HOPKINSVILLE WATER
ENVIRONMENT AUTHORITY

REPORT ON AUDITS OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

YORK, NEEL & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

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HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY

DIRECTORY OF OFFICIALS
June 30, 2024

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Duncan Cavanah

PRESIDENT & CEO

Derrick Watson

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY

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YORK, NEEL & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of the
City of Hopkinsville Sewerage and
Water Works Commission d/b/a
Hopkinsville Water Environment Authority
Hopkinsville, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Hopkinsville Water Environment Authority (HWEA), a component unit of the City of Hopkinsville, Kentucky, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise HWEA'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 business-type activities of HWEA, a component unit of the City of Hopkinsville, Kentucky, as of June 30, 2024 and 2023, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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 HWEA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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.

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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 HWEA'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 risk 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 HWEA'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 HWEA'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 things, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10, the Schedule of HWEA's Proportionate Share of the Net Pension Liability on page 69, the Schedule of HWEA's Pension Contributions on page 70, the Schedule of HWEA's Proportionate Share of the Net OPEB Asset / Liability on page 71, and the Schedule of HWEA's OPEB Contributions on page 72 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 HWEA's basic financial statements. The accompanying supporting schedules and the 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*, on pages 73 through 85, 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 supporting schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2025, on our consideration of HWEA'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 HWEA'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 HWEA's internal control over financial reporting and compliance.

York, Neel & Associates, LLP

Hopkinsville, Kentucky
January 24, 2025

Management's Discussion and Analysis
(Required Supplementary Information)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Hopkinsville Water Environment Authority (HWEA) is presenting the following discussion and analysis in order to provide an overall review of financial activities for the years ended June 30, 2024 and 2023. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements and notes to the financial statements to enhance their understanding of financial performance.

FINANCIAL HIGHLIGHTS

- For the year ended June 30, 2024, HWEA's total assets and deferred outflows of resources increased $8.50 million, while total liabilities and deferred inflows of resources increased $3.78 million, resulting in total net position increasing approximately $4.72 million over the course of the year's operations.

- For the year ended June 30, 2024, HWEA's proportionate share percentage remained steady at 0.17% for both the CERS pension and OPEB. HWEA's share of the CERS net pension liability decreased $1.42 million, and its share of the CERS net OPEB liability decreased from 3.34 million at June 30, 2023, to a net asset of $233 thousand at June 30, 2024. Changes also occurred in the deferred outflows and inflows of resources related to the net pension and OPEB liabilities.

- Additional changes in long-term debt were the result of HWEA taking draws from certain State Revolving Fund (SRF) loans of the Kentucky Infrastructure Authority (KIA) in order to finance various construction projects and also paying down SRF loans and other debt.

- HWEA's operating revenues increased 1.43% during the year ended June 30, 2024, while operating expenses decreased 3.02%. The 9.50% sewer rate increase for Hopkinsville and Pembroke that was implemented in January 2023 and the 9.50% sewer rate increase for Hopkinsville and Pembroke that was implemented in January 2024 helps explain the increase in operating revenues. The largest decrease in operating expenses was in administrative and general expenses, with employee benefits decreasing $1.7 million during the year ended June 30, 2024. Fluctuations in employee benefits will occur each year as a result of recording HWEA's proportionate share of the net pension and net OPEB assets or liabilities.

- Non-operating revenues for the year ended June 30, 2024 increased approximately $79 thousand, which was mainly due to increases in interest revenue as a result of higher interest rates.

- Non-operating expenses for the year ended June 30, 2024, decreased approximately $66 thousand, which was mainly because of interest expense being less due to paying down debt.

- Capital contributions increased $2.09 million for the year ended June 30, 2024, which is mainly due to HWEA receiving $1.85 million in grant income, most of which came from grants from the Kentucky Cleaner Water Program, as provided by the American Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund, to aid in the funding of various projects, including the Meter Replacement Program.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes the management's discussion and analysis, the independent auditor's report, and the basic financial statements of HWEA. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of HWEA report information using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities.

The Statement of Net Position includes all of HWEA's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position; and it provides information about the nature and amounts of investments in resources (assets) and the obligations to HWEA's creditors (liabilities). It also provides the basis for evaluating the capital structure of HWEA and assessing the liquidity and financial flexibility of HWEA.

All of HWEA's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of HWEA's operations for the years ended June 30, 2024 and 2023, and can be used to determine profitability, credit worthiness, and whether HWEA has successfully recovered all of its costs through its user fees and other charges.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE HOPKINSVILLE WATER ENVIRONMENT AUTHORITY

The most common financial question posed to the Hopkinsville Water Environment Authority is "How did we do financially during fiscal year 2024?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about HWEA's activities in a way that will help answer this question.

These two statements report the net position of HWEA and the changes in net position for the year. One can think of HWEA's net position – the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources – as one way to measure financial health or financial position. Over time, increases or decreases in HWEA's net position is an indicator of whether its financial health is improving or deteriorating. However, one will need to also consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

NET POSITION

To begin our analysis, a summary of HWEA's Statements of Net Position is presented in Table A-1.

Table A-1
Condensed Statements of Net Position
(000's)

	FY 2024	FY 2023	Dollar Change	Percent Change
Current and Other Assets	$12,376	$12,697	$ (321)	(2.53)%
Capital Assets	145,621	135,806	9,815	7.23%
Total Assets	157,997	148,503	9,494	6.39%
Deferred Outflows of Resources	2,874	3,873	(999)	(25.79)%
Total Assets and Deferred Outflows of Resources	160,871	152,376	8,495	5.58%
Current and Other Liabilities	7,703	7,390	313	4.24%
Noncurrent Liabilities	85,492	85,416	76	0.09%
Total Liabilities	93,195	92,806	389	0.42%
Deferred Inflows of Resources	8,875	5,485	3,390	61.80%
Total Liabilities and Deferred Inflows of Resources	102,070	98,291	3,779	3.84%
Net Investment in Capital Assets	65,500	60,528	4,972	8.21%
Restricted	2,644	2,501	143	5.72%
Unrestricted	(9,343)	(8,944)	(399)	4.46%
Total Net Position	$58,801	$54,085	$ 4,716	8.72 %

The net decrease in current and other assets is mainly due to an overall decrease in cash and cash equivalents and inventory, which is the result of regular operating activities. Decreases in cash and cash equivalents also occurred from purchasing various capital assets, paying construction costs on various ongoing projects, and making principal and interest payments on debt during the year ended June 30, 2024.

The main reason for the large increase in capital assets relates to the construction of the new Hopkinsville Clean Water Treatment Plant. Approximately $7.05 million was spent on this project during the year ended June 30, 2024.

Draws on various SRF loans from KIA to fund certain water and sewer construction projects, and the subsequent repayment of SRF loans and other debt help to explain the small net increase in noncurrent liabilities. Other factors affecting noncurrent liabilities are the requirements per Governmental Accounting Standards Board Statement (GASBS) No. 68 and GASBS No. 75 to record HWEA's proportionate share of the net pension liability and the net OPEB asset associated with the statewide local government retirement plan in which HWEA participates. GASBS No. 68 and GASBS No. 75 also account for the majority of changes to both deferred outflows and inflows of resources.

NET POSITION, continued

Unrestricted net position is the residual of total net position after taking into account net position associated with capital assets and related debt and net position related to restricted assets. The $399 thousand increase in the deficit of unrestricted net position is a function of various net earnings from operating and nonoperating revenues, expenses, and contributions of capital that occurred during the year ended June 30, 2024. HWEA expects results from future operations to fund the $9.34 million deficit at June 30, 2024.

CHANGES IN NET POSITION

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses and Changes in Net Position provides answers as to the nature and source of these changes.

A summary of HWEA's Statements of Revenues, Expenses and Changes in Net Position is presented in Table A-2.

Table A-2
Condensed Statements of Revenues,
Expenses and Changes in Net Position
(000's)

	FY 2024	FY 2023	Dollar Change	Percent Change
Operating Revenues	$ 23,276	$ 22,947	$ 329	1.43 %
Nonoperating Revenues	559	480	79	16.46 %
Total Revenues	23,835	23,427	408	1.74 %
Depreciation Expense	5,326	5,217	109	2.09 %
Other Operating Expenses	15,040	15,783	(743)	(4.71)%
Interest Expense	1,071	1,138	(67)	(5.89)%
Other Nonoperating Expenses	65	65	-	0.00 %
Total Expenses	21,502	22,203	(701)	(3.16) %
Income/(Loss) before Capital Contributions	2,333	1,224	1,109	90.60%
Capital Contributions	2,383	289	2,094	>100.00%
Change in Net Position	4,716	1,513	3,203	>100.00%
Beginning Net Position	54,085	52,572	1,513	2.88%
Ending Net Position	$ 58,801	$ 54,085	$ 4,716	8.72%

CHANGES IN NET POSITION, continued

As can be seen from the table above, operating revenues increased by an overall amount of \$329 thousand, which is, in part, a result of the two 9.50% sewer rate increases for Hopkinsville and Pembroke that were implemented in January 2023 and 2024. Nonoperating revenues increased \$79 thousand, which is mainly due to HWEA earning more interest on invested cash and cash equivalents as a result of higher interest rates. The \$743 thousand net decrease in other operating expenses is partly due to fluctuations in labor, utilities, chemicals, and repairs across various departments, but the majority of the overall decrease is due to a reduction in employee benefits in order to record HWEA's proportionate share of the net pension liability and the net OPEB asset as well as the related pension and OPEB deferred outflows and inflows of resources. Interest expense decreased because of paying down long-term debt. The 2.09 million increase in capital contributions is mainly due to HWEA receiving \$1.85 million in grant income to aid in the funding of various projects, including the Meter Replacement Program.

BUDGETARY HIGHLIGHTS

HWEA is not legally required to adopt and adhere to a budget or to present budgetary comparison information. However, HWEA's Board chooses to approve an annual budget as a management tool, which includes proposed expenses and the means of financing them. The approved budget serves as the foundation for HWEA's financial planning and control.

Table A-3
Budget vs. Actual
FY 2024
(000's)

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues	$ 23,521	$ 23,276	$ (245)
Depreciation Expense	(5,318)	(5,326)	(8)
Other Operating Expenses	(15,384)	(15,040)	344
Operating Income	2,819	2,910	91
Nonoperating Revenues and Capital Contributions	723	2,942	2,219
Interest Expense	(1,258)	(1,071)	187
Other Nonoperating Expenses	(4)	(65)	(61)
Change in Net Position	$ 2,280	$ 4,716	$ 2,436

CAPITAL ASSETS

At June 30, 2024, HWEA had approximately $248.20 million invested in capital assets as shown in Table A-4. During the years ended June 30, 2024 and 2023, various capital assets were purchased and/or constructed and placed into service, and various capital assets were disposed of either because the asset had been sold or was no longer in service.

