

**CITY OF HOPKINSVILLE, KENTUCKY
FINANCIAL STATEMENTS**



**For the Year Ended
June 30, 2024**

**CITY OF HOPKINSVILLE
HOPKINSVILLE, KENTUCKY**

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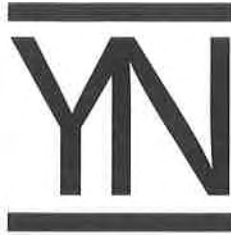
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YORK, NEEL & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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, 2024, 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, 2024, 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 5-17, budgetary comparison information on pages 125-127, and pension schedules on pages 128-138, 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, budgetary comparison schedules for nonmajor funds, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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, budgetary comparison schedules for nonmajor funds, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2025 on our consideration of the City of Hopkinsville, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Hopkinsville, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hopkinsville, Kentucky's internal control over financial reporting and compliance.

York, Neel & Associates, LLP

Hopkinsville, Kentucky
January 31, 2025

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, 2024. To fully understand the entire scope of the City's financial activities, this information should be read in conjunction with the financial statements (pages 18-32) provided in this document.

FINANCIAL HIGHLIGHTS

- The City's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources at the close of the fiscal year ended June 30, 2024 by \$2.6 million (net position). This amount includes \$829 thousand that is restricted to specific projects by laws, regulations, or contractual agreements and \$32.9 million that is the City's net investment in capital assets. There was an unrestricted deficit total of \$36.4 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 (a reduction in the deficit) of \$15.2 million this year.
- As of June 30, 2024, the City's governmental funds reported combined ending fund balances of \$35.5 million, an increase of \$6.0 million from the prior year. Approximately \$17.0 million is unassigned and available for spending.
- The City's governmental activities total capital assets, net of depreciation, was \$56.6 million, an increase of \$4.3 million from the prior year.
- The City's governmental activities total debt was \$55.7 million, a decrease of \$3.8 million.

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 primary government 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 18-20 of this report.

Fund Financial Statements

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

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 majority of the City's funds are governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Grants Fund, which are

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF FINANCIAL STATEMENTS, continued

Fund Financial Statements, continued

Governmental Funds, continued:

the City's major funds for the fiscal year ended June 30, 2024. Data from the other 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 21 and page 23 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 22 and page 24.

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 25-27 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 28-29 of this report.

Notes to the Basic Financial Statements

These notes provide additional information crucial to fully understanding data provided in the government-wide and fund financial statements. Notes to the basic financial statements can be found at pages 33-124 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. This information is reported as required supplementary information or other supplementary information as applicable after the notes to the financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As previously indicated, net position may serve over time as a useful indicator of the City's financial position. As of June 30, 2024, the City as a whole had liabilities and deferred inflows of resources that exceeded assets and deferred outflows of resources by (\$2.6) million, a reduction in the deficit net position of \$15.2 million over last year. This deficit is due to the implementation of GASB No. 68, *Accounting and Financial Reporting for Pensions*, which was implemented in the fiscal year ended June 30, 2015, and GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*, which was implemented in the fiscal year ended June 30, 2018. Of the (\$2.6) million, \$32.9 million was net investment in capital assets, \$829 thousand was restricted, and (\$36.4) million was unrestricted. The unrestricted net position

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

Net Position, continued

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, 2024, the City reports positive balances in both the net investment in capital assets portion and the restricted portion of net position. However, as noted above, there is 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, 2024, as compared to June 30, 2023.

City of Hopkinsville – Net Position

	<u>Governmental Activities</u>	
	2024	2023
Current and other assets	\$ 72,076,747	\$ 68,304,070
Capital assets	<u>56,584,633</u>	<u>52,329,735</u>
Total assets	<u>128,661,380</u>	<u>120,633,805</u>
Deferred outflows of resources	<u>12,670,532</u>	<u>15,366,357</u>
Long-term liabilities	115,840,907	143,151,245
Other liabilities	<u>2,735,972</u>	<u>2,785,036</u>
Total liabilities	<u>118,576,879</u>	<u>145,936,281</u>
Deferred inflows of resources	<u>25,338,429</u>	<u>7,833,971</u>
Net investment in capital assets	32,948,745	26,807,885
Restricted	828,636	802,512
Unrestricted (deficit)	<u>(36,360,777)</u>	<u>(45,380,487)</u>
Total net position (deficit)	<u>\$ (2,583,396)</u>	<u>\$ (17,770,090)</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, 2024, as compared to the prior fiscal year ended June 30, 2023. Governmental activities increased the City's net position by \$15.2 million.

City of Hopkinsville – Changes in Net Position

	<u>Governmental Activities</u>	
	<u>2024</u>	<u>2023</u>
<u>Revenues:</u>		
Program revenues:		
Charges for services and sales	\$ 8,611,763	\$ 5,238,728
Operating grants and contributions	14,831,803	9,570,001
Capital grants and contributions	409,473	477,014
General revenues:		
Property taxes	6,896,508	6,461,684
Occupational taxes	21,266,558	19,997,074
Insurance premium tax	6,926,705	5,975,308
Franchise tax	392,364	476,077
Transient room tax	1,127,516	1,190,825
Payment in lieu of taxes	1,114,389	1,045,324
Investment income	1,573,028	1,049,703
Gain on sale of capital assets	85,487	-
Miscellaneous	89,095	85,650
Total revenues	<u>63,324,689</u>	<u>51,567,388</u>
<u>Expenses:</u>		
General government	6,237,687	5,309,784
Public safety	22,987,133	23,478,920
Public works	6,077,687	5,914,047
Community development	8,185,192	11,762,098
Parks and recreation	3,691,901	3,261,362
Interest on long-term debt	958,395	862,275
Total expenses	<u>48,137,995</u>	<u>50,588,486</u>
Excess (deficiency) before transfers	15,186,694	978,902
Transfers	-	-
Change in net position	15,186,694	978,902
Net position (deficit), beginning	<u>(17,770,090)</u>	<u>(18,748,992)</u>
Net position (deficit), ending	<u>\$ (2,583,396)</u>	<u>\$ (17,770,090)</u>

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

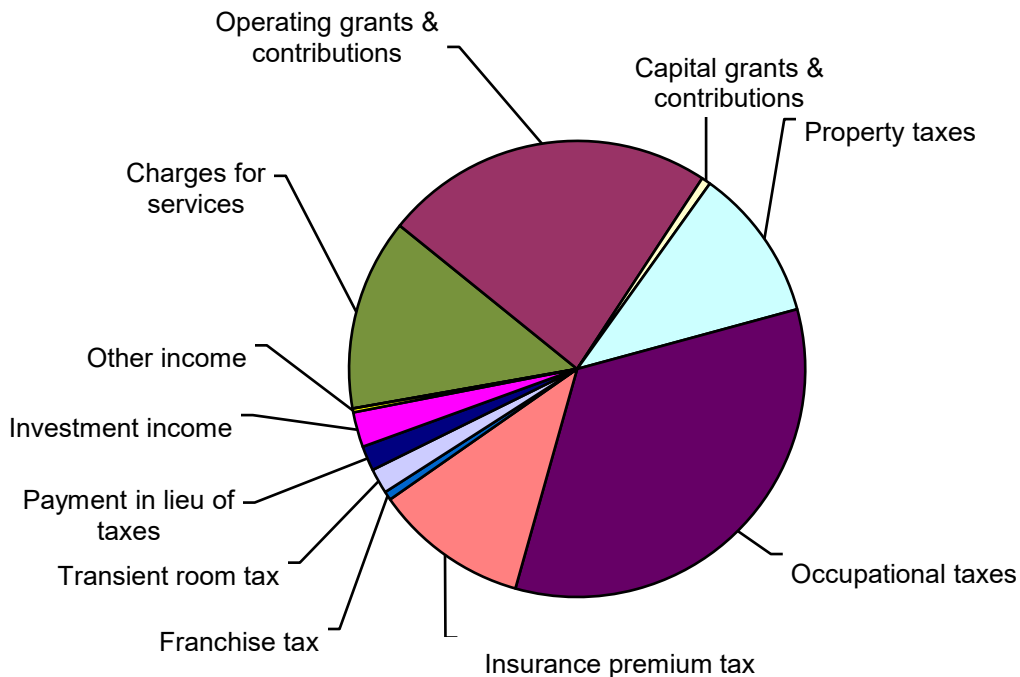
GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

Governmental Activities

Total revenues for the City's governmental activities are \$63.3 million for the year ended June 30, 2024, compared to \$51.6 million last year. This increase in revenues is mainly attributable to the increases in charges for services and sales, operating grants and contributions, and occupational taxes. Charges for services and sales increased \$3.4 or 64.39% from the prior year. This is mainly due to an increase in business license revenues; the business license rate remained the same, but the \$10,000 maximum fee cap was removed during the year, which accounted for \$2.5 million of the increase in this category. Operating grants and contributions increased \$5.3 million or 54.98% over the prior year. This increase is primarily due to more grants received in the current year. Occupational taxes increased \$1.3 million or 6.35% compared to the prior year. This is a result of new and expanding businesses and growth in various business payrolls.

Occupational taxes is the largest category of revenues for the City; occupational taxes total \$21.2 million or 33.58% of total revenue. The second largest category of government revenues, operating grants and contributions, accounts for \$14.8 million or 23.42% of total revenue. The third largest category of government revenues, charges for services and sales, accounts for \$8.6 million or 13.60% of total revenues. Property tax and insurance premium tax totals \$6.9 million each or 10.90% each of total revenue. All other sources of revenue make up 7.60% of total revenues.

Revenue by Source – Governmental Activities



CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

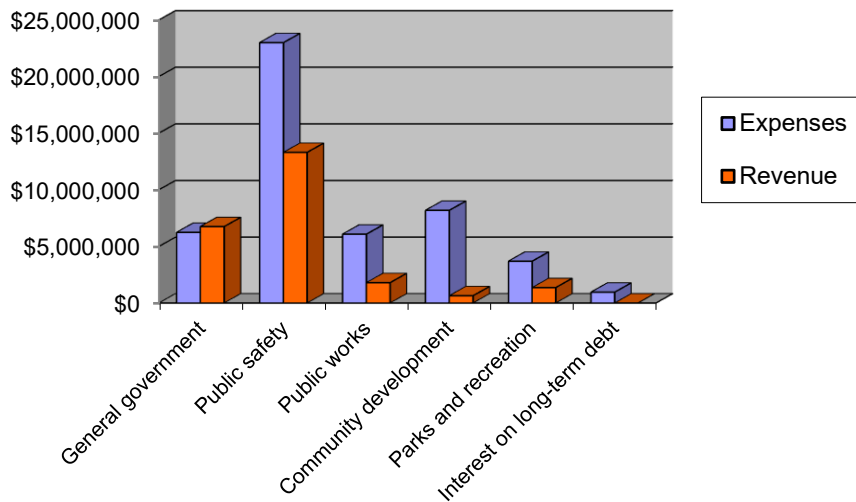
Governmental Activities, continued

For the fiscal year ended June 30, 2024, total expenses of the City's governmental activities were \$48.1 million, compared to \$50.6 million last year. This decrease in expenses is primarily due to the prior year's community development expenses included a one-time \$3.6 million grant that isn't a usual expense.

Public safety is the largest category of the City's expenses. Public safety expenses total \$23.0 million and account for 47.75% of total expenses. The second largest category of expenses, community development, totals \$8.2 million or 17.00% of total expenses. General government is the next largest category and totals \$6.2 million or 12.96% of expenses. Public works expense totals \$6.1 million or 12.63% of expenses. All other expenses make up 9.66% of total expenses.

As shown in the chart below, revenues generated by the City's programs are not sufficient to cover the costs of essential programs to the City and its citizens. Therefore, the City relies on taxes, licenses, investment income, and other general revenues to cover the costs associated with these programs.

Expenses and Program Revenues – Governmental Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

At June 30, 2024, the City governmental funds reported combined ending fund balances of \$35.5 million, an increase of \$6.0 million from June 30, 2023. Approximately 48.02% of the total amount of governmental fund balance, \$17.0 million, is unassigned fund balance, which is available for

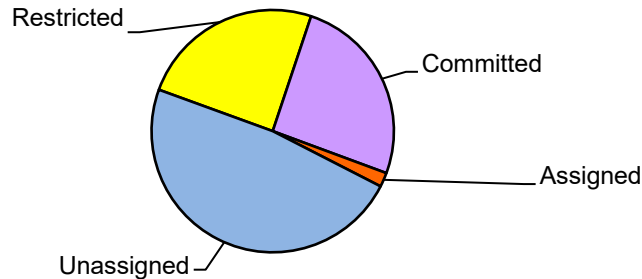
CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS, continued

Governmental Funds, continued

spending at the government's discretion. Approximately 24.58%, \$8.7 million, is restricted fund balance, and approximately 25.49%, \$9.0 million, is committed to indicate it is not available for new spending. The remainder of fund balance, \$674 thousand, has been encumbered or assigned.

Ending Fund Balances – Governmental Funds



The General Fund is the chief operating fund of the City. At June 30, 2024, the total fund balance in the General Fund was \$26.4 million, which represents an increase of \$4.5 million from the prior year. Of the total fund balance in the General Fund, unassigned fund balance was \$17.0 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 34.10% of total general fund expenditures of \$49.9 million, and total fund balance represents 52.84% of total general fund expenditures.

The largest increase in the General Fund was in licenses and permits, which had an increase in revenues of \$5.4 million. This is primarily because of increases in business licenses (due to the removal of the business license maximum fee in the year) and occupational taxes (due to growth in employer payrolls as well as new and expanding businesses). Taxes in the General Fund increased \$458 thousand, a 6.08% increase over the prior year, due to an increase in property tax values. Intergovernmental revenue increased \$737 thousand or 14.84% over the prior year due to an increase in labor reimbursements. Other revenues increased \$641 thousand or 18.51% from the prior year due to more event and admission sales.

Most departments in the General Fund had increases from the prior year that were mainly due to wages: General government (\$407 thousand), public safety (\$2.3 million), public works (\$1.1 million), and parks and recreation (\$519 thousand). Community development expenditures in the General Fund decreased \$3.3 million which is primarily due to the prior year including an expenditure of \$3.6 million in land purchased with bond proceeds that was then granted to a local business for development.

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS, continued

Governmental Funds, continued

In addition to the General Fund, the Grants Fund was also a major fund for the fiscal year ended June 30, 2024. Fund balance from the Grants Fund increased \$411 thousand due to the timing of expenditures related to grant proceeds received. Revenues in the Grants Fund increased \$4.2 million and expenditures increased \$4.0 million; both of these increases is primarily due to a state road grant.

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 \$402 thousand primarily due to significantly higher claims during the year; claims expense increased \$1.4 million which was offset by \$654 thousand transferred from the general fund and an increase in employer contributions by the City of \$294 thousand.

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 amounts available for appropriations budget increased \$6.8 million or 14.28% during the year ended June 30, 2024. The changes in amounts available for appropriations can be briefly summarized as follows:

\$ 2,118,143	increase in prior year revenues
\$ 350,000	increase in taxes
\$ 3,190,000	increase in licenses and permits
\$ -	no change in fines and permits
\$ 726,000	increase in intergovernmental
\$ 203,028	increase in interest
\$ 185,764	increase in other revenues
\$ -	no change in transfers in

Differences between the final budget for amounts available for appropriation and actual amounts available for appropriation resulted in \$27.8 million more in actual amounts available for appropriation than budgeted. This is primarily due to significantly larger beginning budgetary fund balance (\$19.6 million), tax revenue (\$527 thousand), licenses and permits revenue (\$1.9 million), other revenues (\$563 thousand), and interest revenue (\$397 thousand). The City also had long-term debt issuances of \$4.7 million that were not budgeted. The City has had continued growth in new and expanding businesses, as well as increased property values, which increases related revenues. In addition, as noted previously, the City removed the maximum fee cap on business net profit licenses during the year which significantly increased those revenues.

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL FUND BUDGETARY HIGHLIGHTS, continued

The total expenditures budget increased \$6.8 million or 14.29% during the year ended June 30, 2024. The changes in appropriations can be briefly summarized as follows:

\$ 3,000	increase in general administrative
\$ -	no change in tax department
\$ 34,755	increase in information technology
\$ 25,000	increase in legislative
\$ 143,185	increase in police
\$ 160,000	increase in emergency communications
\$ (133,945)	decrease in fire
\$ 565,000	increase in EMS
\$ 378,235	increase in fire prevention
\$ -	no change in other public safety
\$ (72,317)	decrease in public works administrative
\$ -	no change in street
\$ -	no change in Ft. Campbell contracts
\$ -	no change in service center
\$ 185,280	increase in other public works
\$ 192,602	increase in community development
\$ (14,149)	decrease in main parks and recreation
\$ -	no change in sportsplex
\$ 65,000	increase in waterpark
\$ -	no change in debt service principal
\$ (154,642)	decrease in interest and finance charges
\$ 387,443	increase in capital outlays
\$ 5,014,460	increase in transfers out

The net increase to appropriations was to be budgeted from additional projected revenue and prior year revenues. 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 \$1.3 million more in actual appropriations than budgeted appropriations. The most significant difference was in the sanitation department due to debt issued on behalf of a component unit which is not budgeted. Other differences were due to lower than budgeted wages and related labor expenses in various departments and reclassifications for capital outlays.

Additional information on the City's budgetary comparison for the General Fund can be found on pages 125-127.

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS

The City's total investment in capital assets is \$56.5 million (net of accumulated depreciation) as of June 30, 2024, which represents an increase of \$4.3 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. Major increases included \$4.6 million in construction in progress for the Commerce Park roadway and rail spur project.

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

	<u>Governmental Activities</u>	
	<u>2024</u>	<u>2023</u>
Land	\$ 2,200,850	\$ 2,200,850
Construction in progress	6,029,326	1,411,470
Buildings and improvements	25,964,043	26,665,947
Equipment	4,095,925	3,770,081
Right-to-use equipment	259,997	-
Infrastructure	7,879,084	7,687,928
Land improvements	8,037,816	8,843,527
Vehicles	<u>2,117,592</u>	<u>1,749,932</u>
Total assets	<u>\$ 56,584,633</u>	<u>\$ 52,329,735</u>

Additional information on the City's capital assets can be found in Note 4 in the footnotes on pages 58-60.

DEBT ADMINISTRATION

At June 30, 2024, the City had \$55.7 million in outstanding debt compared to \$59.5 million at June 30, 2023, a net decrease of \$3.8 million. The City entered into one lease payable for equipment of \$289 thousand. The City, on behalf of a component unit, entered into multiple lease payables for solid waste trucks and equipment of \$4.4 million. Debt decreases included \$1.7 million due to the repayment of debt by the City and \$6.7 million due to the component units' repayment of debt. The following table illustrates the changes in outstanding bonds, notes payable, and leases payable:

	<u>Governmental Activities</u>	
	<u>2024</u>	<u>2023</u>
General obligation bonds	\$ 49,035,122	\$ 53,085,513
Revenue bond	1,249,000	1,447,500
Notes payable	770,298	1,012,060
Leases payable	<u>4,647,239</u>	<u>3,906,630</u>
Total	<u>\$ 55,701,659</u>	<u>\$ 59,451,703</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. The City's current debt limit is \$260,521,061, which is significantly more than the City's outstanding general obligation debt. The City's latest bond rating is AA-.

