.92%

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 City of Hopkinsville's Proportionate Share of the Net OPEB Liability
For the Fiscal Years Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Nonhazardous:</u>						
City's proportion of the net OPEB liability	0.210414%	0.191400%	0.167513%	0.161399%	0.154908%	0.157111%
City's proportionate share of the net OPEB liability	\$ 4,152,549	\$ 3,664,257	\$ 4,044,930	\$ 2,714,658	\$ 2,750,361	\$ 3,158,469
City's covered payroll	\$ 6,490,506	\$ 5,480,591	\$ 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	63.98%	66.86%	86.28%	61.03%	67.67%	78.52%
Total plan fiduciary net position	\$ 3,079,984,000	\$ 3,246,801,000	\$ 2,581,613,000	\$ 2,569,511,000	\$ 2,414,126,000	\$ 2,212,535,662
Total OPEB liability	\$ 5,053,498,000	\$ 5,161,251,000	\$ 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	60.95%	62.91%	51.67%	60.44%	57.62%	52.39%
<u>Hazardous:</u>						
City's proportion of the net OPEB liability	1.426193%	1.474424%	1.514985%	1.538368%	1.601619%	1.689418%
City's proportionate share of the net OPEB liability	\$ 12,148,109	\$ 11,921,593	\$ 14,000,061	\$ 11,381,766	\$ 11,418,894	\$ 13,965,938
City's covered payroll	\$ 9,486,137	\$ 8,890,106	\$ 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	128.06%	134.10%	152.28%	122.94%	124.00%	147.17%
Total plan fiduciary net position	\$ 1,522,671,000	\$ 1,627,824,000	\$ 1,321,117,000	\$ 1,340,714,000	\$ 1,280,982,000	\$ 1,189,001,387
Total OPEB liability	\$ 2,374,457,000	\$ 2,436,383,000	\$ 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	64.13%	66.81%	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 System measurement date is twelve months prior to the City's financial statements; the 2023 measurement date was June 30, 2022.

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 Fiscal Years Ended June 30,