Construction in progress at June 30, 2024, consisted of work done on various drinking water and clean water projects, the largest of which was the renovation/expansion of the Hopkinsville Clean Water Treatment Plant. Approximately $7.05 million was spent on this project during the year ended June 30, 2024, and approximately $3.95 million remained to complete the project at June 30, 2024. Other significant construction projects still in progress at June 30, 2024, included the Southpark Water Tank Project, Phase 4 of the Locust Grove to I-24 Project, and the Conference Center SPS Force Main Relocation Project.

Construction projects that were completed and placed into service during the year ended June 30, 2024 include the Sominco Farms sewer extension project. See Note 14 to the financial statements for information on construction commitments.

Table A-4
Capital Assets
(000's)

	FY 2024	FY 2023	Dollar Change	Percent Change
Drinking Water	$ 103,842	$ 98,497	$ 5,345	5.43%
Clean Water	138,256	128,784	9,472	7.36%
Gas	6,100	6,022	78	1.30%
	248,198	233,303	14,895	6.38%
Less: Accumulated Depreciation	(102,577)	(97,497)	(5,080)	5.21%
Net Capital Assets	$ 145,621	$ 135,806	$ 9,815	7.23%

DEBT ADMINISTRATION

The revenues of the drinking water and clean water systems collateralize outstanding revenue bonds and State Revolving Fund loans from the Kentucky Infrastructure Authority. After operation and maintenance expenses are paid, the ordinances specify that revenue bond funds be established and maintained. Debt obtained from the Kentucky Infrastructure Authority is for the purpose of upgrading and expanding the drinking water and clean water systems.

More detailed information about all of HWEA's long-term liabilities is presented in Note 6 to the financial statements.

OTHER INFORMATION SIGNIFICANT TO OPERATIONS

A series of water and sewer rate increases were approved and became effective over the past several years. The latest water rate increase became effective July 1, 2017, and the latest sewer rate increase for Hopkinsville and Pembroke became effective January 1, 2024. Currently, there are no additional water or sewer rates increases set to go into effect; however, any future rate changes will impact revenues of HWEA for the coming years.

As discussed in a previous section, at June 30, 2024, HWEA was undergoing a $47.87 million renovation and expansion project for the Hopkinsville Clean Water Treatment Plant. Subsequent to year end, the renovation and expansion work was completed and the new plant was placed into service. A ribbon cutting ceremony was held in December 2024 to debut the new plant.

HWEA was previously awarded approximately $2.90 million in grants from the Kentucky Cleaner Water Program, as provided by the American Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund, to aid in the funding of various projects, including the Meter Replacement Program. These funds had to be obligated by December 31, 2024, and have to be fully expended by December 31, 2026. HWEA has already received and expended a significant portion of the expected income from these grants.

In September 2019, HWEA purged and commissioned the Phase I natural gas pipeline, which is composed of 6.3 miles of 12" natural gas main along the US41A corridor. HWEA also has an agreement with Clarksville Gas to supply the pipeline with natural gas. As a result, this natural gas main is now active and HWEA continues to connect new customers as needs arise, which will affect natural gas revenues of HWEA in coming years.

FINAL COMMENTS

This financial report is designed to provide our customers and creditors with a general overview of HWEA's finances and to demonstrate accountability for funds received. Anyone having questions regarding the report or desiring additional information may contact Derrick Watson, President and CEO, Hopkinsville Water Environment Authority, 401 East 9th Street, Hopkinsville, KY 42240 or by phone (270) 887-4246.

Financial Statements

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY
STATEMENTS OF NET POSITION
June 30, 2024 and 2023

	2024	2023
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets:		
Unrestricted current assets:		
Cash and cash equivalents	$ 6,110,215	$ 6,412,559
Customer receivables, less allowance for doubtful accounts of $0 and $0, respectively	1,852,547	1,608,184
Grant funds receivable	-	161,148
Inventory	616,776	813,883
Prepaid insurance	26,096	37,896
Accrued interest on note receivable	121	162
Total unrestricted current assets	8,605,755	9,033,832
Restricted current assets:		
Cash and cash equivalents	2,644,205	2,501,038
Total current assets	11,249,960	11,534,870
Noncurrent assets:		
Capital assets:		
Property, plant and equipment	200,968,909	196,196,800
Construction in progress	47,228,285	37,105,735
Accumulated depreciation	(102,576,619)	(97,497,003)
Net capital assets	145,620,575	135,805,532
Other noncurrent assets:		
Note receivable	48,456	64,609
Other receivable - USACE	845,410	1,097,986
Net OPEB asset	232,508	-
Total other noncurrent assets	1,126,374	1,162,595
Total noncurrent assets	146,746,949	136,968,127
Total assets	157,996,909	148,502,997
Deferred outflows of resources:		
Deferred outflows from pension	1,918,191	2,157,325
Deferred outflows from OPEB	852,771	1,548,524
Deferred refunding costs	102,854	167,604
Total deferred outflows of resources	2,873,816	3,873,453
Total assets and deferred outflows of resources	$ 160,870,725	$ 152,376,450

Continued

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY
STATEMENTS OF NET POSITION (continued)
June 30, 2024 and 2023

	2024	2023
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current liabilities:		
State Revolving Fund loans, current portion	$ 2,801,599	$ 2,753,659
Payable to City of Hopkinsville, current portion	2,265,000	2,178,500
Payable to City of Hopkinsville, PILOT	90,242	76,123
Customer deposits	6,900	118,174
Accrued interest	157,771	156,314
Construction retainage payable	329,120	358,315
Accounts payable	987,181	538,785
Construction contracts payable	485,150	629,571
Accrued salaries	221,538	209,516
Accrued compensated absences	358,806	371,165
Total current liabilities	7,703,307	7,390,122
Noncurrent liabilities:		
State Revolving Fund loans, net of current portion	67,767,375	60,522,381
Payable to City of Hopkinsville, net of current portion	6,575,687	9,003,041
Net pension liability	10,805,978	12,224,768
Net OPEB liability	-	3,336,758
Compensated absences, net of current portion	342,288	329,327
Total noncurrent liabilities	85,491,328	85,416,275
Total liabilities	93,194,635	92,806,397
Deferred inflows of resources:		
Deferred revenue - USACE	3,881,935	4,025,523
Deferred inflows from pension	1,258,105	190,451
Deferred inflows from OPEB	3,735,170	1,269,257
Total deferred inflows of resources	8,875,210	5,485,231
Total liabilities and deferred inflows of resources	102,069,845	98,291,628
Net position:		
Net investment in capital assets	65,499,498	60,527,669
Restricted	2,644,205	2,501,038
Unrestricted (deficit)	(9,342,823)	(8,943,885)
Total net position	58,800,880	54,084,822
Total liabilities, deferred inflows of resources, and net position	$ 160,870,725	$ 152,376,450

See accompanying notes to financial statements.

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended June 30, 2024 and 2023

	2024	2023
Operating revenues:		
Charges for services (net of allowances of $137,567 and $167,058 for 2024 and 2023, respectively)	$ 22,799,135	$ 22,406,622
Other operating revenue	477,006	540,466
Total operating revenues	23,276,141	22,947,088
Operating expenses:		
Drinking water source of supply	632,586	707,661
Drinking water purification	2,234,446	2,041,430
Drinking water distribution	1,883,727	1,523,688
Clean water treatment plant and pumping stations	3,498,579	3,543,716
Clean water distribution	1,684,850	1,640,927
Natural gas	365,771	497,856
Administrative and general	3,820,071	5,076,956
Engineering services	920,141	751,049
Depreciation	5,325,779	5,217,075
Total operating expenses	20,365,950	21,000,358
Operating income	2,910,191	1,946,730
Nonoperating revenues (expenses):		
Interest revenue	497,599	429,927
Gain (loss) on sale of property, plant and equipment	61,365	50,285
Amortization of deferred refunding costs	(64,749)	(64,749)
Interest expense	(1,071,387)	(1,137,769)
Total nonoperating revenues (expenses)	(577,172)	(722,306)
Income (loss) before capital contributions	2,333,019	1,224,424
Capital contributions:		
Capital assets contributed by developers	535,990	127,841
Grant income	1,847,049	161,148
Total capital contributions	2,383,039	288,989
Change in net position	4,716,058	1,513,413
Net position - beginning of year	54,084,822	52,571,409
Net position - end of year	$ 58,800,880	$ 54,084,822

See accompanying notes to financial statements.

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DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Cash received from customers	$ 22,443,498	$ 22,188,043
Cash paid to suppliers for goods and services	(5,984,879)	(6,753,291)
Cash paid to employees for services, including benefits	(8,569,227)	(7,930,382)
Cash paid to City of Hopkinsville for payments in lieu of taxes	(321,621)	(323,352)
Other operating cash received	333,419	388,563
Net cash provided (used) by operating activities	7,901,190	7,569,581
Cash flows from capital and related financing activities		
Acquisition of property, plant and equipment	(14,805,815)	(11,465,463)
Proceeds from disposition of property, plant and equipment	88,732	172,843
Proceeds from grants	2,008,197	-
Proceeds of capital debt	10,046,603	9,418,124
Principal paid on capital debt	(4,932,169)	(4,814,151)
Interest paid on capital debt	(1,232,284)	(1,314,608)
Net cash provided (used) by capital and related financing activities	(8,826,736)	(8,003,255)
Cash flows from investing activities		
Collection of notes receivable	16,153	16,152
Collection of other receivables	252,576	242,689
Interest earned on cash and cash equivalents	497,640	429,967
Net cash provided (used) by investing activities	766,369	688,808
Net increase (decrease) in cash and cash equivalents	(159,177)	255,134
Cash and cash equivalents at beginning of year (includes restricted assets of $2,501,038 and $2,150,748 for 2024 and 2023, respectively)	8,913,597	8,658,463
Cash and cash equivalents at end of year (includes restricted assets of $2,644,205 and $2,501,038 for 2024 and 2023, respectively)	$ 8,754,420	$ 8,913,597

Continued

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY
STATEMENTS OF CASH FLOWS (continued)
For the years ended June 30, 2024 and 2023

	2024	2023
Reconciliation of Operating Income to Net Cash from Operating Activities		
Cash flows from operating activities		
Operating income	$ 2,910,191	$ 1,946,730
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	5,325,779	5,217,075
Amortization of deferred revenue - USACE	(143,588)	(143,588)
Pension expense (GASBS No. 68)	(112,002)	617,482
OPEB expense (GASBS No. 75)	(407,600)	428,478
Changes in assets and liabilities		
(Increase)/decrease in customer receivables	(244,363)	(225,977)
(Increase)/decrease in inventory	197,107	(365,021)
(Increase)/decrease in prepaid insurance	11,800	(4,422)
Increase/(decrease) in accounts payable and payable to City for PILOT	462,516	(60,204)
Increase/(decrease) in customer deposits	(111,274)	(918)
Increase/(decrease) in accrued salaries and compensated absences	12,624	159,946
Net cash provided (used) by operating activities	$ 7,901,190	$ 7,569,581

<u>Noncash Capital and Related Financing and Investing Items</u>

	2024	2023
Construction costs in construction contracts payable	$ 485,150	$ 629,571
Grant income in grant funds receivable	$ -	$ 161,148

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Hopkinsville Water Environment Authority (HWEA) is responsible for sewerage and water services for residents of the City of Hopkinsville, KY (City), the City of Pembroke, KY, and the City of Crofton, KY. HWEA is also responsible for sewerage services for residents of the City of Oak Grove, KY. In September 2019, HWEA commissioned 6.3 miles of 12" natural gas pipeline along the US41 corridor and is now actively providing natural gas service to customers along the corridor. Natural gas for the pipeline is currently supplied by Clarksville Gas.