Additional information on the City's long-term debt can be found in Note 5 in the footnotes on pages 61-73.

ECONOMIC FACTORS

Unemployment Rate

The unemployment rate for the City of Hopkinsville (Christian County) as of June 2024 was 5.9%. This rate compares unfavorably to the state unemployment rate of 4.6% and the federal unemployment rate of 4.1%.

Next Year's Budget

The current and future needs of the City were considered when the 2023-2024 budget for the City of Hopkinsville was prepared. The beginning General Fund fund balance for fiscal year 2022-2023 was \$21.9 million, and there is an ending General Fund fund balance of \$26.4 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, Kentucky's 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.

Questions or requests for additional information regarding the component unit, Hopkinsville Water Environment Authority, may be addressed to Derrick Watson, President and CEO, at 401 East 9th Street, Hopkinsville, KY 42240. Questions or requests for additional information regarding the component unit, Hopkinsville Solid Waste Enterprise, may be addressed to Bryan Silver, General Manager, at 5665 Mt. Zoar Road, Hopkinsville, KY 42240. Questions or requests for additional information regarding the component unit, Hopkinsville Surface and Stormwater Utility, may be addressed to Steven Bourne, Manager, at 401 East 9th Street, Hopkinsville, KY 42240.

BASIC FINANCIAL STATEMENTS

City of Hopkinsville, Kentucky
Statement of Net Position
June 30, 2024

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component</u> <u>Units</u>
ASSETS		
Pooled cash and cash equivalents	\$ 26,791,433	\$ -
Non-pooled cash and cash equivalents	827,817	7,844,119
Investments	41,181	-
Receivables:		
Taxes	4,012,285	-
Accounts	-	2,842,999
Leases	777,180	-
Notes	698,244	48,456
Other	1,372,446	845,410
Inventory	-	616,776
Prepaid items	-	26,096
Other current assets	-	121
Due from component unit	131,295	-
Other assets	-	733,052
Restricted assets:		
Due from Component Units:		
Due within one year	5,449,097	-
Due beyond one year	27,348,972	-
Temporarily restricted:		
Cash and cash equivalents	3,939,896	9,069,474
Investments	212,589	338,132
Permanently restricted assets:		
Cash and cash equivalents	129,172	-
Investments	345,140	-
Net OPEB asset	-	357,518
Capital Assets:		
Land and construction in progress	8,230,176	52,192,587
Capital assets, net of accumulated depreciation	48,354,457	116,293,140
Total capital assets	<u>56,584,633</u>	<u>168,485,727</u>
Total assets	<u>128,661,380</u>	<u>191,207,880</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pensions-CERS	9,317,584	2,876,062
Deferred outflows from pensions-PFPF	44,280	-
Deferred outflows from OPEB	3,106,999	1,212,149
Deferred refunding costs	201,669	102,854
Total deferred outflows of resources	<u>12,670,532</u>	<u>4,191,065</u>
 Total assets and deferred outflows of resources	 <u>\$ 141,331,912</u>	 <u>\$ 195,398,945</u>

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

City of Hopkinsville, Kentucky
Statement of Net Position, continued
June 30, 2024

	Primary Government Governmental Activities	Component Units
LIABILITIES		
Accounts payable	\$ 1,029,216	\$ 1,479,925
Accrued salaries	1,112,709	481,477
Claims payable	303,041	-
Accrued interest	290,006	233,186
Construction retainage and contracts payable	-	814,270
Other current liabilities	1,000	6,900
Noncurrent liabilities:		
Due within one year:		
Compensated absences	160,946	450,170
Bonds, notes, and leases	7,271,835	3,243,241
Due to primary government	-	5,449,097
Due beyond one year:		
Compensated absences	1,448,512	860,017
Bonds, notes, and leases	48,429,824	69,517,101
Net pension liability-CERS	49,246,569	16,615,934
Net pension liability-PFPF	442,871	-
Net OPEB liability	1,451,293	-
Accrued landfill closure/post-closure costs	7,389,057	
Due to primary government	-	27,348,972
Total liabilities	<u>118,576,879</u>	<u>126,500,290</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pensions-CERS	8,745,213	2,167,860
Deferred inflows from pensions-PFPF	-	-
Deferred inflows from OPEB	15,816,036	5,842,726
Deferred inflows from leases	777,180	-
Deferred revenue - USACE	-	3,881,935
Total deferred inflows of resources	<u>25,338,429</u>	<u>11,892,521</u>
NET POSITION		
Net investment in capital assets	32,948,745	75,553,780
Restricted:		
Equipment maintenance and replacement	-	2,644,205
Capital projects	-	454,982
Perpetual care:		
Expendable	354,325	-
Nonexpendable	474,311	-
Unrestricted (deficit)	<u>(36,360,777)</u>	<u>(21,646,833)</u>
Total net position (deficit)	<u>(2,583,396)</u>	<u>57,006,134</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 141,331,912</u>	 <u>\$ 195,398,945</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, 2024

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Units
PRIMARY GOVERNMENT						
Governmental activities:						
General government	\$ (6,237,687)	\$ 6,611,067	\$ 136,143	\$ -	\$ 509,523	\$ -
Public safety	(22,987,133)	137,413	13,156,946	4,744	(9,688,030)	-
Public works	(6,077,687)	985,765	813,131	-	(4,278,791)	-
Community development	(8,185,192)	-	241,110	404,729	(7,539,353)	-
Parks and recreation	(3,691,901)	877,518	484,473	-	(2,329,910)	-
Interest on long-term debt	(958,395)	-	-	-	(958,395)	-
Total governmental activities	<u>(48,137,995)</u>	<u>8,611,763</u>	<u>14,831,803</u>	<u>409,473</u>	<u>(24,284,956)</u>	<u>-</u>
Total - primary government	<u>\$ (48,137,995)</u>	<u>\$ 8,611,763</u>	<u>\$ 14,831,803</u>	<u>\$ 409,473</u>	<u>\$ (24,284,956)</u>	<u>\$ -</u>
COMPONENT UNITS						
Hopkinsville Water Environment Authority	\$ (21,502,086)	\$ 22,799,135	\$ -	\$ 2,383,039	\$ -	\$ 3,680,088
Hopkinsville Solid Waste Enterprise	(9,986,773)	9,695,208	-	-	-	(291,565)
Hopkinsville Surface and Stormwater Utility	<u>(1,417,483)</u>	<u>1,254,336</u>	<u>6,550</u>	<u>-</u>	<u>-</u>	<u>(156,597)</u>
Total - component units	<u>\$ (32,906,342)</u>	<u>\$ 33,748,679</u>	<u>\$ 6,550</u>	<u>\$ 2,383,039</u>	<u>\$ -</u>	<u>\$ 3,231,926</u>
GENERAL REVENUES						
Property taxes				\$ 6,896,508	\$ -	
Occupational taxes				21,266,558	-	
Insurance premium tax				6,926,705	-	
Franchise tax				392,364	-	
Transient room tax				1,127,516	-	
Payments in lieu of taxes				1,114,389	-	
Investment income				1,573,028		873,813
Gain on sale of capital assets				85,487		163,120
Miscellaneous				<u>89,095</u>		<u>612,272</u>
Total general revenues				39,471,650		1,649,205
Transfers				-		-
Total general revenues and transfers				<u>39,471,650</u>		<u>1,649,205</u>
Change in net position				15,186,694		4,881,131
Net position (deficit), beginning of year				<u>(17,770,090)</u>		<u>52,125,003</u>
Net position (deficit), end of year				<u>\$ (2,583,396)</u>		<u>\$ 57,006,134</u>

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

City of Hopkinsville, Kentucky
Balance Sheet
Governmental Funds
June 30, 2024

	<u>General</u>	<u>Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Pooled cash and cash equivalents	\$ 23,494,555	\$ -	\$ 3,296,878	\$ 26,791,433
Non-pooled cash and cash equivalents	558,413	-	3,929,788	4,488,201
Investments	41,181	-	557,728	598,909
Taxes receivable	3,514,344	-	-	3,514,344
Leases receivable	777,180	-	-	777,180
Loans receivable	-	-	698,244	698,244
Due from component unit	131,295	-	-	131,295
Other receivables	-	1,309,719	62,727	1,372,446
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 28,516,968</u>	<u>\$ 1,309,719</u>	<u>\$ 8,545,365</u>	<u>\$ 38,372,052</u>
LIABILITIES				
LIABILITIES				
Accounts payable	\$ 248,500	\$ 676,417	\$ 104,299	\$ 1,029,216
Accrued salaries	1,112,709	-	-	1,112,709
Transient bond deposits	1,000	-	-	1,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,362,209</u>	<u>676,417</u>	<u>104,299</u>	<u>2,142,925</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from leases	777,180	-	-	777,180
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>777,180</u>	<u>-</u>	<u>-</u>	<u>777,180</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	475,364	633,302	7,605,625	8,714,291
Committed	8,569,260	-	468,747	9,038,007
Assigned	307,766	-	366,694	674,460
Unassigned	17,025,189	-	-	17,025,189
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>26,377,579</u>	<u>633,302</u>	<u>8,441,066</u>	<u>35,451,947</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 28,516,968</u>	<u>\$ 1,309,719</u>	<u>\$ 8,545,365</u>	<u>\$ 38,372,052</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, 2024

Total fund balance - total governmental funds	\$	35,451,947
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Taxes receivable based on availability criteria; \$70,488 property taxes, \$409,167 insurance premium taxes, and \$18,286 franchise taxes.		497,941
Capital assets of \$109,014,863, net of accumulated depreciation of (\$52,430,230), are not financial resources and, therefore, are not reported in the funds. See note 4 to financial statements for detail.		56,584,633
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 \$105,644 are included in governmental activities in the statement of net position.		105,644
Accrued interest payable		(290,006)
Deferred outflows of resources - bond refinancing charges, amortizable over life of debt		201,669
Deferred outflows and inflows related to the net pension & net OPEB liabilities 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.		(12,092,386)
Long-term liabilities are not due and payable in the current period and are not reported in the funds. See note 5 to financial statements for detail.		(115,840,907)
Receivables from component units for long-term debt where the City is contingently liable are not reported in the funds.		<u>32,798,069</u>
Net position of governmental activities	\$	<u><u>(2,583,396)</u></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, 2024

	<u>General</u>	<u>Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 7,994,637	\$ -	\$ -	\$ 7,994,637
Licenses and permits	35,679,834	-	-	35,679,834
Fines and forfeitures	127,714	-	-	127,714
Intergovernmental	5,699,422	1,103,134	1,913,535	8,716,091
Investment income	1,304,678	-	240,951	1,545,629
Donations	1,000	-	-	1,000
Other revenue	<u>4,107,786</u>	<u>4,808,056</u>	<u>276,434</u>	<u>9,192,276</u>
Total revenues	<u>54,915,071</u>	<u>5,911,190</u>	<u>2,430,920</u>	<u>63,257,181</u>
EXPENDITURES				
Current:				
General government	4,672,763	-	12,760	4,685,523
Public safety	23,603,248	36,098	1,214,980	24,854,326
Public works	9,041,237	-	172,288	9,213,525
Community development	7,014,120	1,203,064	335,781	8,552,965
Parks and recreation	2,503,387	-	165,159	2,668,546
Debt service:				
Principal	1,422,107	-	241,762	1,663,869
Interest	987,836	-	27,325	1,015,161
Expenditures	-	-	-	-
Capital outlay	<u>676,328</u>	<u>4,588,273</u>	<u>3,384,170</u>	<u>8,648,771</u>
Total expenditures	<u>49,921,026</u>	<u>5,827,435</u>	<u>5,554,225</u>	<u>61,302,686</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,994,045</u>	<u>83,755</u>	<u>(3,123,305)</u>	<u>1,954,495</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	892,811	327,440	5,122,817	6,343,068
Transfers to other funds	(6,103,407)	-	(893,411)	(6,996,818)
Issuance of long-term debt and leases	4,704,346	-	-	4,704,346
Premium (discount) on bond issue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(506,250)</u>	<u>327,440</u>	<u>4,229,406</u>	<u>4,050,596</u>
Net change in fund balances	4,487,795	411,195	1,106,101	6,005,091
Fund balances, beginning of year	<u>21,889,784</u>	<u>222,107</u>	<u>7,334,965</u>	<u>29,446,856</u>
Fund balances, end of year	<u>\$ 26,377,579</u>	<u>\$ 633,302</u>	<u>\$ 8,441,066</u>	<u>\$ 35,451,947</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, 2024

Net change in fund balances - total governmental funds	\$ 6,005,091
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$8,648,771 exceeded depreciation of (\$4,393,874) in the current period.	4,254,897
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.	(4,704,346)
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	4,415,461
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,663,869
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.	3,997,687
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 (\$401,968) is reported with governmental activities.	(401,968)
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.	40,109
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 (\$140,871), decrease in accrued interest payable of \$10,337, amortization of deferred charges of (\$16,789), and amortization of net debt premium/(discount) of \$63,217.	<u>(84,106)</u>
Change in net position of governmental activities	<u>\$ 15,186,694</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, 2024

	Governmental Activities Internal Service Fund
ASSETS	
Current assets:	
Non-pooled cash and cash equivalents	\$ 408,686
Other receivables	-
Total current assets	408,686
Total assets	\$ 408,686
LIABILITIES	
Current liabilities:	
Accounts payable	\$ -
Incurred, not yet reported	303,042
Total current liabilities	303,042
Total liabilities	303,042
NET POSITION	
Unrestricted	105,644
Total net position	105,644
Total liabilities and net position	\$ 408,686

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, 2024

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Employee contributions	\$ 577,888
Employer contributions	2,226,530
Other income	58
Total operating revenues	2,804,476
OPERATING EXPENSES	
Administrative	241,976
Claims expense	3,645,617
Total operating expenses	3,887,593
Operating income (loss)	(1,083,117)
NONOPERATING REVENUES (EXPENSES)	
Interest income	27,399
Total nonoperating revenues (expenses)	27,399
Income (loss) before transfers	(1,055,718)
Transfers in	653,750
Transfers out	-
Total transfers	653,750
Change in net position	(401,968)
Net position, beginning of year	507,612
Net position, end of year	\$ 105,644

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, 2024

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from employees/employer	\$ 2,804,418
Cash receipts from other sources	58
Cash payments to vendors	(241,976)
Cash payments for claims	<u>(3,347,537)</u>
Net cash provided by (used in) operating activities	<u>(785,037)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in	653,750
Transfers out	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>653,750</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned on investments	<u>27,399</u>
Net cash provided by (used in) investing activities	<u>27,399</u>
Net increase (decrease) in cash and cash equivalents	(103,888)
Cash and cash equivalents, beginning of year	<u>512,574</u>
Cash and cash equivalents, end of year	<u><u>\$ 408,686</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS)	
TO NET CASH PROVIDED BY (USED IN)	
OPERATING ACTIVITIES	
Operating income (loss)	\$ (1,083,117)
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>298,080</u>
Net cash provided by (used in) operating activities	<u><u>\$ (785,037)</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, 2024

ASSETS

Cash and cash equivalents \$ 238,996

Investments, at fair value:

 Certificates of deposit 571,450

 Corporate bond 22,446

 Municipal bonds 265,392

 U.S. bond 148,096

 Total investments 1,007,384

Total assets \$ 1,246,380

LIABILITIES

Accounts payable \$ -

Total liabilities -

NET POSITION

Net position restricted for pensions \$ 1,246,380

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, 2024

ADDITIONS

Contributions:

Employer	\$ 220,000
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Investment income:

Interest and dividends	38,486
Net increase (decrease) in fair value investments	3,267
Net investment income	41,753

Total additions	261,753
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DEDUCTIONS

Benefits paid	192,257
Administrative expenses	17,521

Total deductions	209,778
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Net increase (decrease) in net position	51,975
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Net position, beginning of year	1,194,405
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Net position, end of year	\$ 1,246,380
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The notes to the basic financial statements are an integral part of this statement.

City of Hopkinsville, Kentucky
Statement of Net Position
Component Units
June 30, 2024

	Major			Total
	Hopkinsville Water Environment Authority	Hopkinsville Solid Waste Enterprise	Hopkinsville Surface and Stormwater Utility	
ASSETS				
Cash and cash equivalents	\$ 6,110,215	\$ 853,720	\$ 880,184	\$ 7,844,119
Accounts receivable	1,852,547	902,518	87,934	2,842,999
Inventory	616,776	-	-	616,776
Prepaid insurance	26,096	-	-	26,096
Other current assets	121	-	-	121
Notes receivable	48,456	-	-	48,456
Other receivables	845,410	-	-	845,410
Other assets	-	-	733,052	733,052
Restricted assets:				
Cash and cash equivalents	2,644,205	359,595	6,065,674	9,069,474
Investments	-	-	338,132	338,132
Net OPEB asset	232,508	125,010	-	357,518
Capital assets, net of depreciation:				
Land and construction in progress	48,800,125	615,582	2,776,880	52,192,587
Depreciable capital assets	96,820,450	13,522,478	5,950,212	116,293,140
Net capital assets	<u>145,620,575</u>	<u>14,138,060</u>	<u>8,727,092</u>	<u>168,485,727</u>
Total assets	<u>157,996,909</u>	<u>16,378,903</u>	<u>16,832,068</u>	<u>191,207,880</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension	1,918,191	957,871	-	2,876,062
Deferred outflows from OPEB	852,771	359,378	-	1,212,149
Deferred refunding costs	102,854	-	-	102,854
Total deferred outflows of resources	<u>2,873,816</u>	<u>1,317,249</u>	<u>-</u>	<u>4,191,065</u>
Total assets and deferred outflows of resources	<u>\$ 160,870,725</u>	<u>\$ 17,696,152</u>	<u>\$ 16,832,068</u>	<u>\$ 195,398,945</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, 2024

	Major			Total
	Hopkinsville Water Environment Authority	Hopkinsville Solid Waste Enterprise	Hopkinsville Surface and Stormwater Utility	
LIABILITIES				
Accounts payable	\$ 1,077,423	\$ 313,326	\$ 89,176	\$ 1,479,925
Accrued salaries	221,538	259,939	-	481,477
Accrued interest	157,771	-	75,415	233,186
Construction retainage and contracts payable	814,270	-	-	814,270
Customer deposits	6,900	-	-	6,900
Accrued compensated absences, current portion	358,806	91,364	-	450,170
Current portion of long-term debt	2,801,599	441,642	-	3,243,241
Payable to City of Hopkinsville, current portion	2,265,000	2,864,097	320,000	5,449,097
Long-term liabilities:				
Compensated absences, net of current portion	342,288	517,729	-	860,017
State Revolving Fund loans, net of current portion	67,767,375	-	-	67,767,375
Notes payable, net of current portion	-	-	-	-
Lease payable, net of current portion	-	1,749,726	-	1,749,726
Payable to City of Hopkinsville, net of current portion	6,575,687	4,809,551	8,574,677	19,959,915
Net pension liability	10,805,978	5,809,956	-	16,615,934
Net OPEB liability	-	-	-	-
Accrued landfill closure costs, payable to City of Hopkinsville	-	7,389,057	-	7,389,057
Total liabilities	<u>93,194,635</u>	<u>24,246,387</u>	<u>9,059,268</u>	<u>126,500,290</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - USACE	3,881,935	-	-	3,881,935
Deferred inflows from pension	1,258,105	909,755	-	2,167,860
Deferred inflows from OPEB	3,735,170	2,107,556	-	5,842,726
Total deferred inflows of resources	<u>8,875,210</u>	<u>3,017,311</u>	<u>-</u>	<u>11,892,521</u>
NET POSITION				
Net investment in capital assets	65,499,498	4,273,044	5,781,238	75,553,780
Restricted:				
Equipment maintenance and replacement	2,644,205	-	-	2,644,205
Capital projects	-	-	454,982	454,982
Unrestricted (deficit)	<u>(9,342,823)</u>	<u>(13,840,590)</u>	<u>1,536,580</u>	<u>(21,646,833)</u>
Total net position (deficit)	<u>58,800,880</u>	<u>(9,567,546)</u>	<u>7,772,800</u>	<u>57,006,134</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 160,870,725</u>	<u>\$ 17,696,152</u>	<u>\$ 16,832,068</u>	<u>\$ 195,398,945</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 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 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

**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

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 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, 2024:

<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	1,002,054
Hopkinsville-Christian County Public Library	318,000

Hopkinsville-Christian County Ambulance Service District had a note payable with the City during the year. See Note 3 regarding a note receivable with this entity.