	<u>2022</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
HWEA:						
<u>Nonhazardous:</u>						
HWEA's proportion of the net OPEB liability	0.169077%	0.171362%	0.146119%	0.130814%	0.130217%	0.136035%
HWEA's proportionate share of the net OPEB liability	\$ 3,336,758	\$ 3,280,640	\$ 3,528,329	\$ 2,200,233	\$ 2,311,977	\$ 2,734,769
HWEA's covered payroll	\$ 4,720,038	\$ 4,417,434	\$ 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	70.69%	74.27%	93.83%	66.68%	71.00%	81.51%
Total plan fiduciary net position	\$ 3,079,984,000	\$ 3,246,801,000	\$ 2,581,613,000	\$ 2,569,511,000	\$ 2,414,126,000	\$ 2,212,535,662
Total OPEB liability	\$ 5,053,498,000	\$ 5,161,251,000	\$ 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	60.95%	62.91%	51.67%	60.44%	57.62%	52.39%
Solid Waste:						
<u>Nonhazardous:</u>						
Solid Waste's proportion of the net OPEB liability	0.093700%	0.099661%	0.097777%	0.097595%	0.094044%	0.088442%
Solid Waste's proportionate share of the net OPEB liability	\$ 1,849,182	\$ 1,907,960	\$ 2,361,017	\$ 1,641,504	\$ 1,669,733	\$ 1,777,987
Solid Waste's covered payroll	\$ 2,652,367	\$ 2,591,079	\$ 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	69.72%	73.64%	94.24%	66.07%	71.38%	82.26%
Total plan fiduciary net position	\$ 3,079,984,000	\$ 3,246,801,000	\$ 2,581,613,000	\$ 2,569,511,000	\$ 2,414,126,000	\$ 2,212,535,662
Total OPEB liability	\$ 5,053,498,000	\$ 5,161,251,000	\$ 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	60.95%	62.91%	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 System measurement date is twelve months prior to HWEA's and Solid Waste's financial statements; the 2023 measurement date was June 30, 2022.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Nonhazardous:</u>						
Statutorily required contributions	\$ 225,049	\$ 339,687	\$ 235,775	\$ 206,667	\$ 215,768	\$ 185,000
Contributions in relation to the statutorily required contributions	<u>(225,049)</u>	<u>(339,687)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
City's contributions as a percentage of statutorily required contribution for OPEB	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
City's covered payroll	\$ 6,773,389	\$ 6,490,506	\$ 5,480,591	\$ 4,688,250	\$ 4,448,052	\$ 4,064,379
Contributions as a percentage of covered payroll	3.32%	5.23%	4.30%	4.41%	4.85%	4.55%
<u>Hazardous:</u>						
Statutorily required contributions	\$ 617,495	\$ 979,401	\$ 844,834	\$ 847,633	\$ 917,698	\$ 703,673
Contributions in relation to the statutorily required contributions	<u>(617,495)</u>	<u>(979,401)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
City's contributions as a percentage of statutorily required contribution for OPEB	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
City's covered payroll	\$ 9,224,714	\$ 9,486,137	\$ 8,890,106	\$ 9,193,826	\$ 9,258,347	\$ 9,209,140
Contributions as a percentage of covered payroll	6.69%	10.32%	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 Fiscal Years Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
HWEA:						
<u>Nonhazardous:</u>						
HWEA's statutorily required contributions	\$ 167,998	\$ 272,818	\$ 210,270	\$ 178,998	\$ 173,608	\$ 154,929
HWEA's contributions in relation to the statutorily required contributions	<u>(167,998)</u>	<u>(272,818)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
HWEA's contributions as a percentage of statutorily required contribution for OPEB	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
HWEA's covered payroll	\$ 4,955,680	\$ 4,720,038	\$ 4,417,434	\$ 3,760,467	\$ 3,299,769	\$ 3,256,186
HWEA's contributions as a percentage of covered payroll	3.39%	5.78%	4.76%	4.76%	5.26%	4.76%
Solid Waste:						
<u>Nonhazardous:</u>						
Solid Waste's statutorily required contributions	\$ 89,101	\$ 153,307	\$ 123,335	\$ 119,257	\$ 130,684	\$ 109,940
Solid Waste's contributions in relation to the statutorily required contributions	<u>(89,101)</u>	<u>(153,307)</u>	<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>	<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%	100.00%	100.00%
Solid Waste's covered payroll	\$ 2,628,353	\$ 2,652,367	\$ 2,591,079	\$ 2,505,390	\$ 2,484,490	\$ 2,339,156
Solid Waste's contributions as a percentage of covered payroll	3.39%	5.78%	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
Schedule of Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual (See Note A)	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 6,746,000	\$ 6,746,000	\$ 7,529,385	\$ 783,385
Licenses and permits	26,515,741	29,000,741	30,292,456	1,291,715
Fines and forfeits	30,000	30,000	47,945	17,945
Intergovernmental	4,675,589	5,435,069	4,971,040	(464,029)
Interest	100,211	720,211	846,001	125,790
Other revenues	3,172,112	3,147,555	3,156,742	9,187
Total Revenues	41,239,653	45,079,576	46,843,569	1,763,993
EXPENDITURES				
Current:				
General government:				
Administrative	2,001,656	2,082,273	2,003,168	79,105
Tax department	503,825	553,825	525,499	28,326
Information technology	1,199,752	1,134,806	1,081,914	52,892
Legislative	382,701	432,701	418,259	14,442
Public safety:				
Police	9,336,148	9,368,779	8,791,705	577,074
Emergency communications	1,641,543	1,641,543	1,548,112	93,431
Fire	8,235,048	8,425,379	8,103,526	321,853
EMS	2,248,717	2,523,717	2,496,673	27,044
Other	235,000	235,000	235,000	-
Public works:				
Administrative	301,306	296,081	287,238	8,843
Street	2,376,085	2,320,610	2,164,579	156,031
Ft. Campbell	800,645	816,060	646,597	169,463
Service center	574,967	574,967	539,736	35,231
Other	430,500	485,703	480,018	5,685
Community development	5,339,199	5,959,359	5,722,109	237,250
Parks and recreation	1,967,244	1,982,350	1,928,479	53,871
Debt service:				
Principal	1,145,000	1,145,000	1,145,000	-
Interest and finance charges	743,151	793,593	793,589	4
Capital outlays	-	345,839	345,839	-
Total Expenditures	39,462,487	41,117,585	39,257,040	1,860,545
Excess of revenues over (under) expenditures	1,777,166	3,961,991	7,586,529	3,624,538
OTHER FINANCING SOURCES (USES)				
Transfers in	607,775	745,950	688,175	(57,775)
Transfers out	(3,015,412)	(5,338,412)	(5,121,528)	216,884
Total Other Financing Sources (Uses)	(2,407,637)	(4,592,462)	(4,433,353)	159,109
Net change in fund balance	(630,471)	(630,471)	3,153,176	3,783,647
Fund balance, beginning of year	17,671,439	17,671,439	17,671,439	-
Fund balance, end of year	\$ 17,040,968	\$ 17,040,968	\$ 20,824,615	\$ 3,783,647