The City's governing body appoints HWEA's governing board. The City's governing body also approves the rates for user charges and bond issuance authorizations. The legal liability for the general obligation and revenue bond portion of HWEA's debt remains with the City. HWEA is shown as a discretely presented component unit in the City's financial statements.

b. Presentation, Basis of Accounting, and Measurement Focus

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) for state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental and financial reporting principles for state and local governments in the United States of America.

The operations of HWEA are accounted for as a single governmental enterprise fund, a proprietary fund type. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises in that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Proprietary fund types use the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when they are incurred. The economic resources measurement focus is used whereby all assets and liabilities (whether current or noncurrent) associated with the activity are reported in the fund's statement of net position. HWEA applies all GASB pronouncements that are applicable to enterprise funds.

The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

b. Presentation, Basis of Accounting, and Measurement Focus, continued

- *Net Investment in Capital Assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets plus deferred outflows of resources less deferred inflows of resources related to those assets and debt. 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”.

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. Separate Accounting

In December 1992, HWEA was approved for a low interest loan from the Kentucky Infrastructure Authority (KIA). Due to federal requirements under this loan program, HWEA, as of July 1993, began accounting for the drinking water and clean water systems separately. Beginning July 2014, HWEA also began separately accounting for natural gas transactions. See supplementary information schedules and Note 11 for information on segment reporting.

d. Cash and Cash Equivalents, Deposits and Investments

HWEA invests all deposits not necessary for current expenditures. Investments are stated at cost, which approximates market value. Investment income consists of interest income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

d. Cash and Cash Equivalents, Deposits and Investments, continued

Kentucky Revised Statute 66.480 permits HWEA to invest in U.S. Treasury obligations, U.S. Agency obligations, certain federal instruments, repurchase agreements, commercial banks' certificates of deposit, savings and loan deposits, and the Commonwealth of Kentucky investment pool.

As security for deposits of HWEA, any bank is generally required to pledge securities in an amount to exceed funds on deposit by HWEA. In addition, HWEA is insured under FDIC up to $250,000 at each bank.

For presentation on the financial statements, investments with original maturities of three months or less at the time they are purchased by HWEA are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments. Both restricted and unrestricted amounts are included on the Statements of Cash Flows.

e. Receivables

Accounts receivable are stated at the amount management expects to collect from outstanding customer accounts. Accounts are considered past due 30 days from the invoice date. 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.

f. Inventories

Inventory is stated at cost. Inventories consist 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. Inventory totaled $616,776 and $813,883 at June 30, 2024 and 2023, respectively.

g. Prepaid Expenses

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

h. Restricted Assets

Any proceeds of revenue and general obligation bonds of HWEA, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. Amounts included in the "Bond and Interest Redemption" account, if any, are used to segregate resources accumulated for debt service payments over the next twelve months.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

h. Restricted Assets, continued

Amounts included in the "Equipment Maintenance and Replacement" accounts, if any, are used to report resources set aside for unusual or extraordinary maintenance, repairs, renewals and/or replacements or extensions, additions and/or improvements. Amounts included in the "Construction" account, if any, are used to report bond proceeds restricted for use in the cost of future expansion and rehabilitation. Reservations of equity show amounts that are not appropriate for expenditures or are legally restricted for specific uses. HWEA first applies restricted resources for expenditures for which both restricted and unrestricted net position are available.

Following is a summary of the various restricted asset accounts as of June 30:

	2024	2023
Equipment maintenance and replacement fund	$ 2,644,205	$ 2,501,038
Total restricted assets	$ 2,644,205	$ 2,501,038

For the years ended June 30, 2024 and 2023, the equipment maintenance and replacement fund includes amounts set aside to meet reserve requirements associated with loans with the Kentucky Infrastructure Authority, and they are reported as restricted current assets on the Statements of Net Position.

i. Capital Assets

Property, plant and equipment are recorded at cost and depreciated using the straight-line method over estimated useful lives of the respective asset. Property, plant and equipment donated to HWEA are recorded at their estimated fair value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. HWEA maintains a capitalization threshold of $2,500. Estimated useful lives on depreciable assets are as follows:

Structures, including building components	10 – 50 years
Elevated tanks	10 – 50 years
Distribution mains	10 – 50 years
Services	40 years
Meters and installation	5 – 10 years
Hydrants	50 years
Sewer mains and laterals	10 – 50 years
Purification and pumping equipment	5 – 30 years
Natural gas mains	40 – 50 years
Natural gas meters	5 – 10 years
Transportation equipment	5 – 10 years
General equipment	5 – 20 years
Office furniture, fixtures, equipment	5 – 10 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

i. Capital Assets, continued

Costs incurred for capital construction and acquisition are carried in construction in progress until disposition or completion of the related projects. The major component of construction in progress at June 30, 2024 and 2023 was related to the rehabilitation of the Hopkinsville Clean Water Treatment Plant. Other less significant drinking water and clean water projects are also included in construction in progress. Costs related to projects not pursued are expensed, while costs relating to completed projects are capitalized as property, plant and equipment.

In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, management evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations, other changes in environmental factors, technology changes or evidence of obsolescence, changes in the manner of duration of use of a capital asset, and construction stoppage. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. No material impairment losses were recognized in fiscal year 2024 or 2023.

j. Compensated Absences

HWEA accrues vacation benefits as earned by its employees if the leave is attributable to past service and it is probable that HWEA will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. HWEA also accrues sick leave benefits. Upon retirement from HWEA, a maximum of six months of the employee’s sick leave balance shall be added to his/her service credit for the purpose of determining his/her annual retirement allowance. HWEA accrues these benefits for those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future. These benefits are measured using the pay rates in effect at June 30.

k. Noncurrent Liabilities

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

k. Noncurrent Liabilities, continued

During the year ended June 30, 2015, three separate bonds were issued by the City of Hopkinsville on behalf of HWEA. The 2014B bonds were issued to finance a portion of the natural gas project; the 2014C bonds were issued to currently refund the 2001H and 2004B KY Rural Water Finance bonds associated with the Oak Grove sewer system; and the 2015A bonds were issued to advance refund the 2005A bonds associated with the Lake Barkley Raw Water Project. Both refundings were done to achieve debt savings. Bonds outstanding, which have been refunded and economically defeased, are not included in long-term debt, and the related assets are not included in investments. GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, requires that any loss on refunding, which is the difference between the reacquisition price and the net carrying amount of the old debt, is deferred and amortized as a component of interest expense over the shorter of either 1) the original life of the refunded debt or 2) the life of the refunding debt.

l. Capital Contributions

Construction and acquisition of capital assets are financed, in part, from governmental grants and contributions in aid of construction from property owners, developers, and other sources. The revenues from capital contributions are part of the change in net position. Capital contributions for the years ended June 30, 2024 and 2023 totaled $2,383,039 and $288,989, respectively. Of the total capital contributions, capital assets contributed by developers totaled $535,990 and $127,841 and grant income totaled $1,847,049 and $161,148 for the years ended June 30, 2024 and 2023, respectively. In addition to these capital contributions, governmental grants in aid of construction totaled $391,295 and $239,259 for the years ended June 30, 2024 and 2023, respectively, and are included as a reduction in the cost of construction.

m. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that future period. Items being reported in this category 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 the net OPEB liabilities in a subsequent year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

m. Deferred Outflows and Inflows of Resources, continued

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. HWEA has three items that qualify for reporting in this category. The first item is 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 other two items are deferred inflows associated with its pension plan and its OPEB plan that will be recognized in pension and OPEB expense in future years.

n. Net Position

Net position comprises the various net earnings from operating and nonoperating revenues, expenses, and contributions of capital and represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is classified in the following three components: net investment in capital assets, restricted, and unrestricted. Unrestricted net position represents net assets available for future operations or distribution.

o. Pensions and Other Postemployment Benefits (OPEB)

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

p. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 results could differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

q. Accounting Pronouncements

Adoption of New Accounting Pronouncements

Effective July 1, 2023, HWEA adopted the following GASB pronouncement and implementation guide:

- 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 did not have a material impact on HWEA's financial reporting.

Recent Accounting Pronouncements

GASB has issued additional guidance that is not yet effective. HWEA is currently reviewing the provisions of the following GASB Statements to determine the impact of implementation in future periods.

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

r. Deficit Unrestricted Net Position

HWEA had deficit unrestricted net position at June 30, 2024 and 2023, totaling $9,342,823 and $8,943,885, respectively. The deficit in unrestricted net position was caused primarily by the initial accrual of both the net pension liability and the net OPEB liability. HWEA expects results from future operations to fund the deficit.

2. CASH DEPOSITS AND INVESTMENTS

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

A reconciliation of cash, cash equivalents and investments as shown on the Statement of Net Position for HWEA is as follows at June 30:

	2024	2023
Cash and cash equivalents		
Unrestricted	$6,110,215	$ 6,412,559
Restricted - current	2,644,205	2,501,038
Total cash and cash equivalents	8,754,420	8,913,597
Investments		
Unrestricted	-	-
Restricted - current	-	-
Total investments	-	-
Total Cash, Cash Equivalents and Investments	$8,754,420	$ 8,913,597

a. Cash Deposits

Custodial Credit Risk: Custodial credit risk for cash deposits is the risk that, in the event of bank failure, HWEA's deposits may not be returned, or HWEA will not be able to recover collateral securities in the possession of an outside party. Kentucky state law requires that all of HWEA's funds be fully insured or collateralized. The collateral provided by financial institutions is considered adequate to cover all balances in excess of limits set forth by the Federal Deposit Insurance Corporation; therefore, as of June 30, 2024 and 2023, none of HWEA's deposited funds of cash and cash equivalents were exposed to custodial credit risk.

b. Investments

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, HWEA 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 counter party or a counter party's trust department or agent, but not in the government's name. As of June 30, 2024 and 2023, HWEA had no investments; therefore, there were no investments that were exposed to custodial credit risk.

Concentration of Credit Risk: HWEA places no limit on the amount that may be invested in any one issuer. HWEA's investments, if any, are in certificates of deposit. Investments in certificates of deposit are specifically excluded from this type of risk.

2. CASH DEPOSITS AND INVESTMENTS, continued

b. Investments, continued

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

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. HWEA 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.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. HWEA does not have investments in foreign currency, and is, therefore, not exposed to such risk.