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, 2024:

<u>Agency</u>	<u>City Funding</u>
Hopkinsville-Christian County Airport Board	\$ 34,000
Hopkinsville-Christian County Community Development Services	605,000
Hopkinsville-Christian County Conference Center Corporation	45,000
Hopkinsville-Christian County Economic Development Council	165,000
Museums of Historic Hopkinsville-Christian County	35,000

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

1. Summary of Significant Accounting Policies, continued

A. Reporting Entity, continued

Jointly Governed Organizations, continued

Hopkinsville-Christian County Conference Corporation reimburses the City for current amounts due on bonds payable issued on its behalf; these reimbursements are recorded in the City's revenue. The City received \$56,709 of these reimbursements for the year ended June 30, 2024.

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, 2024:

Agency	City Funding
Christian County-Hopkinsville Local Development Corporation	\$ 39,000
Hopkinsville-Christian County Convention & Visitor's Bureau	-
Hopkinsville Electric System	-

Hopkinsville-Christian County Convention & Visitor's Bureau reimburses the City for current amounts due on bonds payable issued on its behalf; these reimbursements are recorded in the City's revenue. The City received \$42,176 of these reimbursements for the year ended June 30, 2024

Hopkinsville-Christian County Convention & Visitor's Bureau also had a note payable with the City during the year. See Note 3 regarding a note receivable with this entity.

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 the community, improve the future for 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 \$80,000 for the year ended June 30, 2024.

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

1. Summary of Significant Accounting Policies, continued

B. Basis of Presentation

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

Government-Wide Financial Statements

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

The statement of net position presents the financial condition of the governmental and business-type activities of the City at 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 currently has no business-type activities, except through its component units. 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, which are determined by the percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined. 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.

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

1. Summary of Significant Accounting Policies, continued

B. Basis of Presentation, continued

Fund Financial Statements, continued

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The 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 (CDBG) – 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.

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

1. Summary of Significant Accounting Policies, continued

B. Basis of Presentation, continued

Fund Financial Statements, continued

Governmental Funds, continued

Special Revenue Funds, continued

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

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

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

Grants Fund – established to account for various local, state, or federal grants unrelated to general fund operations or other specifically designated funds. This is a major fund of the City for the year ended June 30, 2024.

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.

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 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.

Non-Expendable Trust Fund – established to account for the principal portion of various cemetery funds created by an endowment.

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

1. Summary of Significant Accounting Policies, continued

B. Basis of Presentation, continued

Fund Financial Statements, continued

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.

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 currently have an enterprise fund, other than through its discretely presented component units. 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-insured 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.

Policemen's and Firefighter's Pension Fund (PFPF) – this is 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.

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

1. Summary of Significant Accounting Policies, continued

B. Basis of Presentation, continued

Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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.

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

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

1. Summary of Significant Accounting Policies, continued

B. Basis of Presentation, continued

Basis of Accounting, continued

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.

C. Assets, Liabilities, and Fund Equity

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.

Receivables

Receivables are amounts due representing revenues earned or accrued in the current period. Taxes receivable include property taxes, payroll taxes, insurance premium taxes, and other similar taxes. Accounts receivable are uncollected charges for services to customers by component units. Leases receivable include the net present values of leases where the City is the lessor. Other receivables include interlocal notes receivable and intergovernmental or grant receivables.

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.

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

1. Summary of Significant Accounting Policies, continued

C. Assets, Liabilities, and Fund Equity, continued

Prepaid Items

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

Restricted Assets

Restricted assets for the City consist of debt proceeds which were loaned to the City for various construction projects, 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.

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.

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. 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. The City maintains a capitalization threshold of \$5,000.

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. Right-to-use assets are amortized over the life of the related lease.

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

1. Summary of Significant Accounting Policies, continued

C. Assets, Liabilities, and Fund Equity, continued

Capital Assets, continued

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

<u>Description</u>	<u>Estimated Lives</u>
Land	N/A
Buildings and Improvements	15-50 Years
Equipment	5-30 Years
Right-to-Use Equipment	5 Years
Infrastructure	20-40 Years
Land Improvements	10-40 Years
Vehicles	5-7 Years

The City’s infrastructure consists of pavements, storm sewers, water lines, sanitary sewers, and natural gas lines.

Other Assets

Stormwater periodically purchases easements that limit the allowable uses of the related property. All easements acquired are recorded as other assets in the statement of net position. Costs incurred in obtaining the easements are recorded as current expenses. Easements purchased are recorded at the estimated value given up by the land owner by restricting the use of property with the easement. These easements lack a finite period of time that would be considered the term of the agreement. Stormwater had \$733,052 of land easements as of June 30, 2024.

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.

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, notes, leases, and other long-term liabilities are recognized as a liability on the fund financial statements when due.

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

1. Summary of Significant Accounting Policies, continued

C. Assets, Liabilities, and Fund Equity, continued

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.

Leases

Lessor Activity

The City records a lease receivable for the present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded for an equal amount at the initiation of the lease. The deferred inflow of resources is amortized on the straight-line basis over the term of the lease.

Lessee Activity

The City records a lease payable for the present value of lease payments expected to be paid during the lease term. The related capital or right-to-use asset is recorded for an equal amount. If ownership is to be transferred at the end of the lease, the capital asset is depreciated over the estimated useful life of the asset. If ownership is not to be transferred at the end of the lease, the right-to-use asset is amortized over the term of the lease.

Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension and OPEB assets/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.

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

1. Summary of Significant Accounting Policies, continued

C. Assets, Liabilities, and Fund Equity, continued

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 the end of the fiscal year.

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

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.

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.

Deferred Revenue

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

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

1. Summary of Significant Accounting Policies, continued

C. Assets, Liabilities, and Fund Equity, continued

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.
- *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.

Deficit Net Position

The City had deficit unrestricted net position of (\$36,360,777) at June 30, 2024. 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 (\$9,342,823) at June 30, 2024. 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 (\$13,840,590) at June 30, 2024. 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.

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

1. Summary of Significant Accounting Policies, continued

C. Assets, Liabilities, and Fund Equity, continued

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.
- *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.

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

1. Summary of Significant Accounting Policies, continued

D. Revenues, Expenditures, and Expenses

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.

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.

Interfund Activity

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

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

1. Summary of Significant Accounting Policies, continued

E. 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.

F. Budgetary Information

Annual budgets are adopted for the General Fund, Municipal Road Aid Fund, and Capital 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 funds 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 reappropriated and honored during the subsequent year.

G. Prior Period Adjustment

A prior period adjustment was made to record lease receivables and deferred inflows of resources pertaining to the implementation of GASB 87 for leases of lessors. Under this standard, a lease receivable and deferred inflow of resources is recorded for the present value of lease payments to be received under terms of the lease. A lease receivable and deferred inflow of resources of \$1,005,025 was recorded. This adjustment had no effect on beginning net position or fund balance. For comparison purposes in the MD&A, the City has restated the receivable and deferred inflow of resources as of June 30, 2023.

2. Deposits and Investments

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.

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

2. Deposits and Investments, continued

Deposits, continued

Custodial Credit Risk, continued

As of June 30, 2024, the City, HWEA, Solid Waste, and Stormwater did not have any deposited funds exposed to custodial credit risk.

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, 2024, 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

Investments, continued

The investments for City of Hopkinsville consisted of the following as of June 30, 2024:

<u>Types of Investments:</u>	<u>Fair Value/ Carrying Value</u>	<u>Average Credit Rating*</u>	<u>Average Maturity</u>
Primary Government:			
Certificates of deposit	\$ 41,181	N/A	1.20 Years
Mutual funds	<u>557,729</u>	N/A	9.94 Years
Total primary government investments	<u>\$ 598,910</u>		

Pension Trust Fund:

Certificates of deposit	\$ 571,450	N/A	1.03 Years
Corporate bond	22,446	AA-	4.20 Years
Municipal bonds	265,392	AA-AAA	2.34 Years
U.S. bonds	<u>148,096</u>	N/R	1.28 Years
Total pension trust fund investments	<u>\$ 1,007,384</u>		

The investments for Stormwater consisted of the following as of June 30, 2024:

<u>Types of Investments:</u>	<u>Fair Value/ Carrying Value</u>	<u>Average Credit Rating*</u>	<u>Average Maturity</u>
U.S. Treasury obligations	<u>\$ 338,132</u>	N/R	1.08 Years
Total Stormwater investments	<u>\$ 338,132</u>		

*N/A means a credit rating was not available; N/R means a credit rating was not required.

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

2. Deposits and Investments, continued

Investments, continued

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

Mutual funds and bonds classified as Level 1 are valued using prices quoted in active marks for those securities. Certificates of 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, 2024:

<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	\$ 41,181	\$ -	\$ 41,181	\$ -
Mutual funds	<u>557,729</u>	<u>557,729</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 598,910</u>	<u>\$ 557,729</u>	<u>\$ 41,181</u>	<u>\$ -</u>
Pension Trust Fund:				
Certificates of deposit	\$ 571,450	\$ -	\$571,450	\$ -
Corporate bond	22,446	22,446	-	-
Municipal bonds	265,392	265,392	-	-
U.S. bond	<u>148,096</u>	<u>148,096</u>	<u>-</u>	<u>-</u>
Total pension trust fund	<u>\$1,007,384</u>	<u>\$ 435,934</u>	<u>\$571,450</u>	<u>\$ -</u>

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

2. Deposits and Investments, continued

Investments, continued

Stormwater has the following fair value measurements as of June 30, 2024:

<u>Types of Investments:</u>	<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.S. Treasury obligations	\$ 338,132	\$ 338,132	\$ -	\$ -
Total Stormwater	<u>\$ 338,132</u>	<u>\$ 338,132</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2024:

<u>Due from component units:</u>	
Hopkinsville Water Environment Authority	\$ 8,840,687
Hopkinsville Solid Waste Enterprise	15,062,705
Hopkinsville Surface & Stormwater Utility	<u>8,894,677</u>
Total – due from component units	<u>\$ 32,798,069</u>
<u>Temporarily restricted:</u>	
ARPA proceeds in checking	\$ 3,322,796
Opioid settlements in checking	475,364
Money market funds, expendable trust	141,736
Investments, expendable trust	<u>212,589</u>
Total – temporarily restricted	<u>\$ 4,152,485</u>

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

2. Deposits and Investments, continued

Restricted Assets, continued

<u>Permanently restricted:</u>	
Money market funds, non-expendable trust	\$ 129,172
Investments, non-expendable trust	<u>345,140</u>
Total – permanently restricted	<u>\$ 474,312</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, 2024:

Equipment maintenance and replacement, cash	<u>\$ 2,644,205</u>
Total restricted assets - HWEA	<u>\$ 2,644,205</u>

Solid Waste’s restricted assets consist of capital reserve funds set aside for larger capital 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, 2024:

Capital reserve, cash	\$ 20,566
Landfill closure costs, cash	<u>339,029</u>
Total restricted assets - Solid Waste	<u>\$ 359,595</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	\$ 6,065,674
Unspent debt proceeds, investments	<u>338,132</u>
Total restricted assets - Stormwater	<u>\$ 6,403,806</u>

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

3. Receivables

Taxes Receivable

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.

Other Taxes Receivable

Other receivables include payroll taxes, insurance premium taxes, and other similar taxes that are considered available at year end.

Accounts Receivable

HWEA's net customer receivables included the following as of June 30, 2024:

Customer accounts receivable	\$ 1,718,060
Miscellaneous receivables	<u>134,487</u>
Total customer receivables - HWEA	<u>\$ 1,852,547</u>

Uncollectible accounts are written off as bad debts in the period in which, in management's opinion, collection is unlikely. Normally, all accounts over 90 days old are written off as bad debts. Net bad debt expense (income) was \$62,666 for the year ended June 30, 2024.

Solid Waste's net customer receivables included the following as of June 30, 2024:

Customer accounts receivable	\$ 925,079
Allowance for uncollectible accounts	<u>(22,561)</u>
Total customer receivables - Solid Waste	<u>\$ 902,518</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 \$9,167 for the year ended June 30, 2024.

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

3. Receivables, continued

Accounts Receivable, continued

Stormwater's net customer receivables included the following as of June 30, 2024:

Customer accounts receivable	\$ 92,562
Allowance for uncollectible accounts	<u>(4,628)</u>
Total customer receivables - Stormwater	<u>\$ 87,934</u>

The allowance for uncollectible accounts is based on collection rates of similar organizations in the industry. Net bad debt expense (income) was (\$3,125) for the year ended June 30, 2024.

Leases Receivable/Deferred Lease Revenue

Leases receivable and deferred inflows of resources related to lease revenue are recorded when the City leases property to others.

See Note 6 regarding leases receivable.

Notes Receivable

The City makes various loans through its Urban Development Action Grant (UDAG) special revenue fund. This fund had the following loans during the year ended June 30, 2024:

The City granted BWM Property I, LLC \$175,000 from the UDAG fund in May 2015 to assist with funding the demolition of the Welcome Inn, which was uninhabitable and a potential health and safety hazard; the development of the property would increase net profits, occupational license fee revenues, and enhance overall economic prosperity in the community. Repayment to the fund is made with the revenue generated from occupational license fees from new positions and incremental property tax increases from the project. The City received \$25,525 in these type of payments during the year ended June 30, 2024. The balance on this note at June 30, 2024 was \$16,697.

The City loaned the Hopkinsville-Christian County Convention & Visitor's Bureau, a related organization, \$150,000 from the UDAG fund in September 2017 to finance the construction of the Visitors/Welcome Center to be located at the Trail of Tears site. The note was to be repaid over five years, beginning in January 2018 and ending in January 2024, with no payment frequency specified and no interest payable. The City received \$7,500 in principal payments and no interest during the year ended June 30, 2024. This note was paid off in July 2023.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

3. Receivables, continued

Notes Receivable, continued

The City loaned the Hopkinsville Industrial Foundation, Inc. \$350,000 from the UDAG fund in May 2018 to assist with the purchase and improvements of real estate for a manufacturing facility. The note is to be repaid in quarterly installments of \$9,439 over ten years, beginning September 2019 and ending in June 2029, at an annual interest rate of 1.50%. The City received \$34,707 in principal payments and \$3,049 in interest during the year ended June 30, 2024. The balance on this note at June 30, 2024 was \$181,547.

The City loaned the Hopkinsville-Christian County Ambulance Service District, a joint venture, \$500,000 from the UDAG fund in April 2024 to assist with cash flow problems associated with their third-party billing company. This loan is expected to be repaid in full by April 2025. If the loan is repaid within one year, the City agrees to forgo any interest. In the event that the loan is not repaid within one year, the Ambulance Service District will pay 5.00% interest. The balance on this note at June 30, 2024 was \$500,000.

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 \$48,456 at June 30, 2024.

Other Receivables/Deferred Revenues

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

During the year ended June 30, 2018, the water line project described above was completed, the line of credit associated with that particular project was closed out, and USACE began repaying HWEA. The first installment payment was a lump sum payment of \$2,499,906 followed by regular monthly installments. USACE is currently making monthly installment payments of \$24,325 including interest at 4.00%, due in August 2027. The balance of this other receivable was \$845,410 at June 30, 2024. 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, 2024, \$143,588 was amortized to miscellaneous revenue. The balance of this deferred revenue account was \$3,881,935 at June 30, 2024.

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

4. Capital Assets

A summary of City governmental activities property, plant and equipment activity for the year ended June 30, 2024, is as follows:

	Balance <u>July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2024</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 2,200,850	\$ -	\$ -	\$ 2,200,850
Construction in Progress	<u>1,411,470</u>	<u>4,847,484</u>	<u>229,628</u>	<u>6,029,326</u>
Total Capital Assets Not Being Depreciated	<u>3,612,320</u>	<u>4,847,484</u>	<u>229,628</u>	<u>8,230,176</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	37,545,341	529,271	-	38,074,612
Equipment	9,670,178	1,332,057	21,883	10,980,352
Right-to-Use Equipment	-	288,885	-	288,885
Infrastructure	26,127,985	812,962	-	26,940,947
Land Improvements	16,689,619	-	-	16,689,619
Vehicles	<u>6,808,005</u>	<u>1,067,741</u>	<u>65,474</u>	<u>7,810,272</u>
Total Capital Assets Being Depreciated	<u>96,841,128</u>	<u>4,030,916</u>	<u>87,357</u>	<u>100,784,687</u>
Less Accumulated Depreciation:				
Buildings and Improvements	10,879,394	1,231,175	-	12,110,569
Equipment	5,900,097	1,006,213	21,883	6,884,427
Right-to-Use Equipment	-	28,888	-	28,888
Infrastructure	18,440,057	621,806	-	19,061,863
Land Improvements	7,846,092	805,711	-	8,651,803
Vehicles	<u>5,058,073</u>	<u>700,081</u>	<u>65,474</u>	<u>5,692,680</u>
Total Accumulated Depreciation	<u>48,123,713</u>	<u>4,393,874</u>	<u>87,357</u>	<u>52,430,230</u>
Total	<u>\$ 52,329,735</u>	<u>\$ 4,484,526</u>	<u>\$ 229,628</u>	<u>\$ 56,584,633</u>

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

Depreciation expense charged to governmental activities for the year ended June 30, 2024 was as follows:

General Government	\$ 509,189
Public Safety	1,253,907
Public Works	1,092,732
Community Development	563,276
Parks and Recreation	<u>974,770</u>
Total depreciation expense	<u>\$4,393,874</u>

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

4. Capital Assets, continued

A summary of HWEA's business-type activities property, plant and equipment activity for the year ended June 30, 2024, is as follows:

<u>Business-type Activities:</u>	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2024</u>
Capital Assets Not Being Depreciated:				
Land	\$ 1,571,840	\$ -	\$ -	\$ 1,571,840
Construction in Progress	<u>37,105,735</u>	<u>11,122,792</u>	<u>1,000,242</u>	<u>47,228,285</u>
Total Capital Assets Not Being Depreciated	<u>38,677,575</u>	<u>11,122,792</u>	<u>1,000,242</u>	<u>48,800,125</u>
Capital Assets Being Depreciated:				
Structures and Improvements	185,056,963	3,450,983	46,330	188,461,616
Equipment	7,877,710	1,214,502	388,308	8,703,904
Vehicles	<u>1,690,287</u>	<u>615,037</u>	<u>73,775</u>	<u>2,231,549</u>
Total Capital Assets Being Depreciated	<u>194,624,960</u>	<u>5,280,522</u>	<u>508,413</u>	<u>199,397,069</u>
Less Accumulated Depreciation:				
Structures and Improvements	90,150,069	4,770,041	26,638	94,893,472
Equipment	6,049,640	411,591	146,180	6,315,051
Vehicles	<u>1,297,294</u>	<u>144,147</u>	<u>73,345</u>	<u>1,368,096</u>
Total Accumulated Depreciation	<u>97,497,003</u>	<u>5,325,779</u>	<u>246,163</u>	<u>102,576,619</u>
Total - HWEA	<u>\$ 135,805,532</u>	<u>\$ 11,077,535</u>	<u>\$ 1,262,492</u>	<u>\$ 145,620,575</u>

Depreciation expense for HWEA for the year ended June 30, 2024 was \$5,325,779.