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)
ON BUDGETARY ACCOUNTING AND CONTROL
For the Fiscal Year Ended June 30, 2023

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, 2023 of the General Fund is presented below.

Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (budgetary basis)	\$ 3,153,176
--	--------------

Adjustments:

To adjust revenues for tax and license accruals	380
To adjust expenditures for payable accruals	474
To adjust expenditures for salary accruals	<u>(179,103)</u>

Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (GAAP basis)	<u><u>\$ 2,974,927</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 Fiscal Year Ended June 30, 2023

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	\$ 46,843,569	\$ 46,843,569	\$ -	\$ 46,843,569
Adjustments:				
The City budgets for receivables on the cash basis, rather than on the modified accrual basis	-	380	-	380
Budgetary Special Revenue Funds are consolidated into the General Fund, required for GAAP reporting	-	-	485,605	485,605
Total revenues as reported on the budgetary comparison schedule	<u>46,843,569</u>	<u>+</u> <u>46,843,949</u>	<u>485,605</u>	<u>47,329,554</u> ^
EXPENDITURES				
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	(39,257,040)	(39,257,040)	-	(39,257,040)
Adjustments:				
The City budgets for payables on the cash basis, rather than on the modified accrual basis	-	474	-	474
The City budgets for payroll on the cash basis, rather than on the modified accrual basis	-	(179,103)	-	(179,103)
Expenditures related to debt issuances on behalf of component units and debt refundings	-	-	(3,676,630)	(3,676,630)
Budgetary Special Revenue Funds are consolidated into the General Fund, required for GAAP reporting	-	-	(5,058,061)	(5,058,061)
Total expenditures as reported on the budgetary comparison schedule	<u>(39,257,040)</u>	<u>+</u> <u>(39,435,669)</u>	<u>(8,734,691)</u>	<u>(48,170,360)</u> ^
OTHER FINANCING SOURCES (USES)				
Transfers in	688,175	688,175	(3,175)	685,000
Transfers out	(5,121,528)	(5,121,528)	2,078,391	(3,043,137)
Issuance of long-term debt, etc.	-	-	7,417,288	7,417,288
Total other financing sources (uses)	<u>(4,433,353)</u>	<u>+</u> <u>(4,433,353)</u>	<u>9,492,504</u>	<u>5,059,151</u> ^
Excess of revenues and other financing sources over/ (under) expenditures and other financing uses	<u>\$ 3,153,176</u>	<u>+</u> <u>\$ 2,974,927</u> **	<u>\$ 1,243,418</u>	<u>\$ 4,218,345</u> ^
Reclassifications:				
Budgetary Special Revenue Funds are consolidated into the General Fund, required for GAAP reporting	<u>\$ (2,075,216)</u>	<u>\$ -</u>	<u>\$ 2,075,216</u>	<u>\$ -</u>