3. RECEIVABLES

Net customer receivables include the following as of June 30:

	2024	2023
Customer accounts receivable	$1,718,060	$ 1,558,637
Allowance for uncollectible accounts	-	-
Miscellaneous receivables	134,487	49,547
Total customer receivables	$1,852,547	$ 1,608,184

Total customer receivables at June 30, 2022, was $1,382,207.

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 debts for customer receivables for the year ended June 30 were as follows:

	2024	2023
Accounts charged off in current period	$ 76,844	$ 107,277
Recovery of accounts previously charged off	(14,178)	(41,712)
Net bad debts	$ 62,666	$ 65,565

3. RECEIVABLES, continued

Grant funds receivable at June 30, 2023 included amounts due from the Delta Regional Authority, as provided by the States' Economic Development Assistance Program (SEDAP), for the reimbursement of costs incurred on certain sewer projects. There were no grant funds receivable at June 30, 2024.

HWEA has a note receivable from the Hopkinsville Industrial Foundation (HIF) for the installation of sewer lines in the industrial park, due in semi-annual installments including interest at 1.0%, due April 2027. The balance of this receivable was $48,456 and $64,609 at June 30, 2024 and 2023, respectively.

During the year ended June 30, 2015, HWEA entered into an agreement with 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 a loan 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 receivable (with deferred revenue to offset the receivable) for the amount of funds drawn on the loan. Upon reimbursement by USACE, HWEA would begin to write down the 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 4.000%, due August 2027. The balance of this other receivable was $845,410 and $1,097,986 at June 30, 2024 and 2023, respectively. Deferred revenue associated with this water line project is also being amortized now that the project has been completed and put into service. For each of the years ended June 30, 2024 and 2023, $143,588 was amortized to other operating revenue. The balance of this deferred revenue account was $3,881,935 and $4,025,523 at June 30, 2024 and 2023, respectively.

4. INVENTORY

Inventory as of June 30, 2024 and 2023, which consisted 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, totaled $616,776 and $813,883, respectively.

5. CAPITAL ASSETS

A summary of capital assets as of June 30, 2024, is as follows:

	Balance July 1, 2023	Transfers In/ Additions	Transfers Out/ Retirements	Balance June 30, 2024
Capital Assets Not Being Depreciated:				
Land	$ 1,571,840	$ -	$ -	$ 1,571,840
Construction in progress	37,105,735	11,122,792	1,000,242	47,228,285
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	1,690,287	615,037	73,775	2,231,549
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	1,297,294	144,147	73,345	1,368,096
Total	$135,805,532	$ 11,077,535	$ 1,262,492	$145,620,575

A summary of capital assets as of June 30, 2023, is as follows:

	Balance July 1, 2022	Transfers In/ Additions	Transfers Out/ Retirements	Balance June 30, 2023
Capital Assets Not Being Depreciated:				
Land	$ 1,571,840	$ -	$ -	$ 1,571,840
Construction in progress	27,837,518	10,086,161	817,944	37,105,735
Capital Assets Being Depreciated:				
Structures and improvements	183,338,769	2,235,212	517,018	185,056,963
Equipment	8,872,258	570,007	1,564,555	7,877,710
Vehicles	1,439,057	254,749	3,519	1,690,287
Less Accumulated Depreciation:				
Structures and improvements	85,770,985	4,720,876	341,792	90,150,069
Equipment	7,150,780	365,946	1,467,086	6,049,640
Vehicles	1,167,041	130,253	-	1,297,294
Total	$128,970,636	$ 7,929,054	$ 1,094,158	$135,805,532

Depreciation expense for the years ended June 30, 2024 and 2023 was $5,325,779 and $5,217,075, respectively.

6. NONCURRENT LIABILITIES

Noncurrent liabilities are reported net of premiums and discounts. Premiums and discounts are amortized over the term of the debt to maturity.

Noncurrent liabilities at June 30 are as follows:

	Rate	2024	2023
State Revolving Fund Loans:			
B95-02 – Water – Maturing 2026	1.900%	$ 428,621	$ 636,928
A03-05 – Sewer – Maturing 2026	1.000%	386,370	640,757
A04-05 – Sewer – Maturing 2027	1.000%	403,704	535,610
F02-04 – Water – Maturing 2028	1.000%	327,344	407,160
F06-02 – Water – Maturing 2028	3.000%	1,003,886	1,236,724
F08-06 – Water – Maturing 2032	1.000%	3,955,409	4,399,086
A11-07 – Sewer – Maturing 2033	2.000%	241,574	265,842
A09-19 – Sewer – Maturing 2034	2.000%	4,115,606	4,483,895
A11-09 – Sewer – Maturing 2036	2.000%	4,587,234	4,922,328
A11-08 – Sewer – Maturing 2036	2.000%	7,404,234	7,920,793
F13-020 – Water – Maturing 2040	1.750%	3,056,983	3,215,512
A19-003 – Sewer **	0.500%	39,371,523	32,438,748
F16-001 – Water **	1.750%	5,286,486	2,172,657
Total State Revolving Fund Loans		70,568,974	63,276,040

** Loan is partially drawn; maturity not yet established

	Rate	2024	2023
Payable to City of Hopkinsville:			
Revenue Bond:			
Series 2010B-Maturing 2030	3.200% to 4.400%	1,249,000	1,447,500
General Obligation Bonds:			
Series 2013B-Maturing 2034	2.000% to 4.500%	2,060,000	2,225,000
Series 2014B-Maturing 2038	1.500% to 6.625%	1,295,000	1,365,000
Series 2014C-Maturing 2029	1.100% to 3.250%	515,000	645,000
Series 2015A-Maturing 2026	4.000%	3,435,000	5,050,000
Total General Obligation Bonds		7,305,000	9,285,000
Total Payable to City of Hopkinsville		$ 8,554,000	$ 10,732,500

6. NONCURRENT LIABILITIES, continued

	Rate	2024	2023
Net Pension Liability		$ 10,805,978	$ 12,224,768
Net OPEB Liability		-	3,336,758
Compensated Absences		701,094	700,492
Total Noncurrent Liabilities		90,630,046	90,270,558
Less: Maturities due within one year		(5,425,405)	(5,303,324)
Unamortized bond (discount) / premium		286,687	449,041
Total Noncurrent Liabilities, Net		$85,491,328	$ 85,416,275

During the year ended June 30, 2024, the following changes occurred in noncurrent liabilities:

	Principal Outstanding July 1, 2023	Additions	Reductions	Principal Outstanding June 30, 2024	Due Within One Year
Compensated absences	$ 700,492	$ 371,767	$ (371,165)	$ 701,094	$ 358,806*
State Revolving Fund Loans	63,276,040	10,046,603	(2,753,669)	70,568,974	2,801,599
Payable to City of Hopkinsville:					
Revenue bond – 2010B	1,447,500	-	(198,500)	1,249,000	205,000
Gen. obligation bond – 2013B	2,225,000	-	(165,000)	2,060,000	170,000
Gen. obligation bond – 2014B	1,365,000	-	(70,000)	1,295,000	75,000
Gen. obligation bond – 2014C	645,000	-	(130,000)	515,000	130,000
Gen. obligation bond – 2015A	5,050,000	-	(1,615,000)	3,435,000	1,685,000
Net pension liability	12,224,768	-	(1,418,790)	10,805,978	-
Net OPEB liability	3,336,758	-	(3,336,758)	-	-
Unamortized bond premium	452,573	-	(162,870)	289,703	-
Unamortized bond discount	(3,532)	-	516	(3,016)	-
Total	$ 90,719,599	$10,418,370	$(10,221,236)	$ 90,916,733	$ 5,425,405

*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 HWEA's management.

6. NONCURRENT LIABILITIES, continued

During the year ended June 30, 2023, the following changes occurred in noncurrent liabilities:

	Principal Outstanding July 1, 2022	Additions	Reductions	Principal Outstanding June 30, 2023	Due Within One Year
Compensated absences	$ 578,635	$ 406,907	$ (285,050)	$ 700,492	$ 371,165*
State Revolving Fund Loans	56,564,567	9,418,124	(2,706,651)	63,276,040	2,753,659
Payable to City of Hopkinsville:					
Revenue bond – 2010B	1,640,000	-	(192,500)	1,447,500	198,500
Gen. obligation bond – 2013B	2,385,000	-	(160,000)	2,225,000	165,000
Gen. obligation bond – 2014B	1,435,000	-	(70,000)	1,365,000	70,000
Gen. obligation bond – 2014C	775,000	-	(130,000)	645,000	130,000
Gen. obligation bond – 2015A	6,605,000	-	(1,555,000)	5,050,000	1,615,000
Net pension liability	10,928,222	2,295,778	(999,232)	12,224,768	-
Net OPEB liability	3,280,640	328,936	(272,818)	3,336,758	-
Unamortized bond premium	615,443	-	(162,870)	452,573	-
Unamortized bond discount	(4,048)	-	516	(3,532)	-
Total	$ 84,803,459	$12,449,745	$ (6,533,605)	$ 90,719,599	$ 5,303,324

*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 HWEA's management.

State Revolving Fund Loans:

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 0.500% and 3.000%. 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.

6. NONCURRENT LIABILITIES, continued

State Revolving Fund Loans, continued:

Under the assistance agreements entered into with the KIA, in the event of default by HWEA, the KIA may, without any further demand or notice, take one or any combination of the following remedial steps: 1) declare all payments immediately due and payable; 2) exercise all the rights and remedies available to the KIA; 3) take whatever action may appear necessary or desirable to enforce its rights; and 4) submit a formal referral to the appropriate federal agency as required. Events of default include any one or more of the following: 1) failure by HWEA to pay specified payments at specified times; 2) failure by HWEA to observe or perform any covenant, condition or agreement; 3) the dissolution or liquidation of HWEA or the voluntary initiation by HWEA of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt, or any other form of debtor relief; and 4) a default by HWEA under the provisions of any agreements relating to its debt obligations.

Proceeds from the SRF loans have been used 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).

Annual debt service requirements projected to maturity for all SRF loans are as follows as of June 30, 2024:

Fiscal Year Ending June 30	Principal	Interest	Total
2025	$ 2,801,599	$ 457,363	$ 3,258,962
2026	2,720,380	408,499	3,128,879
2027	2,417,693	361,684	2,779,377
2028	2,324,363	318,074	2,642,437
2029	2,013,707	276,841	2,290,548
2030-2034	9,848,835	844,604	10,693,439
2035-2039	3,468,762	146,543	3,615,305
2040-2041	44,973,635	5,542	44,979,177
Total	$70,568,974	$ 2,819,150	$ 73,388,124

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.

6. NONCURRENT LIABILITIES, continued

State Revolving Fund Loans, continued:

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 years ended June 30, 2024 and 2023, HWEA has set aside $2,644,205 and $2,501,038, respectively, to meet these reserve requirements, which are reported as restricted current assets on the Statements of Net Position.