**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, 2024, is as follows:

<u>Business-type Activities</u>	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2024</u>
Capital Assets Not Being Depreciated:				
Land	\$ 615,582	\$ -	\$ -	\$ 615,582
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	<u>615,582</u>	<u>-</u>	<u>-</u>	<u>615,582</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	3,101,402	-	-	3,101,402
Equipment	10,475,563	7,225,957	5,108,602	12,592,918
Land Improvements	<u>5,924,176</u>	<u>-</u>	<u>-</u>	<u>5,924,176</u>
Total Capital Assets Being Depreciated	<u>19,501,141</u>	<u>7,225,957</u>	<u>5,108,602</u>	<u>21,618,496</u>
Less Accumulated Depreciation:				
Buildings and Improvements	560,490	112,699	-	673,189
Equipment	5,634,049	1,394,747	2,302,412	4,726,384
Land Improvements	<u>2,297,388</u>	<u>399,057</u>	<u>-</u>	<u>2,696,445</u>
Total Accumulated Depreciation	<u>8,491,927</u>	<u>1,906,503</u>	<u>2,302,412</u>	<u>8,096,018</u>
Total - Solid Waste	<u>\$ 11,624,796</u>	<u>\$ 5,319,454</u>	<u>\$ 2,806,190</u>	<u>\$ 14,138,060</u>

Depreciation expense for Solid Waste for the year ended June 30, 2024 was \$1,906,503.

A summary of Stormwater business-type activities property, plant and equipment activity for the year ended June 30, 2024, is as follows:

<u>Business-type Activities</u>	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2024</u>
Capital Assets Not Being Depreciated:				
Land	\$ 1,058,283	\$ -	\$ -	\$ 1,058,283
Construction in Progress	<u>1,425,486</u>	<u>293,111</u>	<u>-</u>	<u>1,718,597</u>
Total Capital Assets Not Being Depreciated	<u>2,483,769</u>	<u>293,111</u>	<u>-</u>	<u>2,776,880</u>
Capital Assets Being Depreciated:				
Infrastructure	<u>9,545,708</u>	<u>12,389</u>	<u>-</u>	<u>9,558,097</u>
Less Accumulated Depreciation:				
Infrastructure	<u>3,224,996</u>	<u>382,889</u>	<u>-</u>	<u>3,607,885</u>
Total - Stormwater	<u>\$ 8,804,481</u>	<u>\$ (77,389)</u>	<u>\$ -</u>	<u>\$ 8,727,092</u>

Depreciation expense for Stormwater for the year ended June 30, 2024 was \$382,889.

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

5. Long-Term Obligations

During the year ended June 30, 2024, the following changes occurred in long-term liabilities:

	Principal Outstanding <u>July 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	Principal Outstanding <u>June 30, 2024</u>	Due Within <u>One Year</u>
<u>Governmental Activities:</u>					
General Obligation Bonds-City	\$ 29,870,000	\$ -	\$ 1,365,000	\$ 28,505,000	\$ 1,520,000
General Obligation Bonds- on behalf of component units	21,854,167	-	2,457,084	19,397,083	2,555,000
Revenue Bond- on behalf of component unit	1,447,500	-	198,500	1,249,000	205,000
Notes Payable-City	1,012,060	-	241,762	770,298	245,298
Leases Payable-City	-	288,885	57,107	231,778	57,440
Leases Payable- on behalf of component unit	3,906,630	4,415,461	3,906,630	4,415,461	2,689,097
Plus: Unamortized Premium-City	869,579	-	64,283	805,296	-
Plus: Unamortized Premium- on behalf of component units	516,090	-	165,606	350,484	-
Less: Unamortized Discount-City	(20,791)	-	(1,066)	(19,725)	-
Less: Unamortized Discount- on behalf of component units	(3,532)	-	(516)	(3,016)	-
Total long-term debt	<u>59,451,703</u>	<u>4,704,346</u>	<u>8,454,390</u>	<u>55,701,659</u>	<u>7,271,835</u>
Compensated Absences	1,468,588	404,348	263,478	1,609,458	160,946*
Net Pension Liability (CERS)	58,747,464	828,889	10,329,784	49,246,569	-
Net Pension Liability (PFPF)	501,638	-	58,767	442,871	-
Net OPEB Liability	16,300,658	-	14,849,365	1,451,293	-
Accrued landfill closure/post- closure costs, on behalf of component unit	<u>6,681,194</u>	<u>707,863</u>	<u>-</u>	<u>7,389,057</u>	<u>-</u>
Total Governmental Activities	<u>\$143,151,245</u>	<u>\$ 6,645,446</u>	<u>\$33,955,784</u>	<u>\$ 115,840,907</u>	<u>\$7,432,781</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**

5. Long-Term Obligations, continued

During the year ended June 30, 2024, the following changes occurred in the component units' long-term liabilities:

	Principal Outstanding July 1, 2023	<u>Additions</u>	<u>Reductions</u>	Principal Outstanding June 30, 2024	Due Within One Year
<u>Business-type Activities-HWEA:</u>					
Notes Payable-SRF loans	\$63,276,040	\$10,046,603	\$ 2,753,669	\$ 70,568,974	\$2,801,599
Payable to City of Hopkinsville:					
Revenue Bond	1,447,500	-	198,500	1,249,000	205,000
General Obligation Bonds	9,285,000	-	1,980,000	7,305,000	2,060,000
Plus: Unamortized Premium	452,573	-	162,870	289,703	-
Less: Unamortized Discount	<u>(3,532)</u>	<u>-</u>	<u>(516)</u>	<u>(3,016)</u>	<u>-</u>
Total long-term debt	74,457,581	10,046,603	5,094,523	79,409,661	5,066,599
Compensated Absences	700,492	371,767	371,165	701,094	358,806*
Net Pension Liability	12,224,768	-	1,418,790	10,805,978	-
Net OPEB Liability	<u>3,336,758</u>	<u>-</u>	<u>3,336,758</u>	<u>-</u>	<u>-</u>
Total Business-type Activities- HWEA	<u>\$90,719,599</u>	<u>\$10,418,370</u>	<u>\$10,221,236</u>	<u>\$90,916,733</u>	<u>\$5,425,405</u>
<u>Business-type Activities-Solid Waste:</u>					
Note Payable	\$ 93,222	\$ -	\$ 93,222	\$ -	\$ -
Leases Payable	65,361	2,440,958	314,951	2,191,368	441,642
Payable to City of Hopkinsville:					
General Obligation Bonds	3,419,167	-	172,084	3,247,083	175,000
Leases Payable	3,906,630	4,415,461	3,906,630	4,415,461	2,689,097
Plus: Unamortized Premium	<u>11,847</u>	<u>-</u>	<u>743</u>	<u>11,104</u>	<u>-</u>
Total long-term debt	7,496,227	6,856,419	4,487,630	9,865,016	3,305,739
Compensated Absences	676,981	-	67,888	609,093	91,364*
Net Pension Liability	6,774,815	-	964,859	5,809,956	-
Net OPEB Liability	1,849,182	-	1,849,182	-	-
Accrued landfill closure/post- closure costs, payable to City	<u>6,681,194</u>	<u>707,863</u>	<u>-</u>	<u>7,389,057</u>	<u>-</u>
Total Business-type Activities- Solid Waste	<u>\$23,478,399</u>	<u>\$ 7,564,282</u>	<u>\$7,369,559</u>	<u>\$23,673,122</u>	<u>\$3,397,103</u>

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

5. Long-Term Obligations, continued

	Principal Outstanding <u>July 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	Principal Outstanding <u>June 30, 2024</u>	Due Within <u>One Year</u>
<u>Business-type Activities-Stormwater:</u>					
Payable to City of Hopkinsville:					
General Obligation Bonds	\$ 9,150,000	\$ -	\$ 305,000	\$ 8,845,000	\$ 320,000
Plus: Unamortized Premium	<u>51,670</u>	<u>-</u>	<u>1,993</u>	<u>49,677</u>	<u>-</u>
Total Business-type Activities- Stormwater	<u>\$ 9,201,670</u>	<u>\$ -</u>	<u>\$ 306,993</u>	<u>\$ 8,894,677</u>	<u>\$ 320,000</u>
Total Business-type Activities- Component Units	<u>\$123,399,668</u>	<u>\$ 17,982,652</u>	<u>\$17,897,788</u>	<u>\$123,484,532</u>	<u>\$9,142,508</u>

For governmental activities, compensated absences, claims and judgments payable, net pension liability (PFPP), net pension liability (CERS), and net OPEB asset/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.

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

5. Long-Term Obligations, continued

General Obligation Bonds, continued

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.

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 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

5. Long-Term Obligations, continued

General Obligation Bonds, continued

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, 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.

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

5. Long-Term Obligations, continued

General Obligation Bonds, continued

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.

The outstanding debt related to general obligation bonds at June 30, 2024, 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%	\$ 2,850,000
US Bank National Association GO, 2014 Series A - \$2,545,000	2034	2.00%-3.25%	670,000
US Bank National Association GO, 2016 Series - \$2,970,000	2038	2.00%-3.00%	2,215,000
US Bank National Association GO, 2017 Series - \$7,335,000	2042	2.00%-3.25%	6,010,000
US Bank National Association GO, 2018 Series - \$3,500,000	2044	3.00%-3.625%	3,005,000
US Bank National Association GO, 2019 Series - \$995,000	2039	2.00%-3.50%	795,000
US Bank National Association GO, 2021 Series A - \$1,835,000	2035	1.25%-2.00%	1,120,000
US Bank National Association GO, 2021 Series B - \$6,240,000	2037	2.00%-4.00%	6,020,000
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>2,200,000</u>

Bonds issued directly to the City \$ 28,505,000

Issued on behalf of component units:

US Bank National Association GO, 2013 Series A - \$4,635,000	2038	2.00%	\$ 2,940,000
US Bank National Association GO, 2013 Series B - \$3,520,000	2034	2.00%-4.50%	2,060,000
US Bank National Association GO, 2014 Series B - \$1,700,000	2038	1.50%-6.625%	1,295,000
US Bank National Association GO, 2014 Series C - \$1,620,000	2029	1.10%-3.25%	515,000

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

5. 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, 2015 Series A - \$15,710,000	2026	4.00%	\$ 3,435,000
Kentucky Bond Corporation			
GO, 2020 Series C - \$3,525,000	2040	2.00%-2.50%	2,953,333
Kentucky Bond Corporation			
GO, 2021 Series C - \$335,000	2040	2.00%	293,750
US Bank National Association			
GO, 2022 Series A - \$6,165,000	2052	3.00%-4.00%	<u>5,905,000</u>
Bonds issued on behalf of component units			<u>19,397,083</u>
Total bonds issued in the City's name			47,902,083
Plus: Unamortized bond premium			1,155,780
Less: Unamortized bond discount			<u>(22,741)</u>
	Total		<u>\$ 49,035,122</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%	\$ 2,060,000
Due to City of Hopkinsville, US Bank	2038	1.50%-6.625%	1,295,000
Due to City of Hopkinsville, US Bank	2029	1.10%-3.25%	515,000
Due to City of Hopkinsville, US Bank	2026	4.00%	<u>3,435,000</u>
			7,305,000
Plus: Unamortized bond premium			289,703
Less: Unamortized bond discount			<u>(3,016)</u>
	Total		<u>\$ 7,591,687</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%	\$ 2,953,333
Due to City of Hopkinsville, KBC	2040	2.00%	<u>293,750</u>
			3,247,083
Plus: Unamortized bond premium			<u>11,104</u>
	Total		<u>\$ 3,258,187</u>

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

5. 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%	\$ 2,940,000
Due to City of Hopkinsville, US Bank	2052	3.00%-4.00%	<u>5,905,000</u>
			8,845,000
Plus: Unamortized bond premium			<u>49,677</u>
	Total		<u>\$ 8,894,677</u>

Annual debt service requirements to maturity for general obligation bonds are as follows as of June 30, 2024:

<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>
2025	\$ 4,075,000	\$ 1,605,275	\$ 2,555,000	\$ 655,617
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	2,680,000	1,159,429	945,000	435,023
2030-2034	13,800,000	4,344,449	4,445,000	1,693,652
2035-2039	10,945,000	2,207,484	3,455,000	983,240
2040-2044	4,867,083	851,804	1,317,083	570,235
2045-2049	1,350,000	340,692	1,350,000	340,692
2050-2052	<u>950,000</u>	<u>70,667</u>	<u>950,000</u>	<u>70,667</u>
Total	<u>\$ 47,902,083**</u>	<u>\$ 14,636,574**</u>	<u>\$ 19,397,083</u>	<u>\$ 6,271,506</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, 2024:

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

5. 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>\$ 1,249,000</u>
	Total		<u>\$ 1,249,000</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>\$ 1,249,000</u>
	Total		<u>\$ 1,249,000</u>

Annual debt service requirements projected to maturity for revenue bonds are as follows as of June 30, 2024:

<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>
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	245,000	16,280	245,000	16,280
2030	<u>125,000</u>	<u>5,500</u>	<u>125,000</u>	<u>5,500</u>
Total	<u>\$ 1,249,000**</u>	<u>\$ 183,323**</u>	<u>\$ 1,249,000</u>	<u>\$ 183,323</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, 2024, HWEA has pledged future revenues to repay \$1,249,000 in total revenue bonds. Principal and interest on these bonds are payable through 2030, solely from net revenues. Annual principal and interest on these bonds are expected to require approximately 1.11% of such net revenues (based on principal and interest payments for the year ending June 30, 2025, as a percentage of net system revenues for the year ended June 30, 2024, which totaled \$23,276,141). Principal and interest paid for the year ended June 30, 2024, was \$260,574. As of June 30, 2024, pledged future revenues totaled \$1,432,323 which is the amount of the remaining principal and interest payments on these bonds.

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

5. 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 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 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,

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

5. Long-Term Obligations, continued

Notes Payable, continued

or any other form of debtor relief; and 4) a default by HWEA under the provisions of any agreements relating to its debt obligations.

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

Solid Waste had an installment note with Caterpillar Financial for the acquisition of a dozer that was paid off during the year.

The outstanding debt related to notes payable at June 30, 2024, was:

<u>Governmental Activities:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
Section 108 Guaranteed Loan - \$1,500,000	2031	2.50%	\$ 600,000
Utility Associates, Inc. - \$660,271	2025	2.12%	<u>170,298</u>
	Total		<u>\$ 770,298</u>

<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%	\$ 428,621
SRF A03-05 - Sewer - \$4,583,635	2026	1.00%	386,370
SRF A04-05 - Sewer - \$2,469,924	2027	1.00%	403,704
SRF F02-04 - Water - \$1,513,593	2028	1.00%	327,344
SRF F06-02 - Water - \$3,887,432	2028	3.00%	1,003,886
SRF F08-06 - Water - \$8,800,000	2032	1.00%	3,955,409
SRF A11-07 - Sewer - \$483,710	2033	2.00%	241,574
SRF A09-19 - Sewer - \$7,488,282	2034	2.00%	4,115,606
SRF A11-09 - Sewer - \$7,090,224	2036	2.00%	4,587,234
SRF A11-08 - Sewer - \$10,354,404	2036	2.00%	7,404,234
SRF F13-020 - Water - \$3,599,957	2040	1.75%	3,056,983
SRF A19-003 - Sewer - loan not closed yet		0.50%	39,371,523
SRF F16-001 - Water - loan not closed yet		1.75%	<u>5,286,486</u>
	Total		<u>\$ 70,568,974</u>

<u>Business-type Activities-Solid Waste:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
Caterpillar Financial - \$722,675	2024	4.08%	\$ -
	Total		<u>\$ -</u>

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

5. Long-Term Obligations, continued

Notes Payable, continued

Annual debt service requirements to maturity for notes payable are as follows as of June 30, 2024:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities Component Units	
	Principal	Interest	Principal	Interest
2025	\$ 245,298	\$ 21,588	\$ 2,801,599	\$ 457,363
2026	75,000	15,739	2,720,380	408,499
2027	75,000	13,451	2,417,693	361,684
2028	75,000	11,130	2,324,363	318,074
2029	75,000	8,764	2,013,707	276,841
2030-2034	225,000	11,490	9,848,835	844,604
2035-2039	-	-	3,468,762	146,543
2040-2041	-	-	44,973,635	5,542
Total	<u>\$ 770,298</u>	<u>\$ 82,162</u>	<u>\$ 70,568,974</u>	<u>\$ 2,819,150</u>

As of June 30, 2024, HWEA has pledged future revenues to repay \$70,568,974 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 14.00% of such net revenues (based on principal and interest payments for the year ending June 30, 2025, as a percentage of net system revenues for the year ended June 30, 2024, which totaled \$23,276,141). Principal and interest paid for the year ended June 30, 2024, was \$3,258,950. As of June 30, 2024, pledged future revenues totaled \$73,388,124, which was the amount of the remaining principal and interest payments on these SRF loans.

KIA requires that HWEA establish a maintenance and replacement reserve account to deposit funds that are to be used specifically for extraordinary maintenance expenses related to projects funded by KIA or for the unbudgeted costs of replacing worn or obsolete portions of such projects. For the year ended June 30, 2024, HWEA has set aside \$2,644,205 to meet these reserve requirements, which are reported as restricted assets on the statement of net position.

Other Long-Term Obligations

See Note 6 regarding leases payable.

See Note 7 regarding Defined Benefit Pension Plans.

See Note 8 regarding Other Post-Employment Benefit (OPEB) Plans.