+ As reported on the budgetary comparison schedule

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

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

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

COMBINING NONMAJOR FUND FINANCIAL STATEMENTS

City of Hopkinsville, Kentucky
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
ASSETS				
Pooled cash and cash equivalents	\$ 1,127,602	\$ 1,636,642	\$ -	\$ 2,764,244
Non-pooled cash and cash equivalents	373,327	63,843	115,002	552,172
Investments	214,994	-	342,408	557,402
Loans receivable	265,976	-	-	265,976
Other receivables	<u>62,986</u>	<u>-</u>	<u>-</u>	<u>62,986</u>
Total assets	<u>\$ 2,044,885</u>	<u>\$ 1,700,485</u>	<u>\$ 457,410</u>	<u>\$ 4,202,780</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	<u>\$ 62,986</u>	<u>\$ 58,092</u>	<u>\$ -</u>	<u>\$ 121,078</u>
Total liabilities	<u>62,986</u>	<u>58,092</u>	<u>-</u>	<u>121,078</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	1,243,463	1,242,297	457,410	2,943,170
Committed	385,183	-	-	385,183
Assigned	353,253	400,096	-	753,349
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,981,899</u>	<u>1,642,393</u>	<u>457,410</u>	<u>4,081,702</u>
Total liabilities and fund balances	<u>\$ 2,044,885</u>	<u>\$ 1,700,485</u>	<u>\$ 457,410</u>	<u>\$ 4,202,780</u>

City of Hopkinsville, Kentucky
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2023

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ 1,829,911	\$ -	\$ -	\$ 1,829,911
Investment income (loss)	51,667	3,434	(16,521)	38,580
Other revenue	<u>138,965</u>	<u>210,500</u>	<u>4,546</u>	<u>354,011</u>
Total revenues	<u>2,020,543</u>	<u>213,934</u>	<u>(11,975)</u>	<u>2,222,502</u>
EXPENDITURES				
Current:				
General government	12,510	124,100	-	136,610
Public safety	947,747	162,547	-	1,110,294
Public works	126,605	13,100	-	139,705
Community development	326,264	5,520	-	331,784
Parks and recreation	-	116,961	-	116,961
Debt Service:				
Principal	75,000	217,507	-	292,507
Interest	22,283	11,689	-	33,972
Expenditures	-	80,432	-	80,432
Capital outlay	<u>587,044</u>	<u>5,167,429</u>	<u>-</u>	<u>5,754,473</u>
Total expenditures	<u>2,097,453</u>	<u>5,899,285</u>	<u>-</u>	<u>7,996,738</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(76,910)</u>	<u>(5,685,351)</u>	<u>(11,975)</u>	<u>(5,774,236)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	405	2,528,816	-	2,529,221
Transfers out	(47,179)	(550,000)	-	(597,179)
Issuance of debt	-	2,395,000	-	2,395,000
Premium (discount) on bond issue	<u>-</u>	<u>189,408</u>	<u>-</u>	<u>189,408</u>
Total other financing sources (uses)	<u>(46,774)</u>	<u>4,563,224</u>	<u>-</u>	<u>4,516,450</u>
Net change in fund balances	(123,684)	(1,122,127)	(11,975)	(1,257,786)
Fund balances, beginning of year	<u>2,105,583</u>	<u>2,764,520</u>	<u>469,385</u>	<u>5,339,488</u>
Fund balances, end of year	<u>\$ 1,981,899</u>	<u>\$ 1,642,393</u>	<u>\$ 457,410</u>	<u>\$ 4,081,702</u>

City of Hopkinsville, Kentucky
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2023