Payable to City of Hopkinsville – Revenue Bond:

During the year ended June 30, 2010, the City of Hopkinsville, on behalf of HWEA, issued series 2010B revenue bonds to fund the expansion of the Moss Water Treatment Plant. This obligation matures in 2030. Interest rates range from 3.200% to 4.400%. Interest is due in semi-annual installments.

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

Fiscal Year Ending June 30	Principal	Interest	Total
2025	$ 205,000	$ 53,737	$ 258,737
2026	214,000	45,127	259,127
2027	225,000	36,139	261,139
2028	235,000	26,540	261,540
2029	245,000	16,280	261,280
2030	125,000	5,500	130,500
Total	$ 1,249,000	$ 183,323	$ 1,432,323

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 the 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.

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.

6. NONCURRENT LIABILITIES, continued

Payable to City of Hopkinsville – General Obligation Bonds:

During the year ended June 30, 2014, the City of Hopkinsville, on behalf of HWEA, issued general obligation bonds (Series 2013B) for the purpose of constructing a 2MG water tank and water mains along Eagle Way Bypass and US41A and to pay other allowable expenditures including issuance costs. This obligation matures in 2034 with interest rates ranging from 2.000% to 4.500%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Hopkinsville.

During the year ended June 30, 2015, the City of Hopkinsville, on behalf of HWEA, issued tax-exempt general obligation bonds (Series 2014B) 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 1.500% to 6.625%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Hopkinsville.

During the year ended June 30, 2015, the City of Hopkinsville, on behalf of HWEA, issued tax-exempt general obligation bonds (Series 2014C) 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 1.100% to 3.250%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Hopkinsville.

During the year ended June 30, 2015, the City of Hopkinsville, on behalf of HWEA, issued tax-exempt general obligation bonds (Series 2015A) to advance refund the outstanding 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 4.000%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Hopkinsville

6. NONCURRENT LIABILITIES, continued

Payable to City of Hopkinsville – General Obligation Bonds, continued:

Annual debt service requirements projected to maturity for amounts payable to the City of Hopkinsville for general obligation bonds are as follows as of June 30, 2024:

Fiscal Year Ending June 30	Principal	Interest	Total
2025	$ 2,060,000	$ 243,069	$ 2,303,069
2026	2,100,000	162,094	2,262,094
2027	345,000	115,346	460,346
2028	375,000	103,609	478,609
2029	390,000	90,154	480,154
2030-2034	1,600,000	251,754	1,851,754
2035-2038	435,000	32,174	467,174
Total	$ 7,305,000	$ 998,200	$ 8,303,200

Defeasance of Debt and Current and Advance Refundings:

As noted above, refunding bonds have been issued 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 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. As of June 30, 2024 and 2023, the amount of bonds outstanding that are considered defeased is undeterminable.

Current and advance refundings have resulted in defeasance losses that are being amortized over the life of the refunding bonds. The unamortized losses at June 30, 2024 and 2023 are shown on the statement of net position as deferred refunding costs under deferred outflows of resources and amount to $102,854 and $167,604, respectively. Amortization on these refundings was $64,749 for each of the years ended June 30, 2024 and 2023.

7. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description:

HWEA participates in the County Employees Retirement System (CERS), which consists of two plans: Non-Hazardous and Hazardous (although HWEA has no employees under the Hazardous plan). Each plan is a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky Public Pensions Authority (KPPA), a component unit of the Commonwealth of Kentucky, under the provision of Kentucky Revised Statute Section 61.645.

Under the provisions of Kentucky Revised Statute Sections 78.782 and 61.645, the Board of Trustees of KPPA administers Kentucky Employees Retirement System (KERS), CERS, and State Police Retirement System (SPRS). Although the assets of the funds are invested as a whole, each plan's assets are accounted for separately, invested according to plan-specific asset allocation goals, and are used only for the payment of benefits to the members of that plan and a pro rata share of administrative costs, in accordance with the provisions of Kentucky Revised Statute Sections 78.630, 61.570, and 16.555. CERS and KERS are cost-sharing multiple-employer defined benefit plans that cover all regular full-time members employed in non-hazardous and hazardous positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate.

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

Basis of Accounting:

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

Pension Benefits Provided:

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

7. DEFINED BENEFIT PENSION PLAN, continued

General Information about the Pension Plan, continued

Pension Benefits Provided, continued:

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.

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:

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

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.

7. DEFINED BENEFIT PENSION PLAN, continued

General Information about the Pension Plan, continued

Pension Contributions:

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

Tier 1 plan members who began participating prior to September 1, 2008, are required to contribute 5.00% (nonhazardous) 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 a total of 6.00% (nonhazardous) of their annual creditable compensation, with 5.00% credited to the member's account and 1.00% deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund. These members are classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% contribution to the 401(h) account is non-refundable and is forfeited.

Tier 3 plan members who began participating on or after January 1, 2014 are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Nonhazardous members contribute 6.00% of their monthly creditable compensation (5.00% is deposited into their account and 1.00% is deposited into an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund, which is not refundable). Nonhazardous Tier 3 members are also credited with an employer pay credit in the amount of 4.00% 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.

HWEA is required to contribute at an actuarially determined rate set by statute unless altered by legislation enacted by the Kentucky General Assembly. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the KPPA Board 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.

7. DEFINED BENEFIT PENSION PLAN, continued

General Information about the Pension Plan, continued

Pension Contributions, continued:

For the fiscal years ended June 30, 2024 and 2023, participating employers contributed 23.34% (23.34% allocated to pension and 0.00% allocated to OPEB) and 26.79% (23.40% allocated to pension and 3.39% allocated to OPEB), respectively, of each nonhazardous 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.

HWEA met 100.00% of the contribution funding requirements to the pension fund for the years ended June 30, 2024 and 2023. HWEA's contributions to the pension fund (excluding the OPEB portion) were $1,317,762 and $1,159,629 for the years ended June 30, 2024 and 2023, respectively.

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

Pension Liabilities:

For HWEA's 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 ending June 30, 2023, using generally accepted actuarial principles and was determined using the following actuarial methods and assumptions (for CERS non-hazardous), applied to all periods included in the measurement:

Inflation:	2.50%
Payroll Growth Rate:	2.00%
Salary Increase:	3.30% to 10.30%, varies by service
Investment Rate of Return:	6.50%

The mortality table used for active members was Pub-2010 General Mortality table, for the nonhazardous plans and the Pub-2010 Public Safety Mortality table for the hazardous plans, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, 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.

7. DEFINED BENEFIT PENSION PLAN, continued

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

Pension Liabilities, continued:

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

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

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

At June 30, 2024 and 2023, HWEA's proportionate share of the net pension liability for CERS was $10,805,978 and $12,224,768, respectively, and was reported on the statements of net position as a noncurrent liability. The net pension liabilities for June 30, 2024 and 2023 were measured as of June 30, 2023 and 2022, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 and 2021, respectively. The total pension liability was rolled-forward from the valuation date to the measurement date using generally accepted actuarial principles. HWEA's proportion of the net pension liability was based on HWEA's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2024 and 2023, HWEA's proportionate share of the nonhazardous net pension liability was 0.168409% and 0.169107%, respectively.

Pension Expense:

For the June 30, 2023 and 2022 measurement dates, HWEA was allocated $1,190,043 and $1,843,111, respectively, in net CERS pension expense.

7. DEFINED BENEFIT PENSION PLAN, continued

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

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

Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they will increase pension expense they are labeled as deferred outflows.

Differences between expected and actual experience and changes in assumptions are recognized in pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees who are provided with pensions through the pension plan (active employees and inactive members) determined as of the beginning of the measurement period.

Differences between projected and actual earnings on pension plan investments should be recognized in pension expense using a systematic and rational method over a closed five-year period. For this purpose, deferred outflows and inflows of resources are recognized in the pension expense as a level dollar amount over the closed period.

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

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

7. DEFINED BENEFIT PENSION PLAN, 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:

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:

Year ending June 30:	
2024	$ (365,326)
2025	(428,972)
2026	241,233
2027	(104,611)
2028	-
Thereafter	-
	$ (657,676)

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

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

7. DEFINED BENEFIT PENSION PLAN, 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:

The $1,159,629 reported as deferred outflows of resources related to pensions resulting from HWEA contributions subsequent to the measurement date was recognized as a reduction of net pension liability in HWEA's fiscal year ended June 30, 2024. The remainder of deferred outflows and deferred inflows of resources related to pensions were (or will be) amortized as follows (any positive amounts will increase pension expense while any negative amounts will decrease pension expense) for the future measurement periods:

Year ending June 30:	
2023	$ 562,178
2024	518
2025	(102,730)
2026	347,279
2027	-
Thereafter	-
	$ 807,245

Actuarial Assumptions and Other Inputs – Pension

Actuarial Assumptions:

For HWEA's fiscal year ended June 30, 2024, the total pension liability, net pension liability, and sensitivity information were based on an actuarial valuation date of 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.

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

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.

7. DEFINED BENEFIT PENSION PLAN, continued

Actuarial Assumptions and Other Inputs – Pension, continued

<u>Actuarial Assumptions, continued:</u>

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

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

Valuation Date:	June 30, 2020
Experience Study:	July 1, 2013 to June 30, 2018
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level percent of pay
Amortization Period:	30 years closed period at June 30, 2019 (*gains/losses incurring after 2019 will be amortized over separate 20-year amortization bases)*
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

7. DEFINED BENEFIT PENSION PLAN, continued

Actuarial Assumptions and Other Inputs – Pension, continued

Actuarial Assumptions, continued:

Inflation:	2.30%
Salary Increase:	3.30% to 10.30%, varies by service
Investment Rate of Return:	6.25%
Mortality:	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Phase-in Provision:	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

Discount Rate Assumptions:

a. Discount Rate: A single discount rate of 6.50% and 6.25% was used for both the non-hazardous and hazardous system to measure the total pension liability for the June 30, 2023 and 2022 measurement dates, respectively. The single discount rates were based on the expected rate of return on pension plan investments for each plan.

b. Projected Cash Flows: The projection of cash flows used to determine the single discount rate includes an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that each participating employer contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy. The assumed future employer contributions reflect the provisions of House Bill 362, passed during the 2018 legislative session, which limits the increase to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.

c. Long-Term Rate of Return: The long-term expected rate of return was determined by using a building block method in which best-estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

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

7. DEFINED BENEFIT PENSION PLAN, continued

Actuarial Assumptions and Other Inputs – Pension, continued

Discount Rate Assumptions, continued:

e. Periods of Projected Benefit Payments: Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each plan.

f. 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	13.00%	5.15%
Expected Real Return	100.00%	5.75%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		8.25%

7. DEFINED BENEFIT PENSION PLAN, continued

Actuarial Assumptions and Other Inputs – Pension, continued

Discount Rate Assumptions, continued:

f. Assumed Asset Allocations, continued: For the June 30, 2022 measurement date, the target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity:		
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income:		
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected:		
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long-Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

g. Sensitivity Analysis: For the June 30, 2023 measurement date, the following presents HWEA's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what HWEA's proportionate share of the net pension liability (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:

Nonhazardous:	1% Decrease	Current Discount Rate	1% Increase
Discount rate	5.50%	6.50%	7.50%
HWEA's NPL	$13,643,200	$10,805,978	$8,448,140

7. DEFINED BENEFIT PENSION PLAN, continued

Actuarial Assumptions and Other Inputs – Pension, continued

Discount Rate Assumptions, continued:

g. Sensitivity Analysis, continued: For the June 30, 2022 measurement date, the following presents HWEA's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what HWEA's proportionate share of the net pension liability (NPL) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

Nonhazardous:	1% Decrease	Current Discount Rate	1% Increase
Discount rate	5.25%	6.25%	7.25%
HWEA's NPL	$15,279,443	$12,224,768	$9,698,298

Other Information about the Pension Plan

Payables to the Pension Plan:

At June 30, 2024 and 2023 HWEA reported no payables for outstanding contributions to the pension plan for the years 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.