See Note 9 regarding the Accrued Landfill Closure/Post-closure Care Costs.

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

5. 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, 2024, 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, 2024 are shown on the statement of net position as deferred refunding costs under deferred outflows of resources. The unamortized balances at June 30, 2024 for the City and HWEA were \$201,669 and \$102,854, respectively. 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, 2024.

6. Leases

Leases Receivable

As of June 30, 2024, the City has three lease receivables in which it is a lessor. These lease receivables are valued at the present value of the lease payments using individual discount rates.

In December 2017, the City entered into a lease with the Commonwealth of Kentucky Department of Corrections; this lease was amended in February 2019. Under the amended lease, the lessee pays the City for the use of office space units and parking spaces at a cost of \$31,850 per quarter through June 2026. The lease receivable is measured at the present value of the future rent payments expected to be received during the lease term at a discount rate of 2.00%. In the year ended June 30, 2024, the City recognized \$125,192 of lease revenue and \$2,208 of interest revenue under the lease.

In August 2020, the City entered into a lease with the Commonwealth of Kentucky Transportation Cabinet; this lease was amended in May 2021. Under the amended lease, the lessee pays the City for the use of office space units and parking spaces at a cost of \$10,692 per quarter through June 2029. The lease receivable is measured at the present value of the future rent payments expected to be received during the lease term at a discount rate of 2.12%. In the year ended June 30, 2024, the City recognized \$41,103 of lease revenue and \$1,665 of interest revenue under the lease.

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

6. Leases, continued

Leases Receivable, continued

In May 2021, the City entered into a lease with the Commonwealth of Kentucky Cabinet for Health & Family Services. Under the lease, the lessee pays the City for the use of office space units and parking spaces at a cost of \$16,011 per quarter through June 2029. The lease receivable is measured at the present value of the future rent payments expected to be received during the lease term at a discount rate of 2.12%. In the year ended June 30, 2024, the City recognized \$61,550 of lease revenue and \$2,494 of interest revenue under the lease.

Required payments receivable under the City's lease arrangements as of June 30, 2024 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 229,409	\$ 4,803	\$ 234,212
2026	230,984	3,228	234,212
2027	104,851	1,961	106,812
2028	105,594	1,218	106,812
2029	<u>106,342</u>	<u>470</u>	<u>106,812</u>
Total	<u>\$ 777,180</u>	<u>\$ 11,680</u>	<u>\$ 788,860</u>

Leases Payable

In January 2024, the City leased Flock safety cameras. These cameras are leased over 5 years at \$58,792 per year. The first annual payment was due March 2024 and the lease matures in March 2029. Right-to-use assets were recorded at the present value of the lease payments, \$288,885, and accumulated amortization at June 30, 2024 was \$28,888.

See Note 4, Capital Assets, for right-to-use asset activity.

Required payments under the City's lease arrangements as of June 30, 2024 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 57,440	\$ 1,352	\$ 58,792
2026	57,775	1,017	58,792
2027	58,112	680	58,792
2028	<u>58,451</u>	<u>341</u>	<u>58,792</u>
Total	<u>\$ 231,778</u>	<u>\$ 3,390</u>	<u>\$ 235,168</u>

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

6. Leases, continued

Leases Payable, continued

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

In April 2022, 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 2.95%. A lump sum principal payment was due at the expiration date in October 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 May 2023. The remaining assets were sold and the balance was paid off in October 2023.

In August 2022, the City, on behalf of Solid Waste, leased five trucks. The vehicles were leased for interest only payments each month at an interest rate of 3.98%. A lump sum principal payment was due at the expiration date in February 2024. 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 in June 2023 and the balance was partially paid off in July 2023. The remaining assets were sold and the balance was paid off in October 2023.

In October 2022, the City, on behalf of Solid Waste, leased four trucks. The vehicles were leased for interest only payments each month at an interest rate of 4.465%. A lump sum principal payment was due at the expiration date in April 2024. 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 September 2023. The remaining assets were sold and the balance was paid off in June 2024.

In January 2023, 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 5.375%. A lump sum principal payment was due at the expiration date in July 2024. 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 January 2024. The remaining assets were sold and the balance was paid off in June 2024.

In May 2023, the City, on behalf of Solid Waste, leased four trucks. The vehicles were leased for interest only payments each month at an interest rate of 5.65%. A lump sum principal payment was due at the expiration date in November 2024. 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 June 2024.

In August 2023, the City, on behalf of Solid Waste, leased three trucks. The vehicles are leased for interest only payments each month at an interest rate of 5.91%. A lump sum principal payment is due at the expiration date in February 2025. 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 \$455,152 at June 30, 2024.

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

6. Leases, continued

Leases Payable, continued

In August 2023, the City, on behalf of Solid Waste, leased three trucks. The vehicles are leased for interest only payments each month at an interest rate of 9.75%. A lump sum principal payment is due at the expiration date in February 2025. 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 \$164,679 at June 30, 2024.

In October 2023, the City, on behalf of Solid Waste, leased seven trucks. The vehicles are leased for interest only payments each month at an interest rate of 8.90%. A lump sum principal payment is due at the expiration date in April 2025. 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 \$2,069,267 at June 30, 2024.

In February 2024, the City, on behalf of Solid Waste, leased four trucks. The vehicles are leased for interest only payments each month at an interest rate of 8.95%. A lump sum principal payment is due at the expiration date in August 2025. 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 \$857,508 at June 30, 2024.

In May 2024, the City, on behalf of Solid Waste, leased six trucks. The vehicles are leased for interest only payments each month at an interest rate of 5.85%. A lump sum principal payment is due at the expiration date in December 2025. 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 \$868,856 at June 30, 2024.

Required payments under the City's lease arrangements on behalf of component units as of June 30, 2024 are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 2,689,097	\$ 341,219	\$ 3,030,316
2026	<u>1,726,365</u>	<u>38,205</u>	<u>1,764,570</u>
Total	<u>\$ 4,415,462</u>	<u>\$ 379,424</u>	<u>\$ 4,794,886</u>

The following are lease arrangements entered into by Solid Waste:

In May 2022, Solid Waste leased a yard dog truck for \$84,165. This lease has an interest rate of 2.62% and matures in May 2027. There is an optional final payment of \$1 at the end of the lease for the purchase of the truck. The balance on this agreement was \$48,941 at June 30, 2024.

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

6. Leases, continued

Leases Payable, continued

In September 2023, Solid Waste leased a compactor for \$974,882. This lease has an interest rate of 7.32% and matures in September 2028. There is an optional final payment of \$1 at the end of the lease for purchase of the leased asset. The balance on this agreement was \$846,558 at June 30, 2024.

In January 2024, Solid Waste leased a dozer for \$605,000. This lease has an interest rate of 7.13% and matures in January 2029. There is an optional final payment of \$1 at the end of the lease for purchase of the leased asset. The balance on this agreement was \$455,292 at June 30, 2024.

In May 2024, Solid Waste leased an excavator for \$348,646. This lease has an interest rate of 7.32% and matures in May 2029. There is an optional final payment of \$1 at the end of the lease for purchase of the leased asset. The balance on this agreement was \$337,240 at June 30, 2024.

In May 2024, Solid Waste leased an articulated truck for \$512,430. This lease has an interest rate of 7.32% and matures in May 2029. There is an optional final payment of \$1 at the end of the lease for purchase of the leased asset. The balance on this agreement was \$503,337 at June 30, 2024.

Required payments under Solid Waste’s lease arrangements as of June 30, 2024 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 441,642	\$ 143,158	\$ 584,800
2026	470,829	110,971	581,800
2027	502,440	75,370	577,810
2028	521,352	39,512	560,864
2029	<u>255,105</u>	<u>6,962</u>	<u>262,067</u>
Total	<u>\$ 2,191,368</u>	<u>\$ 375,973</u>	<u>\$ 2,567,341</u>

Leased assets that are expected to be transferred to Solid Waste at the termination of the lease are depreciated over the estimated life of the leased asset. At June 30, 2024, the cost of Solid Waste’s total leased assets was \$6,940,584, less accumulated depreciation of \$721,547.

The following are lease arrangements entered into by Stormwater:

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

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

6. Leases, continued

Leases Payable, continued

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 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.

7. 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: hazardous and nonhazardous (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 (KRS) Section 61.645.

Under the provisions of KRS 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

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

7. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

General Information about the Pension Plan, continued

Plan Description, continued:

and a pro rata share of administrative costs, in accordance with the provisions of KRS Sections 78.630, 61.570, and 16.555. CERS and KERS are cost-sharing multiple employer defined benefit plans that cover all regular full-time members employed in hazardous and nonhazardous positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate.

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 KPPA website at www.kyret.ky.gov.

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. 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**

7. 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:

Hazardous:

Tier 1	Participation date	Before September 1, 2008
	Unreduced benefit	At least 5 years' service and 55 years old
	Reduced benefit	At least 20 years' service and any age
		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
	Reduced benefit	At least 25 years' service and any age
		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
	Reduced benefit	At least 25 years' service and any age
		Not available

Nonhazardous:

Tier 1	Participation date	Before September 1, 2008
	Unreduced benefit	At least 4 years' service and 65 years old or after 27 years' of service and any age
	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

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

7. 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 8.00% (hazardous) or 5.00% (nonhazardous) 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 9.00% (hazardous) or 6.00% (nonhazardous) of their annual creditable compensation, with 8% (hazardous) or 5.00% (nonhazardous) 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 8.00% (hazardous) or 5.00% (nonhazardous), 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**

7. 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 7.50% (hazardous) or 4.00% (nonhazardous) 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 KRS 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, 2024 participating employers contributed 43.69% for hazardous members (41.11% allocated to pension and 2.58% allocated to OPEB) and 23.34% for nonhazardous members (23.34% allocated to pension and 0.00% 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, 2024. The City's total employer contributions to the pension fund (excluding the insurance portion) were \$5,823,433 (\$3,973,250 for hazardous and \$1,850,183 for nonhazardous) for the year ended June 30, 2024.

HWEA met 100.00% of the contribution funding requirements to the pension fund for the year ended June 30, 2024. HWEA's total contributions to the pension fund (excluding the insurance portion) were \$1,317,762 for the year ended June 30, 2024. 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, 2024. Solid Waste's total contributions to the pension fund (excluding the insurance portion) were \$653,637 for the year ended June 30, 2024. 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 130 & 131.

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

7. 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 and its component units' fiscal year ended June 30, 2024, the total pension liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ended June 30, 2023, using generally accepted actuarial principles and was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Inflation:	2.50%
Payroll Growth Rate:	2.00%
Salary Increase:	3.55% to 19.05%; varies by service (hazardous)
	3.30% to 10.30%, varies by service (nonhazardous)
Investment Rate of Return:	6.50%

The mortality table used for active members was Pub-2010 Public Safety Mortality table for the hazardous plans and Pub-2010 General Mortality table for the nonhazardous 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 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for disabled members was Pub-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

The following is a summary of net pension liability shown on the statement of net position as of June 30, 2024:

	<u>Net Pension Liability</u>
City of Hopkinsville:	
Hazardous	\$ 34,758,093
Nonhazardous	<u>14,488,476</u>
Total City of Hopkinsville	<u>\$ 49,246,569</u>
HWEA:	
Nonhazardous	<u>\$ 10,805,978</u>
Solid Waste:	
Nonhazardous	<u>\$ 5,809,956</u>

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

7. 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 net pension liabilities for June 30, 2024 were measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The total pension 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 pension liabilities were based on actual employer contributions to the plan relative to the contributions of all participating employers. At June 30, 2024, the City's proportionate share of the its share of the hazardous net pension liability was 1.289268% and nonhazardous net pension liability was 0.225800%; HWEA's proportionate share of the nonhazardous net pension liability was 0.168409%; and Solid Waste's proportionate share of the nonhazardous net pension liability was 0.095470%.

Schedules pertaining to the City's and its component units' proportionate share of the CERS net pension liabilities are located on pages 128 & 129.

Pension Expense:

For the June 30, 2023 measurement date, the City was allocated \$3,588,830 in CERS pension expense, which consisted of \$1,315,855 for hazardous and \$2,272,975 for nonhazardous. For the June 30, 2023 measurement date HWEA was allocated \$1,190,043 in CERS pension expense for nonhazardous pensions, and Solid Waste was allocated \$166,100 in CERS pension expense for nonhazardous pensions.

Also see Note 7C for total pension expense for all pension plans.

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.

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

7. 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:

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, 2024, 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:		
Hazardous	\$ 1,588,998	\$ -
Nonhazardous	<u>750,040</u>	<u>39,369</u>
	<u>2,339,038</u>	<u>39,369</u>
Difference between projected and actual earnings on pension plan investments:		
Hazardous	-	348,688
Nonhazardous	<u>-</u>	<u>197,630</u>
	<u>-</u>	<u>546,318</u>
Effect of change in assumptions:		
Hazardous	-	2,714,508
Nonhazardous	<u>-</u>	<u>1,327,879</u>
	<u>-</u>	<u>4,042,387</u>
Changes in proportion and differences between employer contributions and proportionate share of plan contributions:		
Hazardous	-	4,117,139
Nonhazardous	<u>1,155,113</u>	<u>-</u>
	<u>1,155,113</u>	<u>4,117,139</u>
Subtotal	\$ 3,494,151	\$8,745,213

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

7. 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:		
City contributions subsequent to the measurement date:		
Hazardous	\$ 3,973,250	\$ -
Nonhazardous	<u>1,850,183</u>	<u>-</u>
	<u>5,823,433</u>	<u>-</u>
Total	<u>\$ 9,317,584</u>	<u>\$8,745,213</u>

The \$5,823,433 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, 2025. 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:	
2024	\$(1,490,862)
2025	(2,425,448)
2026	(581,120)
2027	(753,632)
2028	-
Thereafter	<u>-</u>
	<u>\$(5,251,062)</u>

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

7. 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, 2024, HWEA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
HWEA:		
Difference between expected and actual liability experience	\$ 559,405	\$ 29,363
Difference between projected and actual earnings on pension plan investments	-	147,399
Effect of change in assumptions	-	990,375
Changes in proportion and differences between employer contributions and proportionate share of plan contributions	<u>41,024</u>	<u>90,968</u>
Subtotal	600,429	1,258,105
HWEA's contributions subsequent to the measurement date	<u>1,317,762</u>	<u>-</u>
Total	<u>\$ 1,918,191</u>	<u>\$1,258,105</u>

The \$1,317,762 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, 2025. 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**

7. 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:	
2024	\$ (365,326)
2025	(428,972)
2026	241,233
2027	(104,611)
2028	-
Thereafter	<u>-</u>
	<u>\$ (657,676)</u>

At June 30, 2024, 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	\$ 300,770	\$ 15,787
Difference between projected and actual earnings on pension plan investments	-	79,251
Effect of change in assumptions	-	532,486
Changes in proportion and differences between employer contributions and proportionate share of plan contributions	<u>3,464</u>	<u>282,231</u>
Subtotal	304,234	909,755
Solid Waste's contributions subsequent to the measurement date	<u>653,637</u>	<u>-</u>
Total	<u>\$ 957,871</u>	<u>\$ 909,755</u>

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

7. 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 \$653,637 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, 2025. 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:	
2024	\$ (389,153)
2025	(289,824)
2026	129,702
2027	(56,246)
2028	-
Thereafter	_____
	<u>\$ (605,521)</u>

Actuarial Assumptions and Other Inputs - Pension

Actuarial Assumptions:

For the City and its component units’ fiscal year ended June 30, 2024, the total pension liability, net pension liability, and sensitivity information were based on an actuarial valuation date of the June 30, 2022. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year ended June 30, 2023, using generally accepted actuarial principles.

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023, which includes a change in the investment return assumption from 6.25% to 6.50%. House Bill 506 passed during the 2023 legislative session and reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024, with the lump-sum options expanded to include 48 or 60 times the member’s monthly retirement allowance; however, this provision does not have a fiscal impact on the total pension liability since this optional form of payments results in a reduced, actuarial equivalent, monthly retirement allowance for members who elect a partial lump-sum option.

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

7. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

Actuarial Assumptions and Other Inputs – Pension, continued

Actuarial Assumptions, continued:

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for the plan's fiscal year ended June 30, 2023:

Valuation Date:	June 30, 2021
Experience Study:	July 1, 2018 to June 30, 2022
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 20-year amortization bases)</i>
Payroll Growth Rate:	2.00% for hazardous and nonhazardous
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:	3.55% to 19.05%; varies by service (hazardous) 3.30% to 10.30%; varies by service (nonhazardous)
Investment Rate of Return:	6.50% for hazardous and nonhazardous
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

Discount Rate Assumptions:

Discount Rate: A single discount rate of 6.50% was used for both the hazardous and nonhazardous system to measure the total pension liability for the June 30, 2023 measurement date. The single discount rate was based on the expected rate of return on pension plan investments for each plan.

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

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

7. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

Actuarial Assumptions and Other Inputs – Pension, continued

Discount Rate Assumptions, continued:

limits the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.

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.

Municipal Bond Rate: The discount rate determination does not use a municipal bond rate.

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.

Assumed Asset Allocations: For the June 30, 2023 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%	5.90%
Private Equity	10.00%	11.73%
Fixed Income:		
Core Fixed Income	10.00%	2.45%
Specialty Credit	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected:		
Real Estate	7.00%	4.99%
Real Return	<u>13.00%</u>	<u>5.15%</u>
Expected Real Return	<u>100.00%</u>	5.75%
Long-Term Inflation Assumption		<u>2.50%</u>
Expected Nominal Return for Portfolio		<u>8.25%</u>

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

7. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

Actuarial Assumptions and Other Inputs – Pension, continued

Discount Rate Assumptions, continued:

Sensitivity Analysis: For the June 30, 2023 measurement date, the following presents the City and its component units' proportionate share of the net pension liabilities (NPL) calculated using the discount rate of 6.50%, 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 (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City of Hopkinsville:			
<u>CERS Hazardous:</u>			
Discount Rate	5.50%	6.50%	7.50%
Proportionate Share NPL	<u>\$ 43,890,389</u>	<u>\$ 34,758,093</u>	<u>\$ 27,299,080</u>
<u>CERS Nonhazardous:</u>			
Discount Rate	5.50%	6.50%	7.50%
Proportionate Share NPL	<u>\$ 18,292,576</u>	<u>\$ 14,488,476</u>	<u>\$ 11,327,126</u>
HWEA:			
<u>CERS Nonhazardous:</u>			
Discount Rate	5.50%	6.50%	7.50%
Proportionate Share NPL	<u>\$ 13,643,200</u>	<u>\$ 10,805,978</u>	<u>\$ 8,448,140</u>
Solid Waste:			
<u>CERS Nonhazardous:</u>			
Discount Rate	5.50%	6.50%	7.50%
Proportionate Share NPL	<u>\$ 7,335,420</u>	<u>\$ 5,809,956</u>	<u>\$ 4,542,238</u>

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

7. 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, 2024, 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 132-134.

Plan Membership:

As of January 1, 2024, PFPF had 11 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**

7. 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**

7. 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, 2024.