	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	\$ 501,910	\$ -	\$ 1,234	\$ -	\$ 482,494	\$ 141,964	\$ -	\$ 1,127,602
Non-pooled cash and cash equivalents	-	-	-	-	-	243,219	130,108	373,327
Investments	-	-	-	-	-	-	214,994	214,994
Loans receivable	-	-	-	-	265,976	-	-	265,976
Other receivables	-	62,986	-	-	-	-	-	62,986
Total assets	<u>\$ 501,910</u>	<u>\$ 62,986</u>	<u>\$ 1,234</u>	<u>\$ -</u>	<u>\$ 748,470</u>	<u>\$ 385,183</u>	<u>\$ 345,102</u>	<u>\$ 2,044,885</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$ -	\$ 62,986	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,986
Total liabilities	-	62,986	-	-	-	-	-	62,986
FUND BALANCES								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	148,657	-	1,234	-	748,470	-	345,102	1,243,463
Committed	-	-	-	-	-	385,183	-	385,183
Assigned	353,253	-	-	-	-	-	-	353,253
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	<u>501,910</u>	<u>-</u>	<u>1,234</u>	<u>-</u>	<u>748,470</u>	<u>385,183</u>	<u>345,102</u>	<u>1,981,899</u>
Total liabilities and fund balances	<u>\$ 501,910</u>	<u>\$ 62,986</u>	<u>\$ 1,234</u>	<u>\$ -</u>	<u>\$ 748,470</u>	<u>\$ 385,183</u>	<u>\$ 345,102</u>	<u>\$ 2,044,885</u>

City of Hopkinsville, Kentucky
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2023

	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	\$ 664,597	\$ 343,598	\$ 374,593	\$ 447,123	\$ -	\$ -	\$ -	\$ 1,829,911
Investment income (loss)	23,521	-	-	-	3,565	9,876	14,705	51,667
Other revenue	-	-	-	-	-	138,965	-	138,965
Total revenues	<u>688,118</u>	<u>343,598</u>	<u>374,593</u>	<u>447,123</u>	<u>3,565</u>	<u>148,841</u>	<u>14,705</u>	<u>2,020,543</u>
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	12,510	12,510
Public safety	-	-	370,357	447,123	-	130,267	-	947,747
Public works	126,605	-	-	-	-	-	-	126,605
Community development	-	246,315	-	-	79,949	-	-	326,264
Parks and recreation	-	-	-	-	-	-	-	-
Debt Service:								
Principal	-	75,000	-	-	-	-	-	75,000
Interest	-	22,283	-	-	-	-	-	22,283
Expenditures	-	-	-	-	-	-	-	-
Capital outlay	<u>505,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,241</u>	<u>-</u>	<u>587,044</u>
Total expenditures	<u>632,408</u>	<u>343,598</u>	<u>370,357</u>	<u>447,123</u>	<u>79,949</u>	<u>211,508</u>	<u>12,510</u>	<u>2,097,453</u>
Excess (deficiency) of revenues over (under) expenditures	<u>55,710</u>	<u>-</u>	<u>4,236</u>	<u>-</u>	<u>(76,384)</u>	<u>(62,667)</u>	<u>2,195</u>	<u>(76,910)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	405	405
Transfer out	-	-	-	-	-	(46,774)	(405)	(47,179)
Issuance of debt	-	-	-	-	-	-	-	-
Premium (discount) on bond issue	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,774)</u>	<u>-</u>	<u>(46,774)</u>
Net change in fund balances	55,710	-	4,236	-	(76,384)	(109,441)	2,195	(123,684)
Fund balances, beginning of year	<u>446,200</u>	<u>-</u>	<u>(3,002)</u>	<u>-</u>	<u>824,854</u>	<u>494,624</u>	<u>342,907</u>	<u>2,105,583</u>
Fund balances, end of year	<u>\$ 501,910</u>	<u>\$ -</u>	<u>\$ 1,234</u>	<u>\$ -</u>	<u>\$ 748,470</u>	<u>\$ 385,183</u>	<u>\$ 345,102</u>	<u>\$ 1,981,899</u>

City of Hopkinsville, Kentucky
Budgetary Comparison Schedule
Municipal Road Aid Special Revenue Fund
For the Fiscal Year Ended June 30, 2023

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 658,500	\$ 658,500	\$ 664,597	\$ 6,097
Investment income	<u>1,500</u>	<u>1,500</u>	<u>23,521</u>	<u>22,021</u>
Total revenues	<u>660,000</u>	<u>660,000</u>	<u>688,118</u>	<u>28,118</u>
EXPENDITURES				
Public works	660,000	154,197	126,605	27,592
Capital outlay	<u>-</u>	<u>505,803</u>	<u>505,803</u>	<u>-</u>
Total expenditures	<u>660,000</u>	<u>660,000</u>	<u>632,408</u>	<u>27,592</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>55,710</u>	<u>55,710</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	150,000	150,000	-	(150,000)
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>
Net change in fund balance	150,000	150,000	55,710	(94,290)
Fund balance, beginning of year	<u>446,200</u>	<u>446,200</u>	<u>446,200</u>	<u>-</u>
Fund balance, end of year	<u>\$ 596,200</u>	<u>\$ 596,200</u>	<u>\$ 501,910</u>	<u>\$ (94,290)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (budgetary basis)			\$ 55,710	
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>\$ 55,710</u>	