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan Description:

HWEA participates in the County Employees Retirement System (CERS), which consists of two plans: Non-Hazardous and Hazardous (although HWEA has no employees under the Hazardous plan). Each plan is a cost-sharing, multiple-employer Other Post-Employment Benefits (OPEB) plan administered by the Kentucky Public Pensions Authority (KPPA), a component unit of the Commonwealth of Kentucky, under the provision of Kentucky Revised Statute 61.645.

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

General Information about the OPEB Plan, continued

Plan Description, continued:

Under the provisions of Kentucky Revised Statute Sections 78.782 and 61.645, the Board of Trustees of KPPA administers Kentucky Employees Retirement System (KERS), CERS, and State Police Retirement System (SPRS). Although the assets of the funds are invested as a whole, each plan's assets are accounted for separately, invested according to plan-specific asset allocation goals, and are used only for the payment of benefits to the members of that plan and a pro rata share of administrative costs, in accordance with the provisions of Kentucky Revised Statute Sections 78.630, 61.570, and 16.555. CERS and KERS are cost-sharing multiple-employer defined benefit plans that cover all regular full-time members employed in non-hazardous and hazardous positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. The plans provide for health insurance benefits to plan members. 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 KRS website at www.kyret.ky.gov.

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 (nonhazardous). It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

General Information about the OPEB Plan, continued

OPEB Benefits Provided, continued:

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

The amount of benefit paid by the Insurance Fund is based on years of service. For members whose participation began before July 1, 2003, a percentage of the contribution rate is paid based on years of service with 100% of the contribution rate being paid with 20 years of service. Since the passage of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous members whose participation begins 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. House Bill 1 (2008 Kentucky General Assembly) changed the minimum vesting requirement for participation in the health insurance plan to 15 years for members whose participation began on or after September 1, 2008. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statutes 16.652, 61.692, and 78.852. The Kentucky General Assemly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. The Insurance Plan pays 100% of the contribution rate for hospital and medical insurance premiums for the spouse and dependent of members who die as a direct result of an act in the line of duty or from a duty-related injury.

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.

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

General Information about the OPEB Plan, continued

OPEB Contributions, continued:

HWEA is required to contribute at an actuarially determined rate set by statute unless altered by legislation enacted by the Kentucky General Assembly. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the KPPA Board 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 years ended June 30, 2024 and 2023, participating employers contributed 23.34% (23.34% allocated to pension and 0.00% allocated to OPEB) and 26.79% (23.40% allocated to pension and 3.39% allocated to OPEB), respectively, of each nonhazardous 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.

HWEA met 100.00% of the contribution funding requirements to the OPEB fund for the years ended June 30, 2024 and 2023. HWEA's contributions to OPEB (excluding the pension portion) were $0 and $167,998 for the years ended June 30, 2024 and 2023, respectively.

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

OPEB Assets/Liabilities:

For HWEA's 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 ending June 30, 2023, using generally accepted actuarial principles and was determined using the following actuarial methods and assumptions (for CERS non-hazardous), applied to all periods included in the measurement:

Inflation:	2.50%
Payroll Growth Rate:	2.00%
Salary Increase:	3.30% to 10.30%, varies by service
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

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

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

OPEB Assets/Liabilities, continued:

Healthcare Trend Rates (Post-65):	Initial trend starting at 8.50% in 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Mortality:	
Pre-retirement:	Pub-2010 General Mortality table, for the nonhazardous plans and the Pub-2010 Public Safety Mortality table for the hazardous plans, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010
Post-retirement (non-disabled):	System-specific mortality table based on mortality experience from 2013-2022, 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

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

Inflation:	2.30%
Payroll Growth Rate:	2.00%
Salary Increase:	3.30% to 10.30%, varies by service
Investment Rate of Return:	6.25%
Healthcare Trend Rates (Pre-65):	Initial trend starting at 6.20% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Healthcare Trend Rates (Post-65):	Initial trend starting at 9.00% at January 1, 2024 then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

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

OPEB Assets/Liabilities, continued:

Mortality:

Pre-retirement:	Pub-2010 General Mortality table, for the nonhazardous plans and the Pub-2010 Public Safety Mortality table for the hazardous plans, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non-disabled):	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using base year of 2019
Post-retirement (disabled):	Pub-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

At June 30, 2024 and 2023, HWEA's proportionate share of the net OPEB (asset)/liability was ($232,508) and $3,336,758, respectively, and was reported on the statements of net position as noncurrent assets and noncurrent liabilities, respectively. The net OPEB asset/liability for June 30, 2024 and 2023 were measured as of June 30, 2023 and 2022, respectively, and the total OPEB asset/liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of June 30, 2022 and 2021, respectively. The total OPEB asset/liability was rolled-forward from the valuation date to the measurement date using generally accepted actuarial principles. HWEA's proportion of the net OPEB asset/liability was based on HWEA's share of contributions to the OPEB plan relative to the contributions of all participating employers. At June 30, 2024 and 2023, HWEA's proportionate share of the nonhazardous net OPEB asset/liability was 0.168403% and 0.169077%, respectively.

OPEB Expense (Income):

For the June 30, 2023 and 2022 measurement dates, HWEA was allocated ($334,085) and $626,589 in net OPEB expense (income), respectively.

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

Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce OPEB expense they are labeled as deferred inflows. If they will increase OPEB expense they are labeled deferred outflows.

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB), 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

Differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees who are provided with OPEB through the OPEB plan (active employees and inactive members) determined as of the beginning of the measurement period.

Differences between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense using a systematic and rational method over a closed five-year period. For this purpose, deferred outflows and inflows of resources are recognized in the OPEB expense as a level dollar amount over the closed period.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual liability experience	$ 162,094	$ 3,301,388
Difference between projected and actual earnings on OPEB plan investments	-	53,961
Change in assumptions	457,560	318,874
Changes in proportion and differences between employer contributions and proportionate share of plan contributions	233,117	60,947
	852,771	3,735,170
HWEA contributions subsequent to the measurement date	-	-
Total	$ 852,771	$ 3,735,170

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB), 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

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 amounts will decrease OEPB expense) for the future measurement periods:

Year ending June 30:	
2024	$ (632,114)
2025	(868,885)
2026	(740,615)
2027	(640,785)
2028	-
Thereafter	-
	$(2,882,399)

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

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

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB), 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

The $167,998 reported as deferred outflows of resources related to OPEB resulting from HWEA's contributions subsequent to the measurement date was recognized as a reduction of net OPEB asset/liability in HWEA's fiscal year ended June 30, 2024. The remainder of deferred outflows and deferred inflows of resources related to OPEB were (or will be) amortized as follows (any positive amount will increase OPEB expense while any negative amounts will decrease OEPB expense) for the future measurement periods:

Year ending June 30:	
2023	$ 114,102
2024	114,354
2025	(123,157)
2026	5,970
2027	-
Thereafter	-
	$ 111,269

Actuarial Assumptions and Other Inputs – OPEB

Actuarial Assumptions:

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

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

The CERS Board of Trustees adopted new actuarial assumption 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 5.70% to 5.93% for CERS non-hazardous insurance plans and from 5.61% to 5.97% for CERS hazardous insurance plans.

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

Actuarial Assumptions and Other Inputs – OPEB, continued

Actuarial Assumptions, continued:

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, 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 asset/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 (for CERS non-hazardous) were used to determine the actuarially determined contributions effective for the plan's fiscal year ended June 30, 2023:

Valuation Date:	June 30, 2021
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level percent of pay
Amortization Period:	30 years, closed period at June 30, 2019 (g*ains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases)*
Payroll Growth Rate:	2.00%
Asset Valuation Method:	20.00% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation:	2.30%
Salary Increases:	3.30% to 10.30%, varies by service
Investment Rate of Return:	6.25%
Mortality:	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Healthcare Trend Rates (Pre-65):	Initial trend starting at 6.30% 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.
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.

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

Actuarial Assumptions and Other Inputs – OPEB, continued

Actuarial Assumptions, continued:

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

Valuation Date:	June 30, 2020
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level percent of pay
Amortization Period:	30 years, closed period at June 30, 2019 (g*ains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases)*
Payroll Growth Rate:	2.00%
Asset Valuation Method:	20.00% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation:	2.30%
Salary Increases:	3.30% to 10.30%, varies by service
Investment Rate of Return:	6.25%
Mortality:	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Healthcare Trend Rates (Pre-65):	Initial trend starting at 6.40% on January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Healthcare Trend Rates (Post-65):	Initial trend starting at 6.30% on January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided "Not to Exceed" 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

Actuarial Assumptions and Other Inputs – OPEB, continued

Discount Rate Assumptions:

a. Discount Rate: The discount rate used to measure the total OPEB asset/liability at the June 30, 2023 measurement date was 5.93% for non-hazardous plans, which increased from the prior year rate of 5.70%. The discount rates for each year were based on the expected rate of return on OBEB plan investments of 6.50% and 6.25% for the June 30, 2023 and June 30, 2022 measurement dates, respectively.

b. Projected Cash Flows: The projection of cash flows used to determine the single discount rate 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.

c. Long-Term Rate of Return: The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of return were developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

d. Municipal Bond Rate: The discount rate determination used a municipal bond rate of 3.86%, as reported in Fidelity Index's *20-Year Municipal GO AA Index* as of June 30, 2023. The discount rate determination used a municipal bond rate of 3.69%, as reported in Fidelity Index's *20-Year Municipal GO AA Index* as of June 30, 2022.

e. Period of Projected Benefit Payments: Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions are projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy is not included in the calculation of the actuarially 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.