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, 2024, the City made a contribution of \$220,000. 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 annual COLA adjustment is limited to 5.00%

The Schedule of Contributions for the PFPF is located on page 133.

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

7. 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, 2024, 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, 2024, 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, 2023	\$ 1,775,163	\$ 1,273,525	\$ 501,638
Changes for the Year:			
Service cost	-	-	-
Interest cost	72,090	-	72,090
Changes in benefit terms	-	-	-
Differences between expected and actual experience	55,689	-	55,689
Changes of assumptions	63,778	-	63,778
Contributions – City	-	220,000	(220,000)
Contributions – Employees	-	-	-
Net investment income	-	48,485	(48,485)
Benefit payments	(189,289)	(189,289)	-
Plan administration expenses	-	(18,161)	18,161
Net changes	<u>2,268</u>	<u>61,035</u>	<u>(58,767)</u>
Balances – June 30, 2024	<u>\$ 1,777,431</u>	<u>\$ 1,334,560</u>	<u>\$ 442,871</u>

The components of the PFPF’s at June 30, 2024, were as follows:

Total Pension Liability	\$ 1,777,431*
Plan Fiduciary Net Position	<u>(1,334,560)</u>
Net Pension Liability	<u>\$ 442,871</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.08%

*Assumes 2.00% per annum COLAs.

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

7. 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 132.

Pension Expense (Income):

For the year ended June 30, 2024, the City recognized pension expense (income) of \$171,645 for the Policemen’s and Firefighter’s Pension Fund.

Also see Note 7C for total pension expense for all pension plans.

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

At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to PFPF from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability gains and losses	\$ -	\$ -
Change of assumptions	-	-
Net difference between projected and actual earnings on investments	<u>44,280</u>	<u>-</u>
Total	<u>\$ 44,280</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 inactive members (there are no active members).

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

7. 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:	
2025	\$ 13,831
2026	17,463
2027	12,669
2028	317
2029	<u> -</u>
	<u>\$ 44,280</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, 2024, 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:	2.00% 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:	4.00% per annum, which represents the long-term rate of return assumption.

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

7. 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 since:

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 plan 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 4.31%, whereas the current discount rate is 4.00%. 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 1.75%, whereas the current COLA rate is 2.00%. This change was in recognition of a 10 year COLA experience study.

Sensitivity Analysis:

The following presents the net pension liability (asset) of the City calculated using the discount rate of 4.00%, as well as the net pension liability (asset) if calculated using a discount rate that is 1 percentage point lower (3.00%) or 1 percentage point higher (5.00%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Discount Rate	3.00%	4.00%	5.00%
Net Pension Liability	<u>\$ 570,373</u>	<u>\$ 442,871</u>	<u>\$ 329,993</u>

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

7. Defined Benefit Pension Plans, continued

C. Total Pension Expense – Defined Benefit Pension Plans

For the year ended June 30, 2024, total pension expense for the City was as follows:

CERS – Hazardous employees	\$ 1,315,855
CERS – Nonhazardous employees	2,272,975
PFPF	<u>171,645</u>
Total pension expense	<u>\$ 3,760,475</u>

8. 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: hazardous and nonhazardous (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 (KRS) 61.645.

Under the provisions of KRS 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 KRS Sections 78.630, 61.570, and 16.555. CERS and KERS are cost-sharing multiple-employer defined benefit plans that cover all regular full-time members employed in hazardous and nonhazardous 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. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

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 KPPA website at www.kyret.ky.gov.

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

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

General Information about the OPEB Plan, continued

Basis of Accounting:

For purposes of measuring the net other post-employment benefits plan (OPEB) asset/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 asset/liability.

OPEB Benefits Provided:

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

Under the provisions of KRS 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 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. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty or from a duty-related injury. 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

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

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

General Information about the OPEB Plan, continued

OPEB Benefits Provided, continued:

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 KRS. 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 KRS 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.

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. See tier descriptions in Note 7A, County Employees Retirement System.

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 KRS Section 78.545(33), normal contribution and past service contribution rates shall be determined by the KPPA Board based on an annual valuation last 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, 2024 participating employers contributed 43.69% for hazardous members (41.11% allocated to pension and 2.58% allocated to OPEB) and 23.34% for nonhazardous members (23.34% allocated to pension and 0.00% 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 OPEB fund for the year ended June 30, 2024. The City's total employer contributions to the OPEB fund (excluding the pension portion) were \$249,355 (\$249,355 for hazardous and \$0 for nonhazardous) for the year ended June 30, 2024.

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

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

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

OPEB Contributions, continued:

HWEA met 100.00% of the contribution funding requirements to the OPEB fund for the year ended June 30, 2024. HWEA's total contributions to the OPEB fund (excluding the pension portion) were \$0 for the year ended June 30, 2024. HWEA has no employees classified as hazardous.

Solid Waste met 100.00% of the contribution funding requirements to the OPEB fund for the year ended June 30, 2024. Solid Waste's total contributions to the OPEB fund (excluding the pension portion) were \$0 for the year ended June 30, 2024. 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 137 & 138.

OPEB Assets/Liabilities:

For the City and component units' fiscal year ended June 30, 2024, the total OPEB asset/liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ended June 30, 2023, using generally accepted actuarial principles and was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Inflation:	2.50%
Payroll Growth Rate:	2.00%
Salary Increase:	3.55% to 19.05%; varies by service (hazardous) 3.30% to 10.30%; varies by service (nonhazardous)
Investment Rate of Return:	6.50%
Healthcare Trend Rates (Pre-65):	Initial trend starting at 6.80% at January 1, 2025 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 8.50% at January 1, 2025 then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Mortality:	
Pre-retirement:	Pub-2010 Public Safety Mortality table for hazardous plans and Pub-2010 General Mortality table for nonhazardous plans, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010

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

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

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

OPEB Assets/Liabilities, continued

Post-retirement (non-disabled):	System-specific mortality table based on mortality experience from 2013-2012, projected with the ultimate rates from MP-2020 mortality improvement scale using base year of 2023
Post-retirement (disabled):	Pub-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010

The net OPEB liability for June 30, 2024 was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. 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 liability was 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, 2024, the City's proportionate share of the hazardous net OPEB liability was 1.288553%, and its share of the nonhazardous net OPEB liability was 0.225792%; HWEA's proportionate share of the nonhazardous net OPEB liability was 0.168403%; and Solid Waste's proportionate share of the nonhazardous net OPEB liability was 0.090543%.

The following is a summary of net OPEB (asset)/liability shown on the statement of net position as of June 30, 2024:

	<u>Net OPEB (Asset)/Liability</u>
City of Hopkinsville:	
Hazardous	\$ 1,763,037
Nonhazardous	<u>(311,744)</u>
Total City of Hopkinsville	<u>\$ 1,451,293</u>
HWEA:	
Nonhazardous	<u>\$ (232,508)</u>
Solid Waste:	
Nonhazardous	<u>\$ (125,010)</u>

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

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

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

OPEB /AssetsLiabilities, continued

Schedules pertaining to the City and its component units' proportionate share of the CERS net OPEB liabilities are located on pages 135 & 136.

OPEB Expense:

For the June 30, 2023 measurement date, the City was allocated (\$1,428,298) in CERS OPEB expense/(income), which consisted of (\$1,083,420) for hazardous and (\$344,878) for nonhazardous. For the year ended June 30, 2023 measurement date, HWEA was allocated (\$334,085) in CERS OPEB expense/(income) for nonhazardous pensions, and Solid Waste was allocated (\$254,362) in CERS OPEB expense/(income) 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.

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.

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

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

OPEB Assets/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, 2024, 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:		
Hazardous	\$ 159,462	\$ 7,268,473
Nonhazardous	<u>217,332</u>	<u>4,426,447</u>
	<u>376,794</u>	<u>11,694,920</u>
Difference between projected and actual earnings on OPEB plan investments:		
Hazardous	-	242,803
Nonhazardous	<u>-</u>	<u>72,350</u>
	<u>-</u>	<u>315,153</u>
Effects of change in assumptions:		
Hazardous	1,203,810	1,837,882
Nonhazardous	<u>613,490</u>	<u>427,541</u>
	<u>1,817,300</u>	<u>2,265,423</u>
Changes in proportion and differences between employer contributions and proportionate shares of plan contributions:		
Hazardous	-	1,538,185
Nonhazardous	<u>663,550</u>	<u>2,355</u>
	<u>663,550</u>	<u>1,540,540</u>
Subtotal	<u>2,857,644</u>	<u>15,816,036</u>
City contributions subsequent to the measurement date:		
Hazardous	249,355	-
Nonhazardous	<u>-</u>	<u>-</u>
	<u>249,355</u>	<u>-</u>
Total	<u>\$ 3,106,999</u>	<u>\$15,816,036</u>

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

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

OPEB Assets/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:

City of Hopkinsville, continued:

The \$249,355 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 asset/liability in the City's fiscal year ending June 30, 2025. 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:	
2024	\$ (2,711,419)
2025	(3,214,342)
2026	(2,554,448)
2027	(3,046,860)
2028	(1,431,323)
Thereafter	-
	<u><u>\$(12,958,392)</u></u>

At June 30, 2024, HWEA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
HWEA:		
Difference between expected and actual liability experience	\$ 162,094	\$3,301,388
Difference between projected and actual earnings on OPEB plan investments	-	53,961
Effect of change in assumptions	457,560	318,874
Changes in proportion and differences between employer contributions and proportionate share of plan contributions	<u>233,117</u>	<u>60,947</u>
Subtotal	852,771	3,735,170

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

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

OPEB Assets/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>
HWEA, continued:		
HWEA’s contributions subsequent to the measurement date	_____ -	_____ -
Total	<u>\$ 852,771</u>	<u>\$3,735,170</u>

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 asset/liability in HWEA’s fiscal year ending June 30, 2025; however, there were no such subsequent contributions at 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:	
2024	\$ (632,114)
2025	(868,885)
2026	(740,615)
2027	(640,785)
2028	-
Thereafter	_____ -
	<u><u>\$ (2,882,399)</u></u>

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

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

OPEB Assets/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, 2024, 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	\$ 87,151	\$1,775,013
Difference between projected and actual earnings on OPEB plan investments	-	29,012
Effect of change in assumptions	246,010	171,445
Changes in proportion and differences between employer contributions and proportionate share of plan contributions	<u>26,217</u>	<u>132,086</u>
Subtotal	359,378	2,107,556
Solid Waste's contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 359,378</u>	<u>\$2,107,556</u>

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, 2025; however, there were no such subsequent contributions at 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	\$ (428,831)
2024	(538,355)
2025	(426,222)
2026	(354,770)
2027	-
Thereafter	-
	<u><u>\$(1,748,178)</u></u>

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

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

Actuarial Assumptions and Other Inputs – OPEB

Actuarial Assumptions:

For the City and its component units' fiscal year ended June 30, 2024, the total OPEB liability, net OPEB liability, and sensitivity information were based on an actuarial valuation date of June 30, 2022. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2023, using generally accepted actuarial principles.

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023 which includes a change in the investment return assumption from 6.25% to 6.50%. Additionally, the discount rate used to calculate the total OPEB asset/liability increased from 5.61% to 5.97% for hazardous insurance plans and from 5.70% to 5.93% for nonhazardous insurance plans. House Bill 506 passed during the 2023 legislative session and reinstated the Partial Lump Sum Option form of payment for members who retire on or after January 1, 2024, and adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to month for all circumstances. The total OPEB liability as of June 30, 2023 is determined using these updated assumptions and 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, 2023:

Valuation Date:	June 30, 2021
Experience Study:	July 1, 2018 to June 30, 2022
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 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:	3.55% to 19.05%; varies by service (hazardous) 3.30% to 10.30%; varies by service (nonhazardous)
Investment Rate of Return:	6.25%
Healthcare Trend Rates (Pre-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 2022 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**

8. 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 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.

Discount Rate Assumptions:

Discount Rate: Single discount rates used to measure the total OPEB liability for the hazardous plan was 5.97% for hazardous and 5.93% for nonhazardous. The single discount rates were based on the expected rate of return on OPEB plan investments of 6.50%.

Projected Cash Flows: The projection of cash flows used to determine the single discount rates includes an assumption regarding future employer contributions made each 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.

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.

Municipal Bond Rate: The discount rate determination used a municipal bond rate of 3.86%, as reported in Fidelity Index's *20-Year Municipal GO AA Index* as of June 30, 2023.

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.

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

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

Actuarial Assumptions and Other Inputs – OPEB, continued

Discount Rate Assumptions, continued:

Assumed Asset Allocations: For the June 30, 2023 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%	5.90%
Private Equity	10.00%	11.73%
Fixed Income:		
Core Fixed Income	10.00%	2.45%
Specialty Credit	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected:		
Real Estate	7.00%	4.99%
Real Return	<u>13.00%</u>	<u>5.15%</u>
Expected Real Return	<u>100.00%</u>	5.75%
Long-Term Inflation Assumption		<u>2.50%</u>
Expected Nominal Return for Portfolio		<u>8.25%</u>

Sensitivity Analysis: For the June 30, 2023 measurement date, the following presents the City and its component units' proportionate share of the net OPEB asset/liability calculated using the discount rate of 5.97% for hazardous and 5.93% for nonhazardous, as well as what the City and its component units' proportionate share of the net OPEB asset/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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City of Hopkinsville:			
<u>CERS Hazardous:</u>			
Discount Rate	4.97%	5.97%	6.97%
Proportionate Share Net OPEB (Asset)/Liability	<u>\$ 4,458,748</u>	<u>\$ 1,763,037</u>	<u>\$ (483,209)</u>

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

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

Actuarial Assumptions and Other Inputs – OPEB, continued

Discount Rate Assumptions, continued:

Sensitivity Analysis, continued:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City of Hopkinsville, continued:			
<u>CERS Nonhazardous:</u>			
Discount Rate	4.93%	5.93%	6.93%
Proportionate Share Net OPEB (Asset)/Liability	<u>\$ 585,023</u>	<u>\$ (311,744)</u>	<u>\$ (1,062,676)</u>
HWEA:			
<u>CERS Nonhazardous:</u>			
Discount Rate	4.93%	5.93%	6.93%
Proportionate Share Net OPEB (Asset)/Liability	<u>\$ 436,329</u>	<u>\$ (232,508)</u>	<u>\$ (792,578)</u>
Solid Waste:			
<u>CERS Nonhazardous:</u>			
Discount Rate	4.93%	5.93%	6.93%
Proportionate Share Net OPEB (Asset)/Liability	<u>\$ 234,595</u>	<u>\$ (125,010)</u>	<u>\$ (426,135)</u>

For the June 30, 2023 measurement date, the following presents the City and its component units' proportionate share of the net OPEB asset/liability calculated using the healthcare cost trend rate, as well as what the City and its component units' proportionate share of the net OPEB asset/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:

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

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

Actuarial Assumptions and Other Inputs – OPEB, continued

Discount Rate Assumptions, continued:

Sensitivity Analysis, continued:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
City of Hopkinsville:			
<u>Hazardous:</u>			
Proportionate Share Net OPEB (Asset)/Liability	\$ <u>20,087</u>	\$ <u>1,763,037</u>	\$ <u>3,868,007</u>
<u>Nonhazardous:</u>			
Proportionate Share Net OPEB (Asset)/Liability	\$ <u>(999,192)</u>	\$ <u>(311,744)</u>	\$ <u>532,723</u>
HWEA:			
<u>Nonhazardous:</u>			
Proportionate Share Net OPEB (Asset)/Liability	\$ <u>(745,230)</u>	\$ <u>(232,508)</u>	\$ <u>397,322</u>
Solid Waste:			
<u>Nonhazardous:</u>			
Proportionate Share Net OPEB (Asset)/Liability	\$ <u>(400,678)</u>	\$ <u>(125,010)</u>	\$ <u>213,623</u>

Payables to the OPEB Plan:

At June 30, 2024, 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.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Accrued Landfill Closure/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, 2024 was \$7,389,057. 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 64% at June 30, 2024. 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, 2024, the total amount of closure and post-closure costs are estimated to be \$11,545,401, leaving \$4,156,344 remaining to be recognized. The remaining life of the landfill is estimated to be 7.69 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, 2024, \$339,029 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.

10. 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 contributions to the pension and OPEB plans. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The deferred refunding amount is being amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows associated with the pension and OPEB plans will be recognized as a reduction of the net pension and net OPEB liabilities in future years.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

10. Deferred Outflows and Inflows of Resources, continued

The City reports an increase in net assets that relates to future periods as deferred inflows of resources in a separate section of its statement of net position. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City has two types of deferred inflows of resources reported in the statement of net position: (1) deferred amounts associated with the pension and OPEB plans and (2) deferred amounts related to leases where the City is the lessor. The deferred inflows associated with the pension and OPEB plans will be recognized in pension and OPEB expense in future years. The deferred inflows associated with leases will be recognized as a reduction in lease receivable and interest income in future years.

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

11. Fund Balance Classification

The composition of the fund balance classifications at June 30, 2024 are as follows:

Fund balances:	Major Fund		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Grants Fund		
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted:				
Streets and sidewalks	-	-	244,914	244,914
Police incentives	-	-	910	910
Urban development block grant	-	-	702,198	702,198
Cemetery trusts	-	-	828,636	828,636
Local fiscal recovery	-	-	3,322,796	3,322,796
Opioid litigation funds	475,364	-	-	475,364
Capital projects	-	633,302	2,506,171	3,139,473
	<u>475,364</u>	<u>633,302</u>	<u>7,605,625</u>	<u>8,714,291</u>
Committed:				
Inner city development	487,224	-	-	487,224
Property maintenance code enforcement	182,821	-	-	182,821
Capital projects	1,310,681	-	-	1,310,681
Sick leave payout	731,393	-	-	731,393
Law enforcement	-	-	468,747	468,747
Capital equipment replacement reserve	2,027,913	-	-	2,027,913
Economic development reserve	2,272,277	-	-	2,272,277
Building maintenance reserve	236,638	-	-	236,638
Health trust reserve	118,319	-	-	118,319
Pension reserve	1,201,994	-	-	1,201,994
	<u>8,569,260</u>	<u>-</u>	<u>468,747</u>	<u>9,038,007</u>
Assigned:				
Major equipment purchases	84,553	-	295,505	380,058
Public works services	10,119	-	-	10,119
Community services	15,000	-	-	15,000
Insurance	49,042	-	-	49,042
Streets and sidewalks	-	-	37,002	37,002
Capital projects	149,052	-	34,187	183,239
	<u>307,766</u>	<u>-</u>	<u>366,694</u>	<u>674,460</u>
Unassigned	<u>17,025,189</u>	<u>-</u>	<u>-</u>	<u>17,025,189</u>
Total fund balances	<u>\$ 26,377,579</u>	<u>\$ 633,302</u>	<u>\$ 8,441,066</u>	<u>\$ 35,451,947</u>

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

12. 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, 2024, consisted of the following:

	Transfers Out:			Total
	General Fund	Grants Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ -	\$ 892,811	\$ 892,811
Grants Fund	327,440	-	-	327,440
Internal Service Fund	653,750	-	-	653,750
Nonmajor Governmental Funds	<u>5,122,217</u>	<u>-</u>	<u>600</u>	<u>5,122,817</u>
Totals	<u>\$ 6,103,407</u>	<u>\$ -</u>	<u>\$ 893,411</u>	<u>\$6,996,818</u>

13. Commitments and Contingencies

Construction Commitments

At June 30, 2024, the City had the following material construction projects underway:

<u>Project</u>	<u>Approx. Cost-to-Date</u>	<u>Estimated Cost to Complete</u>
Commerce Park II Roadway	\$ 5,261,000	\$ 277,000
Commerce Park II Rail Spur	521,000	16,000
Fire Station 5	164,000	9,861,000
South Park Rd/Weymen's Way	<u>84,000</u>	<u>250,000</u>
Total	<u>\$ 6,030,000</u>	<u>\$ 10,404,000</u>

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

13. Commitments and Contingencies, continued

Construction Commitments, continued

At June 30, 2024, 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	\$ 4,944,000
Locust Grove to I-24 – Phase 4	3,355,000	2,444,000
PS Rehab – Hailes Avenue	242,000	27,000
Hwy 911 Project	37,000	203,000
115 North SPS Rehab	102,000	228,000
Conference Center SPS Force Main Relocation	679,000	25,000
Clean Water Treatment Plant Expansion/Rehab	<u>42,552,000</u>	<u>3,951,000</u>
Total	<u>\$ 47,228,000</u>	<u>\$ 11,822,000</u>

At June 30, 2024, Solid Waste did not have any material construction projects underway.