City of Hopkinsville, Kentucky
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2023

	Capital Fund	WINS Construction Fund	Total Nonmajor Capital Projects Funds
ASSETS			
Pooled cash and cash equivalents	\$ 1,636,642	\$ -	\$ 1,636,642
Non-pooled cash and cash equivalents	<u>-</u>	<u>63,843</u>	<u>63,843</u>
Total assets	<u>\$ 1,636,642</u>	<u>\$ 63,843</u>	<u>\$ 1,700,485</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	<u>\$ 54,861</u>	<u>\$ 3,231</u>	<u>\$ 58,092</u>
Total liabilities	<u>54,861</u>	<u>3,231</u>	<u>58,092</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	1,181,685	60,612	1,242,297
Committed	-	-	-
Assigned	400,096	-	400,096
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,581,781</u>	<u>60,612</u>	<u>1,642,393</u>
Total liabilities and fund balances	<u>\$ 1,636,642</u>	<u>\$ 63,843</u>	<u>\$ 1,700,485</u>

City of Hopkinsville, Kentucky
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2023

	Capital Fund	WINS Construction Fund	Total Nonmajor Capital Projects Funds
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Investment income (loss)	-	3,434	3,434
Other revenue	<u>209,400</u>	<u>1,100</u>	<u>210,500</u>
 Total revenues	 <u>209,400</u>	 <u>4,534</u>	 <u>213,934</u>
 EXPENDITURES			
Current:			
General government	124,100	-	124,100
Public safety	162,547	-	162,547
Public works	13,100	-	13,100
Community development	4,508	1,012	5,520
Parks and recreation	116,961	-	116,961
Debt service:			
Principal	217,507	-	217,507
Interest	11,689	-	11,689
Expenditures	80,432	-	80,432
Capital outlay	<u>5,046,695</u>	<u>120,734</u>	<u>5,167,429</u>
 Total expenditures	 <u>5,777,539</u>	 <u>121,746</u>	 <u>5,899,285</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(5,568,139)</u>	 <u>(117,212)</u>	 <u>(5,685,351)</u>
 OTHER FINANCING SOURCES (USES)			
Transfers in	2,455,816	73,000	2,528,816
Transfers out	(550,000)	-	(550,000)
Issuance of debt	2,395,000	-	2,395,000
Premium (discount) on bond issue	<u>189,408</u>	<u>-</u>	<u>189,408</u>
 Total other financing sources (uses)	 <u>4,490,224</u>	 <u>73,000</u>	 <u>4,563,224</u>
 Net change in fund balances	 (1,077,915)	 (44,212)	 (1,122,127)
 Fund balances, beginning of year	 <u>2,659,696</u>	 <u>104,824</u>	 <u>2,764,520</u>
 Fund balances, end of year	 <u>\$ 1,581,781</u>	 <u>\$ 60,612</u>	 <u>\$ 1,642,393</u>