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

Actuarial Assumptions and Other Inputs – OPEB, continued

Discount Rate Assumptions, continued:

f. 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	13.00%	5.15%
Expected Real Return	100.00%	5.75%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		8.25%

Assumed Asset Allocations: For the June 30, 2022 measurement date, the target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity:		
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income:		
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected:		
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long-Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

Actuarial Assumptions and Other Inputs – OPEB, continued

Discount Rate Assumptions, continued:

g. Sensitivity Analysis: For the June 30, 2023 measurement date, the following presents HWEA's proportionate share of the net OPEB asset/liability calculated using the discount rate of 5.93%, as well as what HWEA's proportionate share of the net OPEB asset/liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.93%) or 1-percentage-point higher (6.93%) than the current rate:

Nonhazardous:	1% Decrease	Current Discount Rate	1% Increase
Discount rate	4.93%	5.93%	6.93%
HWEA's Net OPEB (Asset) / Liability	$436,329	$(232,508)	$(792,578)

For the June 30, 2023 measurement date, the following presents HWEA's proportionate share of the net OPEB asset/liability calculated using the healthcare cost trend rate, as well as what HWEA's 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 for non-hazardous:

Nonhazardous:	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
HWEA's Net OPEB (Asset) / Liability	$(745,230)	$(232,508)	$397,322

For the June 30, 2022 measurement date, the following presents HWEA's proportionate share of the net OPEB asset/liability calculated using the discount rate of 5.70%, as well as what HWEA's proportionate share of the net OPEB asset/liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.70%) or 1-percentage-point higher (6.70%) than the current rate:

Nonhazardous:	1% Decrease	Current Discount Rate	1% Increase
Discount rate	4.70%	5.70%	6.70%
HWEA's Net OPEB Liability	$4,460,713	$3,336,758	$2,407,621

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

Actuarial Assumptions and Other Inputs – OPEB, continued

Discount Rate Assumptions, continued:

g. Sensitivity Analysis, continued: For the June 30, 2022 measurement date, the following presents HWEA's proportionate share of the net OPEB asset/liability calculated using the healthcare cost trend rate, as well as what HWEA's 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 for non-hazardous:

Nonhazardous:	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
HWEA's Net OPEB Liability	$2,480,805	$3,336,758	$4,364,595

Other Information about the OPEB Plan

Payables to the OPEB Plan:

At June 30, 2024 and 2023 HWEA reported no payables for outstanding contributions to the OPEB plan for the years 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.

9. DEFERRED COMPENSATION

HWEA employees who participate in CERS through KPPA have the option to also participate in tax-deferred supplemental retirement plans that are administered by the Kentucky Public Employees' Deferred Compensation Authority (KDC) under the authority of Kentucky Revised Statues (18A.230 – 18A.275). These plans permit employees to defer the payment of a portion of their salary until future years. Participation in these plans is voluntary and HWEA makes no contributions to these plans on behalf of the employee and maintains no custodial role for investments or investment transactions. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency. All amounts of compensation deferred, including the investments and earnings thereon, vest with the employee and are not subject to the claims of HWEA's general creditors.

10. BUDGET

Bond ordinances require that HWEA's funds be budgeted. Actual revenues and expenditures as compared to budgeted amounts for the year ended June 30, 2024, are as follows:

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues	$ 23,520,805	$23,276,141	$ (244,664)
Depreciation Expense	(5,318,500)	(5,325,779)	(7,279)
Other Operating Expenses	(15,383,862)	(15,040,171)	343,691
Operating Income	2,818,443	2,910,191	91,748
Nonoperating Revenues and Capital Contributions	722,500	2,942,003	2,219,503
Interest Expense	(1,257,734)	(1,071,387)	186,347
Other Nonoperating Expenses	(3,650)	(64,749)	(61,099)
Change in Net Position	$ 2,279,559	$ 4,716,058	$ 2,436,499

Actual revenues and expenditures as compared to budgeted amounts for the year ended June 30, 2023, are as follows:

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues	$ 22,148,615	$22,947,088	$ 798,473
Depreciation Expense	(5,057,080)	(5,217,075)	(159,995)
Other Operating Expenses	(14,159,863)	(15,783,283)	(1,623,420)
Operating Income	2,931,672	1,946,730	(984,942)
Nonoperating Revenues and Capital Contributions	116,500	769,201	652,701
Interest Expense	(1,361,350)	(1,137,769)	223,581
Other Nonoperating Expenses	8,850	(64,749)	(73,599)
Change in Net Position	$ 1,695,672	$ 1,513,413	$ (182,259)

11. SEGMENT REPORTING

HWEA has low interest loans from the Kentucky Infrastructure Authority (KIA) to finance its drinking water and clean water departments. The two departments are accounted for in a single fund, but KIA relies solely on the revenue generated by the individual activities for repayment. The Drinking Water Department operates the water supply systems for Hopkinsville, Pembroke, and Crofton. The Clean Water Department operates the sewage treatment plants, sewage pumping stations, and collection systems for Hopkinsville, Pembroke, Crofton, and Oak Grove. Summary financial information for each department as of and for the years ended June 30, 2024 and 2023, are presented on the following pages.

11. SEGMENT REPORTING, continued

	Drinking Water Department	Clean Water Department	Gas Department	Total
CONDENSED STATEMENT OF NET POSITION, JUNE 30, 2024				
Assets:				
Current assets	$ (1,153,080)	$ 11,476,140	$ 926,900	$ 11,249,960
Capital assets	59,021,081	81,082,872	5,516,622	145,620,575
Other assets	954,214	172,160	-	1,126,374
Total assets	58,822,215	92,731,172	6,443,522	157,996,909
Deferred outflows of resources	1,391,666	1,482,150	-	2,873,816
Liabilities:				
Current liabilities	4,239,679	3,365,263	98,365	7,703,307
Noncurrent liabilities	23,096,115	61,170,472	1,224,741	85,491,328
Total liabilities	27,335,794	64,535,735	1,323,106	93,194,635
Deferred inflows of resources	6,218,574	2,656,636	-	8,875,210
Net position:				
Net investment in capital assets	38,012,237	23,270,380	4,216,881	65,499,498
Restricted	1,322,103	1,322,102	-	2,644,205
Unrestricted (deficit)	(12,674,827)	2,428,469	903,535	(9,342,823)
Total net position	$ 26,659,513	$ 27,020,951	$ 5,120,416	$ 58,800,880
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION, FOR THE YEAR ENDED JUNE 30, 2024				
Operating revenues (pledged against debt)	$ 8,936,409	$ 13,464,755	$ 874,977	$ 23,276,141
Depreciation expense	(2,562,844)	(2,625,084)	(137,851)	(5,325,779)
Other operating expenses	(7,154,176)	(7,520,224)	(365,771)	(15,040,171)
Operating income	(780,611)	3,319,447	371,355	2,910,191
Nonoperating revenues (expenses):				
Interest revenue	268,500	229,099	-	497,599
Other nonoperating income	4,458	63,007	-	67,465
Interest expense	(368,291)	(659,578)	(43,518)	(1,071,387)
Other nonoperating expense	(63,317)	(7,532)	-	(70,849)
Capital contributions	1,661,975	721,064	-	2,383,039
Transfers	2,586,273	(2,572,004)	(14,269)	-
Change in net position	3,308,987	1,093,503	313,568	4,716,058
Beginning net position	23,350,526	25,927,448	4,806,848	54,084,822
Ending net position	$ 26,659,513	$ 27,020,951	$ 5,120,416	$ 58,800,880
CONDENSED STATEMENT OF CASH FLOWS, FOR THE YEAR ENDED JUNE 30, 2024				
Net cash provided (used) by:				
Operating activities	$ 4,444,914	$ 2,972,346	$ 483,930	$ 7,901,190
Capital and related financing activities	(4,360,628)	(4,287,989)	(178,119)	(8,826,736)
Investing activities	521,076	245,293	-	766,369
Net increase (decrease)	605,362	(1,070,350)	305,811	(159,177)
Beginning cash and cash equivalents	(3,122,613)	11,467,542	568,668	8,913,597
Ending cash and cash equivalents	$ (2,517,251)	$ 10,397,192	$ 874,479	$ 8,754,420

11. SEGMENT REPORTING, continued

	Drinking Water Department	Clean Water Department	Gas Department	Total
CONDENSED STATEMENT OF NET POSITION, JUNE 30, 2023				
Assets:				
Current assets	$ (1,602,457)	$ 12,526,182	$ 611,145	$ 11,534,870
Capital assets	56,328,343	73,900,032	5,577,157	135,805,532
Other assets	1,097,986	64,609	-	1,162,595
Total assets	55,823,872	86,490,823	6,188,302	148,502,997
Deferred outflows of resources	1,876,489	1,996,964	-	3,873,453
Liabilities:				
Current liabilities	4,153,433	3,155,328	81,361	7,390,122
Noncurrent liabilities	25,494,098	58,622,084	1,300,093	85,416,275
Total liabilities	29,647,531	61,777,412	1,381,454	92,806,397
Deferred inflows of resources	4,702,304	782,927	-	5,485,231
Net position:				
Net investment in capital assets	34,988,713	21,331,892	4,207,064	60,527,669
Restricted	1,250,519	1,250,519	-	2,501,038
Unrestricted (deficit)	(12,888,706)	3,345,037	599,784	(8,943,885)
Total net position	$ 23,350,526	$ 25,927,448	$ 4,806,848	$ 54,084,822
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION, FOR THE YEAR ENDED JUNE 30, 2023				
Operating revenues (pledged against debt)	$ 9,286,340	$ 12,757,763	$ 902,985	$ 22,947,088
Depreciation expense	(2,406,787)	(2,673,084)	(137,204)	(5,217,075)
Other operating expenses	(7,169,679)	(8,115,748)	(497,856)	(15,783,283)
Operating income	(290,126)	1,968,931	267,925	1,946,730
Nonoperating revenues (expenses):				
Interest revenue	239,434	190,493	-	429,927
Other nonoperating income	17,440	43,107	-	60,547
Interest expense	(453,521)	(638,630)	(45,618)	(1,137,769)
Other nonoperating expense	(63,317)	(11,694)	-	(75,011)
Capital contributions	127,841	161,148	-	288,989
Transfers	(1,566,326)	1,556,339	9,987	-
Change in net position	(1,988,575)	3,269,694	232,294	1,513,413
Beginning net position	25,339,101	22,657,754	4,574,554	52,571,409
Ending net position	$ 23,350,526	$ 25,927,448	$ 4,806,848	$ 54,084,822
CONDENSED STATEMENT OF CASH FLOWS, FOR THE YEAR ENDED JUNE 30, 2023				
Net cash provided (used) by:				
Operating activities	$ 443,266	$ 6,702,650	$ 423,665	$ 7,569,581
Capital and related financing activities	(5,246,712)	(2,631,518)	(125,025)	(8,003,255)
Investing activities	482,123	206,685	-	688,808
Net increase (decrease)	(4,321,323)	4,277,817	298,640	255,134
Beginning cash and cash equivalents	1,198,710	7,189,725	270,028	8,658,463
Ending cash and cash equivalents	$ (3,122,613)	$ 11,467,542	$ 568,668	$ 8,913,597

12. CONTINGENCIES

HWEA has legal actions and proceedings pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance.