At June 30, 2024, 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>\$ 2,602,000</u>	<u>\$ 2,398,000</u>
Total	<u>\$ 2,602,000</u>	<u>\$ 2,398,000</u>

Other Commitments

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 October 2034, (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.

Encumbrances

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

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

13. Commitments and Contingencies, continued

Encumbrances, continued

at June 30 are included within the appropriate fund balances in the governmental funds and are not reported separately on the financial statements. Encumbrances do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Encumbrances are not recorded in the financial statements for proprietary and fiduciary fund types.

The governmental funds had encumbrances at June 30, 2024 as follows:

General Fund	\$ 348,329
Grants Fund	-
Nonmajor governmental funds	<u>366,695</u>
Total	<u>\$ 715,024</u>

Litigation

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.

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 has no immediate plans for bond issuances; however, the City plans to enter into various financing arrangements for equipment on behalf of Solid Waste.

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

14. 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 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, 2024, the claims liability was \$303,042 (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>
2022-2023	\$ 379,529	\$ 1,850,696	\$ 2,225,263	\$ 4,962
2023-2024	\$ 4,962	\$ 3,943,697	\$ 3,645,617	\$ 303,042

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, 2024, the claims liability was \$72,171. 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>
2022-2023	\$ 119,927	\$ 609,996	\$ 644,018	\$ 85,905
2023-2024	\$ 85,905	\$ 583,292	\$ 597,026	\$ 72,171

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

15. 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, 2024:

	<u>HWEA</u>	<u>Solid Waste</u>
City PILOT revenue/entity expense	\$ 335,741	\$ 474,604
City receivable/entity payable for PILOT	90,242	41,053

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, 2024:

	<u>Solid Waste</u>	<u>Stormwater</u>
HWEA revenue collected as payable to entity/entity receivable	\$ 384,145	\$ 87,934
HWEA billing and collection services revenue/entity expense	118,680	113,460
HWEA leachate purification services revenue/entity expense	59,503	-
HWEA services receivable/entity payable	63,506	63,276

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, 2024, 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 until December 2023 and \$7,000 per month beginning January 2024. Stormwater's total expense for these services was \$142,000 for the year ended June 30, 2024.

For the year ended June 30, 2024, 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 \$1,879,134 and \$3,621,789, respectively.

See Note 1A for various related party transactions and Note 3 for loans receivable with related parties. Also see related party long-term obligations in Notes 5, 6, and 9.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

16. Subsequent Events

Subsequent to the fiscal year ended June 30, 2024, the City and its component units had the following events:

In July 2024, the City issued bond series 2024A for \$7.6 million. The bond series will be used for two projects. The first project is for the renovation of the existing office building into a new fire training center and a new 24-hour fire station for the Hopkinsville Fire Department. It will include an apparatus bay with three truck bays and support spaces for the new fire station. The second project is to finance a portion of the costs related to renovations of an industrial building to a prospective employer planning to locate a large manufacturing facility at Commerce Park II. In October 2024, the City's Code of Ordinances was amended to include a new section to chapter 158 (zoning code) to establish requirements for medical cannabis businesses. In December 2024, the City annexed approximately 4.106 acres into the City known as Newcomb Oil Co., LLC. Also in December 2024, the City entered into a grant agreement with Kitchen Food Company Limited for \$4.5 million for the purpose of providing employment opportunities for its citizens and residents, alleviating conditions of unemployment, stabilizing and promoting the economy, and creating new sources of tax revenue.

HWEA continues to make draws from open State Revolving Fund (SRF) loans with KIA in order to finance various ongoing construction projects. HWEA's Board approved the contract for the US-41A 24" Water Main Extension Contract A project for approximately \$2.2 million which will be funded through SRF loan F16-001. HWEA received grants from the Kentucky Cleaner Water Program for a total of approximately \$830,000. Renovation and expansion work on the Hopkinsville Clean Water Treatment Plant was completed, and the plant was placed into service. HWEA received approval from KIA for an SRF loan of (1) \$1 million, with loan forgiveness of approximately \$418,000, for the Oak Grove Clean Water Plant Expansion and Renovation Project (Design Only) and (2) \$8 million, with loan forgiveness of approximately \$5.3 million, for the Phase V Moss Water Treatment Plant GAC & Membrane Filtration Upgrade.

The City, on behalf of Solid Waste, entered into various lease payables for vehicles totaling approximately \$2.6 million.

Management has evaluated subsequent events through January 31, 2025, the date on which the financial statements were available to be issued.

17. Implementation of GASB Pronouncements

Adoption of New Account Pronouncements

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.

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

17. Implementation of GASB Pronouncements, continued

Adoption of New Account Pronouncements, continued

During the fiscal year ended June 30, 2024, the City adopted the following GASB pronouncements:

- Statement No. 100: *Accounting Changes and Error Corrections – an amendment of GASB No. 62*
- Implementation Guide No. 2023-1: *Implementation Guidance Update - 2023*

GASB Statement No. 100 and Implementation Guide No. 2023-1 were considered for application of use and determined not to have a material impact on financial reporting at this time.

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. 101: *Compensated Absences* (effective fiscal year ending 2025)
- Statement No. 102: *Certain Risk Disclosures* (effective fiscal year ending 2025)
- Statement No. 103: *Financial Reporting Model Improvements* (effective fiscal year ending 2026)
- Statement No. 104: *Disclosure of Certain Capital Assets* (effective fiscal year ending 2026)

18. 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 148.

REQUIRED SUPPLEMENTARY INFORMATION

City of Hopkinsville, Kentucky
Schedule of Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		Actual (See Note A)	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Budgetary fund balance, beginning of year	\$ 173,909	\$ 2,292,052	\$ 21,889,784	\$ 19,597,732
Resources (inflows):				
Taxes	7,119,500	7,469,500	7,996,634	527,134
Licenses and permits	30,254,338	33,444,338	35,378,755	1,934,417
Fines and permits	35,000	35,000	127,714	92,714
Intergovernmental	4,941,457	5,667,457	5,691,218	23,761
Interest	704,306	907,334	1,304,678	397,344
Other revenues	3,360,420	3,546,184	4,108,786	562,602
Transfers in	855,311	855,311	855,311	-
Issuance of long-term debt	-	-	4,704,346	4,704,346
Amounts available for appropriation	<u>47,444,241</u>	<u>54,217,176</u>	<u>82,057,226</u>	<u>27,840,050</u>
Charges to appropriations (outflows):				
General government:				
Administrative	2,431,408	2,434,408	2,457,352	(22,944)
Tax department	620,744	620,744	506,688	114,056
Information technology	1,192,589	1,227,344	1,272,825	(45,481)
Legislative	412,468	437,468	424,764	12,704
Public safety:				
Police	9,920,235	10,063,420	9,660,688	402,732
Emergency communications	1,725,476	1,885,476	1,879,134	6,342
Fire	8,737,786	8,603,841	8,383,566	220,275
EMS	2,477,110	3,042,110	3,026,566	15,544
Fire prevention	-	378,235	316,347	61,888
Other	220,000	220,000	220,000	-
Public works:				
Administrative	453,678	381,361	419,237	(37,876)
Street	2,525,250	2,525,250	2,363,376	161,874
Ft. Campbell	847,041	847,041	689,160	157,881
Service center	591,185	591,185	521,164	70,021
Sanitation	-	-	4,415,461	(4,415,461)
Other	475,500	660,780	611,738	49,042
Community development	6,723,633	6,916,235	7,011,937	(95,702)
Parks and recreation:				
Main parks and recreation	1,597,085	1,582,936	1,458,116	124,820
Sportsplex	592,519	592,519	544,821	47,698
Waterpark	410,275	475,275	475,013	262
Debt service:				
Principal	1,365,000	1,365,000	1,422,107	(57,107)
Interest and finance charges	1,140,796	986,154	987,836	(1,682)
Capital outlays	-	387,443	387,443	-
Transfers out	<u>2,978,491</u>	<u>7,992,951</u>	<u>6,065,907</u>	<u>1,927,044</u>
Total charges to appropriations	<u>47,438,269</u>	<u>54,217,176</u>	<u>55,521,246</u>	<u>(1,304,070)</u>
Budgetary fund balance, end of year	<u>\$ 5,972</u>	<u>\$ -</u>	<u>\$ 26,535,980</u>	<u>\$ 26,535,980</u>

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)
ON BUDGETARY ACCOUNTING AND CONTROL
For the Fiscal Year Ended June 30, 2024

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.

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, 2024

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

	<u>General Fund</u>
Sources/Inflows of Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 82,057,226
Differences - budget to GAAP:	
Fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(21,889,784)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(855,311)
Receivables are budgeted on the cash basis, rather than the modified accrual basis	307,286
Debt issuances are not budgeted	<u>(4,704,346)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$ 54,915,071</u></u>
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule	\$ 55,521,246
Differences - budget to GAAP:	
Transfers from other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(6,065,907)
Payables are balanced on the cash basis, rather than the modified accrual basis	30,069
Payroll is balanced on the cash basis, rather than the modified accrual basis	146,733
New right-to-use assets are not budgeted	<u>288,885</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$ 49,921,026</u></u>

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>2024</u>	<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>Hazardous:</u>										
City's proportion of the net pension liability	1.289268%	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	\$ 34,758,093	\$ 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	\$ 9,094,186	\$ 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	382.20%	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	\$ 3,035,192,000	\$ 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	\$ 5,731,148,000	\$ 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	52.96%	47.11%	52.26%	44.11%	46.63%	49.26%	49.78%	53.95%	57.52%	63.46%
<u>Nonhazardous:</u>										
City's proportion of the net pension liability	0.225800%	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	\$ 14,488,476	\$ 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	\$ 7,927,090	\$ 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	182.77%	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	\$ 8,672,597,000	\$ 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	\$ 15,089,106,000	\$ 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	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

Note: Please read Note 7 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 12 months prior to the City's financial statements; the 2024 measurement date was June 30, 2023.

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>2024</u>	<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>HWEA - Nonhazardous:</u>										
HWEA's proportion of the net pension liability	0.168409%	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	\$ 10,805,978	\$ 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	\$ 4,955,680	\$ 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 proportionate share of the net pension liability as a percentage of its covered payroll	218.05%	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	\$ 8,672,597,000	\$ 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	\$ 15,089,106,000	\$ 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	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%
<u>Solid Waste - Nonhazardous:</u>										
Solid Waste's proportion of the net pension liability	0.095470%	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	\$ 5,809,956	\$ 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	\$ 2,628,353	\$ 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 proportionate share of the net pension liability as a percentage of its covered payroll	221.05%	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	\$ 8,672,597,000	\$ 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	\$ 15,089,106,000	\$ 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	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

Note: Please read Note 7 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 12 months prior to HWEA's and Solid Waste's financial statements; the 2024 measurement date was June 30, 2023.

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>2024</u>	<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>Hazardous:</u>										
Statutorily required contributions	\$ 3,973,250	\$ 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
Contributions in relation to the statutorily required contributions	<u>(3,973,250)</u>	<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>
Annual contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
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	\$ 9,094,186	\$ 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
Contributions as a percentage of covered payroll	43.69%	42.27%	33.39%	30.01%	29.11%	23.54%	22.92%	30.35%	32.26%	34.31%
<u>Nonhazardous:</u>										
Statutorily required contributions	\$ 1,850,183	\$ 1,553,438	\$ 1,244,148	\$ 955,976	\$ 837,958	\$ 665,352	\$ 554,999	\$ 714,562	\$ 602,161	\$ 602,723
Contributions in relation to the statutorily required contributions	<u>(1,850,183)</u>	<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>
Annual contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
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	\$ 7,927,090	\$ 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
Contributions as a percentage of covered payroll	23.34%	22.93%	19.17%	17.44%	17.87%	14.96%	13.66%	17.76%	16.43%	17.67%

Note: Please read Note 7 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>2024</u>	<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>HWEA - Nonhazardous:</u>										
HWEA's statutorily required contributions	\$ 1,317,762	\$ 1,159,629	\$ 999,232	\$ 852,565	\$ 725,770	\$ 535,347	\$ 464,785	\$ 464,029	\$ 394,384	\$ 365,433
HWEA's contributions in relation to the statutorily required contributions	<u>(1,317,762)</u>	<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>
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	\$ 5,645,939	\$ 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
HWEA's contributions as a percentage of covered payroll	23.34%	23.40%	21.17%	19.30%	19.30%	16.22%	14.27%	13.83%	12.60%	13.21%
<u>Solid Waste - Nonhazardous:</u>										
Solid Waste's statutorily required contributions	\$ 653,637	\$ 615,035	\$ 561,506	\$ 500,078	\$ 483,540	\$ 402,984	\$ 338,710	\$ 405,369	\$ 320,925	\$ 310,637
Solid Waste's contributions in relation to the statutorily required contributions	<u>(653,637)</u>	<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>
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	\$ 2,793,506	\$ 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
Solid Waste's contributions as a percentage of covered payroll	23.40%	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	18.75%	17.61%	18.40%

Note: Please read Note 7 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>2024</u>	<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	72,090	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	55,689	(149,962)	(164,507)	(124,822)	(71,380)	(82,327)	26,565	(734,902)	(748,273)	(71,532)
Changes of assumptions	63,778	(245,925)	(49,030)	206,793	137,014	(344,703)	154,101	(100,401)	(235,376)	1,026,854
Benefit payments	(189,289)	(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>2,268</u>	<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>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>	<u>4,681,695</u>
Total pension liability-ending	<u>\$ 1,777,431</u>	<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	\$ 220,000	\$ 235,000	\$ 235,000	\$ 235,000	\$ 285,000	\$ 285,000	\$ 325,000	\$ 375,000	\$ 399,744	\$ 400,000
Contributions-employee	-	-	-	-	-	-	-	-	-	-
Net investment income	48,485	(35,230)	(1,348)	54,679	47,206	12,238	10,324	11,640	13,081	31,039
Benefit payments	(189,289)	(197,976)	(212,313)	(225,228)	(252,195)	(267,955)	(266,054)	(315,549)	(354,942)	(399,589)
Administration expenses	(18,161)	(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>61,035</u>	<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>1,273,525</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>	<u>989,500</u>
Plan fiduciary net position-ending	<u>\$ 1,334,560</u>	<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>\$ 442,871</u>	<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	75.08%	71.74%	56.06%	48.03%	45.57%	41.93%	34.10%	33.06%	24.18%	18.43%
Covered-employee payroll	-	-	-	-	-	-	-	-	-	-
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	N/A

Note: Please read Note 7 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>2024</u>	<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>
Actuarily determined contribution	\$ 111,316	\$ 215,403	\$ 293,749	\$ 324,428	\$ 360,414	\$ 488,532	\$ 497,550	\$ 731,484	\$ 989,356	\$ 851,707
Contributions in relation to the actuarilly determined contribution	<u>220,000</u>	<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>\$ (108,684)</u>	<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	N/A

Note: Please read Note 7 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>2024</u>	<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	3.27%	-3.99%	-1.02%	2.73%	2.95%	0.37%	1.07%	1.33%	1.59%	3.92%

Note: Please read Note 7 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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Hazardous:</u>							
City's proportion of the net OPEB liability	1.288553%	1.426193%	1.474424%	1.514985%	1.538368%	1.601619%	1.689418%
City's proportionate share of the net OPEB (asset)/liability	\$ 1,763,037	\$ 12,148,109	\$ 11,921,593	\$ 14,000,061	\$ 11,381,766	\$ 11,418,894	\$ 13,965,938
City's covered payroll	\$ 9,094,186	\$ 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 (asset)/liability as a percentage of its covered payroll	19.39%	128.06%	134.10%	152.28%	122.94%	124.00%	147.17%
Total plan fiduciary net position	\$ 1,634,192,000	\$ 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	\$ 1,771,015,000	\$ 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	92.27%	64.13%	66.81%	58.84%	64.44%	64.24%	58.99%
<u>Nonhazardous:</u>							
City's proportion of the net OPEB liability	0.225792%	0.210414%	0.191400%	0.167513%	0.161399%	0.154908%	0.157111%
City's proportionate share of the net OPEB (asset)/liability	\$ (311,744)	\$ 4,152,549	\$ 3,664,257	\$ 4,044,930	\$ 2,714,658	\$ 2,750,361	\$ 3,158,469
City's covered payroll	\$ 7,927,090	\$ 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 (asset)/liability as a percentage of its covered payroll	-3.93%	63.98%	66.86%	86.28%	61.03%	67.67%	78.52%
Total plan fiduciary net position	\$ 3,398,375,000	\$ 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	\$ 3,260,308,000	\$ 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	104.23%	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 8 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 12 months prior to the City's financial statements; the 2024 measurement date was June 30, 2023.

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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>HWEA - Nonhazardous:</u>							
HWEA's proportion of the net OPEB liability	0.168403%	0.169077%	0.171362%	0.146119%	0.130814%	0.130217%	0.136035%
HWEA's proportionate share of the net OPEB (asset)/liability	\$ (232,508)	\$ 3,336,758	\$ 3,280,640	\$ 3,528,329	\$ 2,200,233	\$ 2,311,977	\$ 2,734,769
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
HWEA's proportionate share of the net OPEB (asset)/liability as a percentage of its covered payroll	-4.69%	70.69%	74.27%	93.83%	66.68%	71.00%	81.51%
Total plan fiduciary net position	\$ 3,398,375,000	\$ 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	\$ 3,260,308,000	\$ 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	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.39%
<u>Solid Waste - Nonhazardous:</u>							
Solid Waste's proportion of the net OPEB liability	0.090543%	0.093700%	0.099661%	0.097777%	0.097595%	0.094044%	0.088442%
Solid Waste's proportionate share of the net OPEB (asset)/liability	\$ (125,010)	\$ 1,849,182	\$ 1,907,960	\$ 2,361,017	\$ 1,641,504	\$ 1,669,733	\$ 1,777,987
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
Solid Waste's proportionate share of the net OPEB (asset)/liability as a percentage of its covered payroll	-4.76%	69.72%	73.64%	94.24%	66.07%	71.38%	82.26%
Total plan fiduciary net position	\$ 3,398,375,000	\$ 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	\$ 3,260,308,000	\$ 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	104.23%	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 8 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 12 months prior to the City's financial statements; the 2024 measurement date was June 30, 2023.