SINGLE AUDIT SECTION

CITY OF HOPKINSVILLE, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2023

<u>Federal Grantor/Program or Cluster Title (Pass-Through Grantor)</u>	<u>Federal ALN Number</u>	<u>Grant Identifying Number</u>	<u>Pass-Through to Subrecipients</u>	<u>Federal Expenditures</u>
CDBG - Entitlement Grants Cluster				
<u>Department of Housing and Urban Development</u>				
Community Development Block Grants / Entitlement Grants	14.218	B-20-MC-21-0002	\$ -	\$ 63,958
Community Development Block Grants / Entitlement Grants	14.218	B-21-MC-21-0002	-	77,039
Community Development Block Grants / Entitlement Grants	14.218	B-22-MC-21-0002	-	202,601
Total Department of Housing and Urban Development			-	343,598
Total CDBG - Entitlement Grants Cluster			-	343,598
Highway Safety Cluster				
<u>Department of Transportation</u>				
State and Community Highway Safety (Passed through Kentucky Department of Transportation)	20.600	PT-2022-HY-38	-	17,476
State and Community Highway Safety (Passed through Kentucky Department of Transportation)	20.600	PT-2023-HY-31	-	16,880
Total Department of Transportation			-	34,356
Total Highway Safety Cluster			-	34,356
Other Programs				
<u>Department of Homeland Security</u>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Passed through Kentucky Emergency Management)	97.036	DR-4702	-	74,925
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)			-	74,925

*Denotes major program

See accompanying notes to schedule of expenditures of federal awards.

CITY OF HOPKINSVILLE, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued
For the Fiscal Year Ended June 30, 2023

<u>Federal Grantor/Program or Cluster Title (Pass-Through Grantor)</u>	<u>Federal ALN Number</u>	<u>Grant Identifying Number</u>	<u>Pass-Through to Subrecipients</u>	<u>Federal Expenditures</u>
Other Programs, continued				
<u>Department of Homeland Security, continued</u>				
Homeland Security Grant Program				
(Passed through Kentucky Office of Homeland Security)	97.067	21-051	\$ -	\$ 250,000
Total Homeland Security Grant Program			-	250,000
Total Department of Homeland Security			-	324,925
<u>United States Department of Justice</u>				
Bulletproof Vest Partnership Program	16.607	N/A	-	12,760
Total United States Department of Justice			-	12,760
<u>Department of the Treasury</u>				
COVID-19 Coronavirus State & Local Fiscal Recovery Funds	21.027	N/A	-	536,565 *
Total Department of the Treasury			-	536,565
<u>Various Agencies</u>				
Delta Regional Authority	90.200	N/A	161,148	161,148
Total Various Agencies			161,148	161,148
Total Other Programs			161,148	1,035,398
Total Expenditures of Federal Awards			\$ 161,148	\$ 1,413,352

*Denotes major program

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2023

NOTE A - BASIS OF PRESENTATION

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

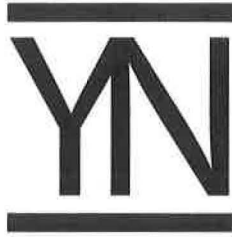
NOTE B - SUBRECIPIENTS

The City of Hopkinsville provided federal awards to subrecipients in the fiscal year ended June 30, 2023 as follows:

<u>Name</u>	<u>ALN</u>	<u>Amount</u>
HWEA	90.200	\$161,148

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 AUDITOR'S 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 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, 2023, 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 January 25, 2024.

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

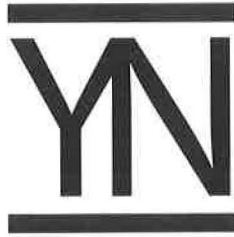
As part of obtaining reasonable assurance about whether the City of Hopkinsville, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

Gork, Neel & Associates, LLP

Hopkinsville, Kentucky
January 25, 2024



YORK, NEEL & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S 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 the City of Hopkinsville, Kentucky's major federal program for the year ended June 30, 2023. The City of Hopkinsville, Kentucky's major federal program is identified in the summary of auditor's 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 its major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal 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 Auditor's 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.

Auditor's 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 Auditor's 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.

Gork, Neal & Associates, LLP

Hopkinsville, Kentucky
January 25, 2024

CITY OF HOPKINSVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2023

Section I – Summary of Auditor’s Results

1. The independent auditor’s 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 are reported. No material weaknesses are reported.
5. The auditor’s 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>ALN</u>
COVID-19 Coronavirus State & Local Fiscal Recovery Funds	21.027

8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The City of Hopkinsville, Kentucky qualified 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 Fiscal Year Ended June 30, 2022

Section II – Findings – Financial Statements Audit

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

Section III – Findings and Questioned Costs – Major Federal Awards Program

There were 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).