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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Hazardous:</u>							
Statutorily required contributions	\$ 249,355	\$ 617,495	\$ 979,401	\$ 844,834	\$ 847,633	\$ 917,698	\$ 703,673
Contributions in relation to the statutorily required contributions	(249,355)	(617,495)	(979,401)	(844,834)	(847,633)	(917,698)	(703,673)
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's contributions as a percentage of statutorily required contribution for OPEB	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
City's covered payroll	\$ 9,094,186	\$ 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	2.74%	6.69%	10.32%	9.50%	9.22%	9.91%	7.64%
<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	-	(225,049)	(339,687)	(235,775)	(206,667)	(215,768)	(185,000)
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's contributions as a percentage of statutorily required contribution for OPEB	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
City's covered payroll	\$ 7,927,090	\$ 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	0.00%	3.32%	5.23%	4.30%	4.41%	4.85%	4.55%

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 8 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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>HWEA - 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	-	(167,998)	(272,818)	(210,270)	(178,998)	(173,608)	(154,929)
HWEA's annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
HWEA's contributions as a percentage of statutorily required contribution for OPEB	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
HWEA's covered payroll	\$ 5,645,939	\$ 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	0.00%	3.39%	5.78%	4.76%	4.76%	5.26%	4.76%
<u>Solid Waste - 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	-	(89,101)	(153,307)	(123,335)	(119,257)	(130,684)	(109,940)
Solid Waste's annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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%	100.00%
Solid Waste's covered payroll	\$ 2,793,506	\$ 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	0.00%	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 8 in the notes to financial statements regarding detailed information on HWEA's and Solid Waste's OPEB plan.

COMBINING NONMAJOR FUND FINANCIAL STATEMENTS

**City of Hopkinsville, Kentucky
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Pooled cash and cash equivalents	\$ 419,443	\$ 2,877,435	\$ -	\$ 3,296,878
Non-pooled cash and cash equivalents	3,800,616	-	129,172	3,929,788
Investments	212,589	-	345,139	557,728
Loans receivable	698,244	-	-	698,244
Other receivables	<u>62,727</u>	<u>-</u>	<u>-</u>	<u>62,727</u>
 Total assets	 <u>\$ 5,193,619</u>	 <u>\$ 2,877,435</u>	 <u>\$ 474,311</u>	 <u>\$ 8,545,365</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	<u>\$ 62,727</u>	<u>\$ 41,572</u>	<u>\$ -</u>	<u>\$ 104,299</u>
 Total liabilities	 <u>62,727</u>	 <u>41,572</u>	 <u>-</u>	 <u>104,299</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	4,625,143	2,506,171	474,311	7,605,625
Committed	468,747	-	-	468,747
Assigned	37,002	329,692	-	366,694
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total fund balances	 <u>5,130,892</u>	 <u>2,835,863</u>	 <u>474,311</u>	 <u>8,441,066</u>
 Total liabilities and fund balances	 <u>\$ 5,193,619</u>	 <u>\$ 2,877,435</u>	 <u>\$ 474,311</u>	 <u>\$ 8,545,365</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, 2024

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ 1,913,535	\$ -	\$ -	\$ 1,913,535
Investment income (loss)	243,260	343	(2,652)	240,951
Other revenue	<u>188,823</u>	<u>68,058</u>	<u>19,553</u>	<u>276,434</u>
Total revenues	<u>2,345,618</u>	<u>68,401</u>	<u>16,901</u>	<u>2,430,920</u>
EXPENDITURES				
Current:				
General government	12,684	76	-	12,760
Public safety	898,951	316,029	-	1,214,980
Public works	154,368	17,920	-	172,288
Community development	306,094	29,687	-	335,781
Parks and recreation	-	165,159	-	165,159
Debt Service:				
Principal	75,000	166,762	-	241,762
Interest	20,179	7,146	-	27,325
Expenditures	-	-	-	-
Capital outlay	<u>991,864</u>	<u>2,392,306</u>	<u>-</u>	<u>3,384,170</u>
Total expenditures	<u>2,459,140</u>	<u>3,095,085</u>	<u>-</u>	<u>5,554,225</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(113,522)</u>	<u>(3,026,684)</u>	<u>16,901</u>	<u>(3,123,305)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	9,852	5,112,965	-	5,122,817
Transfers out	(600)	(892,811)	-	(893,411)
Issuance of debt	-	-	-	-
Premium (discount) on bond issue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>9,252</u>	<u>4,220,154</u>	<u>-</u>	<u>4,229,406</u>
Net change in fund balances	(104,270)	1,193,470	16,901	1,106,101
Fund balances, beginning of year	<u>5,235,162</u>	<u>1,642,393</u>	<u>457,410</u>	<u>7,334,965</u>
Fund balances, end of year	<u>\$ 5,130,892</u>	<u>\$ 2,835,863</u>	<u>\$ 474,311</u>	<u>\$ 8,441,066</u>

**City of Hopkinsville, Kentucky
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2024**

	Municipal Road Aid	Community Development Block Grant	Police Incentive	Fire Incentive	Urban Development Action Grant	Drug Enforcement	Expendable Trust	ARPA	Total Nonmajor Special Revenue Funds
ASSETS									
Pooled cash	\$ 281,916	\$ -	\$ 910	\$ -	\$ 3,954	\$ 132,663	\$ -	\$ -	\$ 419,443
Non-pooled cash	-	-	-	-	-	336,084	141,736	3,322,796	3,800,616
Investments	-	-	-	-	-	-	212,589	-	212,589
Loans receivable	-	-	-	-	698,244	-	-	-	698,244
Other receivables	-	62,727	-	-	-	-	-	-	62,727
Total assets	<u>\$ 281,916</u>	<u>\$ 62,727</u>	<u>\$ 910</u>	<u>\$ -</u>	<u>\$ 702,198</u>	<u>\$ 468,747</u>	<u>\$ 354,325</u>	<u>\$ 3,322,796</u>	<u>\$ 5,193,619</u>
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts payable	\$ -	\$ 62,727	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,727
Total liabilities	<u>-</u>	<u>62,727</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,727</u>
FUND BALANCES									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	244,914	-	910	-	702,198	-	354,325	3,322,796	4,625,143
Committed	-	-	-	-	-	468,747	-	-	468,747
Assigned	37,002	-	-	-	-	-	-	-	37,002
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	<u>281,916</u>	<u>-</u>	<u>910</u>	<u>-</u>	<u>702,198</u>	<u>468,747</u>	<u>354,325</u>	<u>3,322,796</u>	<u>5,130,892</u>
Total liabilities and fund balances	<u>\$ 281,916</u>	<u>\$ 62,727</u>	<u>\$ 910</u>	<u>\$ -</u>	<u>\$ 702,198</u>	<u>\$ 468,747</u>	<u>\$ 354,325</u>	<u>\$ 3,322,796</u>	<u>\$ 5,193,619</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, 2024

	Municipal Road Aid	Community Development Block Grant	Police Incentive	Fire Incentive	Urban Development Action Grant	Drug Enforcement	Expendable Trust	ARPA	Total Nonmajor Special Revenue Funds
REVENUES									
Intergovernmental	\$ 763,457	\$ 313,704	\$ 408,884	\$ 427,490	\$ -	\$ -	\$ -	\$ -	\$ 1,913,535
Investment income (loss)	16,560	-	-	-	3,049	18,395	21,818	183,438	243,260
Other revenue	-	-	-	-	-	188,734	89	-	188,823
Total revenues	<u>780,017</u>	<u>313,704</u>	<u>408,884</u>	<u>427,490</u>	<u>3,049</u>	<u>207,129</u>	<u>21,907</u>	<u>183,438</u>	<u>2,345,618</u>
EXPENDITURES									
Current:									
General government	-	-	-	-	-	-	12,684	-	12,684
Public safety	-	-	409,208	427,490	-	62,253	-	-	898,951
Public works	154,368	-	-	-	-	-	-	-	154,368
Community development	-	218,525	-	-	49,321	-	-	38,248	306,094
Parks and recreation	-	-	-	-	-	-	-	-	-
Debt Service:									
Principal	-	75,000	-	-	-	-	-	-	75,000
Interest	-	20,179	-	-	-	-	-	-	20,179
Expenditures	-	-	-	-	-	-	-	-	-
Capital outlay	<u>845,643</u>	-	-	-	-	<u>70,564</u>	-	<u>75,657</u>	<u>991,864</u>
Total expenditures	<u>1,000,011</u>	<u>313,704</u>	<u>409,208</u>	<u>427,490</u>	<u>49,321</u>	<u>132,817</u>	<u>12,684</u>	<u>113,905</u>	<u>2,459,140</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(219,994)</u>	<u>-</u>	<u>(324)</u>	<u>-</u>	<u>(46,272)</u>	<u>74,312</u>	<u>9,223</u>	<u>69,533</u>	<u>(113,522)</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	9,252	600	-	9,852
Transfer out	-	-	-	-	-	-	(600)	-	(600)
Issuance of debt	-	-	-	-	-	-	-	-	-
Premium (discount) on bond issue	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,252</u>	<u>-</u>	<u>-</u>	<u>9,252</u>
Net change in fund balances	<u>(219,994)</u>	<u>-</u>	<u>(324)</u>	<u>-</u>	<u>(46,272)</u>	<u>83,564</u>	<u>9,223</u>	<u>69,533</u>	<u>(104,270)</u>
Fund balances, beginning 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>3,253,263</u>	<u>5,235,162</u>
Fund balances, end of year	<u>\$ 281,916</u>	<u>\$ -</u>	<u>\$ 910</u>	<u>\$ -</u>	<u>\$ 702,198</u>	<u>\$ 468,747</u>	<u>\$ 354,325</u>	<u>\$ 3,322,796</u>	<u>\$ 5,130,892</u>

City of Hopkinsville, Kentucky
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2024

	<u>Capital Fund</u>	<u>WINS Construction Fund</u>	<u>Total Nonmajor Capital Projects Funds</u>
ASSETS			
Pooled cash and cash equivalents	\$ 2,877,435	\$ -	\$ 2,877,435
Non-pooled cash and cash equivalents	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,877,435</u>	<u>\$ -</u>	<u>\$ 2,877,435</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 41,572	\$ -	\$ 41,572
Total liabilities	<u>41,572</u>	<u>-</u>	<u>41,572</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	2,506,171	-	2,506,171
Committed	-	-	-
Assigned	329,692	-	329,692
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>2,835,863</u>	<u>-</u>	<u>2,835,863</u>
Total liabilities and fund balances	<u>\$ 2,877,435</u>	<u>\$ -</u>	<u>\$ 2,877,435</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, 2024

	Capital Fund	WINS Construction Fund	Total Nonmajor Capital Projects Funds
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Investment income (loss)	-	343	343
Other revenue	68,058	-	68,058
 Total revenues	 68,058	 343	 68,401
 EXPENDITURES			
Current:			
General government	76	-	76
Public safety	316,029	-	316,029
Public works	17,920	-	17,920
Community development	29,622	65	29,687
Parks and recreation	165,159	-	165,159
Debt service:			
Principal	166,762	-	166,762
Interest	7,146	-	7,146
Expenditures	-	-	-
Capital outlay	2,331,416	60,890	2,392,306
 Total expenditures	 3,034,130	 60,955	 3,095,085
 Excess (deficiency) of revenues over (under) expenditures	 (2,966,072)	 (60,612)	 (3,026,684)
 OTHER FINANCING SOURCES (USES)			
Transfers in	5,112,965	-	5,112,965
Transfers out	(892,811)	-	(892,811)
Issuance of debt	-	-	-
Premium (discount) on bond issue	-	-	-
 Total other financing sources (uses)	 4,220,154	 -	 4,220,154
 Net change in fund balances	1,254,082	(60,612)	1,193,470
Fund balances, beginning of year	1,581,781	60,612	1,642,393
Fund balances, end of year	\$ 2,835,863	\$ -	\$ 2,835,863

BUDGETARY COMPARISON SCHEDULES FOR NONMAJOR FUNDS

**City of Hopkinsville, Kentucky
 Budgetary Comparison Schedule
 Municipal Road Aid Fund
 For the Fiscal Year Ended June 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Budgetary fund balance, beginning of year	\$ -	\$ -	\$ 501,910	\$ 501,910
Resources (inflows):				
Intergovernmental	666,000	666,000	763,457	97,457
Investment income	<u>17,722</u>	<u>17,722</u>	<u>16,560</u>	<u>(1,162)</u>
Amounts available for appropriation	<u>683,722</u>	<u>683,722</u>	<u>1,281,927</u>	<u>598,205</u>
Changes to appropriations (outflows):				
Public works	683,722	154,368	154,368	-
Capital outlay	<u>-</u>	<u>529,354</u>	<u>845,643</u>	<u>(316,289)</u>
Charges to appropriations	<u>683,722</u>	<u>683,722</u>	<u>1,000,011</u>	<u>(316,289)</u>
Budgetary fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 281,916</u>	<u>\$ 281,916</u>

City of Hopkinsville, Kentucky
Budgetary Comparison Schedule
Capital Fund
For the Fiscal Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Budgetary fund balance, beginning of year	\$ -	\$ -	\$ 1,581,781	\$ 1,581,781
Resources (inflows):				
Other revenue	-	89,045	68,058	(20,987)
Transfers in	<u>2,096,693</u>	<u>4,232,991</u>	<u>5,112,965</u>	<u>879,974</u>
Amounts available for appropriation	<u>2,096,693</u>	<u>4,322,036</u>	<u>6,762,804</u>	<u>2,440,768</u>
Charges to appropriations (outflows):				
General government	140,000	56,727	76	56,651
Public safety	793,909	974,456	316,029	658,427
Public works	470,000	43,899	17,920	25,979
Community development	-	30,000	29,622	378
Parks and recreation	140,000	161,630	165,159	(3,529)
Debt service:				
Principal	-	166,762	166,762	-
Interest	-	7,146	7,146	-
Capital outlay	-	2,331,416	2,331,416	-
Transfers out	<u>550,000</u>	<u>550,000</u>	<u>892,811</u>	<u>342,811</u>
Total charges to appropriations	<u>2,093,909</u>	<u>4,322,036</u>	<u>3,926,941</u>	<u>395,095</u>
Budgetary fund balance, end of year	<u>\$ 2,784</u>	<u>\$ -</u>	<u>\$ 2,835,863</u>	<u>\$ 2,835,863</u>

**City of Hopkinsville, Kentucky
 Budgetary Comparison Schedule
 Community Development Block Grant Fund
 For the Fiscal Year Ended June 30, 2024**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary fund balance, beginning of year	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental	<u>263,110</u>	<u>263,110</u>	<u>313,704</u>	<u>50,594</u>
Amounts available for appropriation	<u>263,110</u>	<u>263,110</u>	<u>313,704</u>	<u>50,594</u>
Charges to appropriations (outflows):				
Community development	167,931	167,931	218,525	(50,594)
Debt service:				
Principal	75,000	75,000	75,000	-
Interest	20,179	20,179	20,179	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>263,110</u>	<u>263,110</u>	<u>313,704</u>	<u>(50,594)</u>
Budgetary fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SINGLE AUDIT SECTION

**CITY OF HOPKINSVILLE, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2024**

<u>Federal Grantor/Program or Cluster Title (Pass-Through Grantor)</u>	<u>Federal ALN</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-21-MC-21-0002	\$ -	\$ 74,333 *
Community Development Block Grants / Entitlement Grants	14.218	B-22-MC-21-0002	-	101,536 *
Community Development Block Grants / Entitlement Grants	14.218	B-23-MC-21-0002	-	137,836 *
Total Department of Housing and Urban Development			<u>-</u>	<u>313,705 *</u>
Total CDBG - Entitlement Grants Cluster			<u>-</u>	<u>313,705</u>
Highway Safety Cluster				
<u>Department of Transportation</u>				
State and Community Highway Safety (Passed through Kentucky Department of Transportation)	20.600	PT-2024-36	<u>-</u>	<u>23,308</u>
Total Department of Transportation			<u>-</u>	<u>23,308</u>
Total Highway Safety Cluster			<u>-</u>	<u>23,308</u>
Other Programs				
<u>Department of Homeland Security</u>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Passed through Kentucky Emergency Management)	97.036	DR-4702	<u>-</u>	<u>121,565</u>
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)			<u>-</u>	<u>121,565</u>

*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, 2024

<u>Federal Grantor/Program or Cluster Title (Pass-Through Grantor)</u>	<u>Federal ALN</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>				
Assistance to Firefighters Grant (Passed through Kentucky Office of Homeland Security)	97.044	N/A	\$ -	\$ 6,634
Total Homeland Security Grant Program			-	6,634
Total Department of Homeland Security			-	128,199
<u>United States Department of Justice</u>				
Bulletproof Vest Partnership Program	16.607	N/A	-	4,744
Total United States Department of Justice			-	4,744
<u>Department of the Treasury</u>				
COVID-19 Coronavirus State & Local Fiscal Recovery Funds	21.027	N/A	-	113,904
Total Department of the Treasury			-	113,904
<u>Various Agencies</u>				
Delta Regional Authority	90.200	N/A	241,064	241,064
Total Various Agencies			241,064	241,064
Total Other Programs			241,064	487,911
Total Expenditures of Federal Awards			\$ 241,064	\$ 824,924

*Denotes major program

See accompanying notes to schedule of expenditures of federal awards.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2024

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.

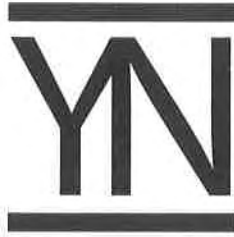
NOTE B - SUBRECIPIENTS

The City of Hopkinsville provided federal awards to subrecipients in the fiscal year ended June 30, 2024 as follows:

<u>Name</u>	<u>ALN</u>	<u>Amount</u>
HWEA	90.200	\$ 241,064

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, 2024, 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 31, 2025.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

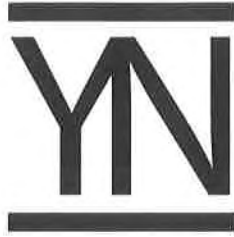
As part of obtaining reasonable assurance about whether the City of Hopkinsville, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

Purpose of This Report

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

York, Neel & Associates, LLP

Hopkinsville, Kentucky
January 31, 2025



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, 2024. 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, 2024.

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 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 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 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.

York, Neel & Associates, LLP

Hopkinsville, Kentucky
January 31, 2025

**CITY OF HOPKINSVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2024**

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:

Name	<u>ALN</u>
Community Development Block Grants	14.218

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 AUDIT FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2023

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).