HWEA is contingently liable for various claims and lawsuits arising in the normal course of business. Management believes that any financial responsibility that may be incurred in settlement of such claims and lawsuits would not be material to HWEA's financial position.

Under the terms of 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. HWEA management believes that disallowances, if any, will be immaterial.

13. RISK MANAGEMENT

HWEA is 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. HWEA carries 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.

HWEA has a self-insured health plan for its employees. HWEA has purchased stop-loss insurance in order to limit its exposure, which will reimburse HWEA for individual claims in excess of $40,000 annually. Self-insurance losses are accrued based on HWEA's estimate of the aggregate liability for uninsured claims incurred using certain actuarial assumptions followed by the insurance industry.

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. At June 30, 2024 and 2023, the claims liability was $72,171 and $85,905 respectively. Changes in the claims liability during the last two fiscal years are as follows:

	Balance at Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal Year
2022-2023	$119,927	$ 609,996	$ 644,018	$ 85,905
2023-2024	$ 85,905	$ 583,292	$ 597,026	$ 72,171

14. CONSTRUCTION COMMITMENTS

HWEA is committed under various construction contracts. At June 30, 2024, HWEA had several construction projects underway, which included the following:

Project	Cost-to-Date	Estimated Cost to Complete
Southpark Water Tank Project	$ 260,816	$ 4,944,222
Locust Grove to I-24 – Phase 4	3,354,813	2,444,201
PS Rehab – Hailes Avenue	242,430	27,435
Hwy 911 Project	37,171	203,076
115 North SPS Rehab	101,955	227,877
Conference Center SPS Force Main Relocation	678,740	25,000
Clean Water Treatment Plant Expansion / Rehab	42,552,360	3,951,080
Total	$ 47,228,285	$ 11,822,891

HWEA had various projects underway that are reimbursable by Kentucky Transportation Cabinet.

15. RECLASSIFICATIONS

Prior period financial statement amounts have been reclassified to conform to current period presentation. These reclassifications had no effect on the changes in net position or total net position.

16. RELATED PARTY TRANSACTIONS

The City of Hopkinsville, on behalf of HWEA, has issued a revenue bond and several general obligation bonds to finance certain drinking water and natural gas projects and to also refund old revenue bonds. See note 6 for details of these transactions.

As compensation to the City of Hopkinsville for use of the City's public rights-of-way, effective July 1, 2020, HWEA began collecting from customers and transferring to the City on a quarterly basis, payments in lieu of taxes (PILOT) equal to 2.00% of the gross revenue from the sale of water and sewer services received from customers located within the city limits of Hopkinsville, Kentucky. For the year ended June 30, 2024, HWEA collected $327,404 from customers for payments in lieu of taxes on water and sewer revenues. Of this amount, $245,499 had been paid to the City by June 30, 2024, and $81,905 was recorded as an account payable to the City. For the year ended June 30, 2023, HWEA collected $317,824 from customers for payments in lieu of taxes on water and sewer revenues. Of this amount, $241,701 had been paid to the City by June 30, 2023, and $76,123 was recorded as an account payable to the City.

16. RELATED PARTY TRANSACTIONS, continued

As compensation to the City of Hopkinsville for use of the City's public rights-of-way, effective July 1, 2020, HWEA also began paying the City on an annual basis, payments in lieu of taxes equal to $0.015 per CCF of natural gas sold to customers located within the city limits of Hopkinsville, Kentucky. For the years ended June 30, 2024 and 2023, payments in lieu of taxes on natural gas sales totaled $8,337 and $8,638, respectively, of which $8,337 and $0 were recorded as an account payable to the City at June 30, 2024 and 2023, respectively.

The City of Hopkinsville approved a series of sewer rate increases of 9.50% each for the Hopkinsville and Pembroke clean water divisions that were effective January 1, 2022, January 1, 2023, and January 1, 2024.

HWEA provides billing and cash collection services and leachate purification services for Hopkinsville Solid Waste Enterprise (HSWE), a component unit of the City of Hopkinsville, Kentucky. For the years ended June 30, 2024 and 2023, HWEA charged HSWE $118,680 and $104,695, respectively, for billing and collection services and $59,503 and $79,293, respectively, for leachate purification services, of which a total of $63,506 and $15,219 for all services was included in HWEA's customer receivables balance at June 30, 2024 and 2023, respectively. At June 30, 2024 and 2023, HWEA also recorded a payable to HSWE of $32,722 and $0, respectively, for billings collected on HSWE's behalf.

HWEA also provides billing and cash collection services for Hopkinsville Surface & Stormwater Utility (HSSU), a component unit of the City of Hopkinsville, Kentucky. For the years ended June 30, 2024 and 2023, HWEA charged HSSU $113,460 and $96,537, respectively, for these services, of which $63,276 and $24,713 was included in HWEA's customer receivables balance at June 30, 2024 and 2023, respectively. At June 30, 2024 and 2023, HWEA also recorded a payable to HSSU of $5,127 and $0, respectively, for billings collected on HSSU's behalf.

17. CONCENTRATIONS

To supply its natural gas lines, HWEA purchases all of its natural gas from Clarksville Gas & Water located in Clarksville, Tennessee. For the years ended June 30, 2024 and 2023, HWEA purchased natural gas from Clarksville Gas & Water totaling $307,251 and $437,089, respectively. At June 30, 2024 and 2023, HWEA had payables with Clarksville Gas & Water of $15,618 and $0, respectively.

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 84.

19. SUBSEQUENT EVENTS

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 motion to award the US-41A 24" Water Main Extension Project (Contract A) to Scott & Ritter at a cost of $2,204,182, which will be funded through SRF loan F16-001.

HWEA received grants from the Kentucky Cleaner Water Program, as provided by the American Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund in the amount of $20,000 under the Phase 1 Meter Replacement Program and $805,141 under the Phase 2 Meter Replacement Program.

Renovation and expansion work on the Hopkinsville Clean Water Treatment Plant was completed, and the plant was placed into service. A ribbon cutting ceremony was held in December 2024 to debut the new plant.

HWEA received approval from KIA for an SRF loan of $1,000,000, with loan forgiveness of $417,554, for the Oak Grove Clean Water Plant Expansion and Renovation Project – (Design Only). HWEA also received approval from KIA for an SRF loan of $8,000,000, with loan forgiveness of $5,256,237, for the Phase V Moss Water Treatment Plant GAC & Membrane Filtration Upgrade. Acceptance of the debt obligations will not occur until a retail rate study is complete.

Management has evaluated subsequent events through January 24, 2025, the date on which the financial statements were available to be issued.

Required Supplementary Information
(other than Management's Discussion and Analysis)

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)
SCHEDULE OF HWEA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEARS ENDED JUNE 30,

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Nonhazardous:										
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%

Note: Please read Note 7 in the notes to financial statements regarding detailed information on HWEA's pension plan. The County Retirement System measurement date is twelve months prior to HWEA's financial statements; for HWEA's fiscal years ended June 30, 2024 and 2023, the measurement dates were June 30, 2023 and 2022, respectively.

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)
SCHEDULE OF HWEA'S PENSION CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30,

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
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
Contributions in relation to the 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)
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
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
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%

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

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)
SCHEDULE OF HWEA'S PROPORTIONATE SHARE OF THE NET OPEB ASSET / LIABILITY
FOR THE YEARS ENDED JUNE 30,

	2024	2023	2022	2021	2020	2019	2018
Nonhazardous:							
HWEA's proportion of the net OPEB (asset) / 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%

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 OPEB plan. The County Employees Retirement System measurement date is twelve months prior to HWEA's financial statements; for HWEA's fiscal years ended June 30, 2024 and 2023, the measurement dates were June 30, 2023 and 2022, respectively.

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)
SCHEDULE OF HWEA'S OPEB CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30,

	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions	$ -	$ 167,998	$ 272,818	$ 210,270	$ 178,998	$ 173,608	$ 154,929
Contributions in relation to the statutorily required contributions	-	(167,998)	(272,818)	(210,270)	(178,998)	(173,608)	(154,929)
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
Contributions as a percentage of covered payroll	0.00%	3.39%	5.78%	4.76%	4.76%	5.26%	4.76%

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 OPEB plan.

Supplementary Information

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY
COMBINING SCHEDULE OF NET POSITION
June 30, 2024

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Hopkinsville			Pembroke		Crofton		Oak Grove	Totals
	Drinking Water	Clean Water	Gas	Drinking Water	Clean Water	Drinking Water	Clean Water	Clean Water	
Current assets									
Unrestricted current assets									
Cash and cash equivalents									
Petty cash and change fund	$ 1,000	$ 1,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,000
Health claims fund	102,061	102,060	-	-	-	-	-	-	204,121
Employee reimbursement fund	13,695	-	-	-	-	-	-	-	13,695
Operation and maintenance fund	(4,511,708)	9,340,097	874,479	208,866	180,533	346,732	(159,991)	(388,609)	5,890,399
Total cash and cash equivalents	(4,394,952)	9,443,157	874,479	208,866	180,533	346,732	(159,991)	(388,609)	6,110,215
Customer receivables, net of allowance	753,459	620,840	52,421	9,359	19,585	13,598	8,513	374,772	1,852,547
Grant funds receivable	-	-	-	-	-	-	-	-	-
Inventory	574,707	42,069	-	-	-	-	-	-	616,776
Prepaid insurance	13,048	13,048	-	-	-	-	-	-	26,096
Accrued interest on note receivable	-	121	-	-	-	-	-	-	121
Inter-department receivable	-	-	-	-	-	-	-	-	-
Total unrestricted current assets	(3,053,738)	10,119,235	926,900	218,225	200,118	360,330	(151,478)	(13,837)	8,605,755
Restricted current assets									
Bond and interest redemption fund									
Cash and cash equivalents	-	-	-	-	-	-	-	-	-
Construction fund									
Cash and cash equivalents	-	-	-	-	-	-	-	-	-
Equipment maintenance and replacement fund									
Cash and cash equivalents	1,322,103	1,322,102	-	-	-	-	-	-	2,644,205
Total restricted current assets	1,322,103	1,322,102	-	-	-	-	-	-	2,644,205
Total current assets	$ (1,731,635)	$ 11,441,337	$ 926,900	$ 218,225	$ 200,118	$ 360,330	$ (151,478)	$ (13,837)	$ 11,249,960

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY
COMBINING SCHEDULE OF NET POSITION (continued)
June 30, 2024

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES, (continued)

	Hopkinsville			Pembroke		Crofton		Oak Grove	Totals
	Drinking Water	Clean Water	Gas	Drinking Water	Clean Water	Drinking Water	Clean Water	Clean Water	
Noncurrent assets									
Capital assets									
Property, plant and equipment	$ 98,246,910	$ 81,202,563	$ 6,099,755	$ 848,548	$ 654,849	$ 1,130,636	$ 1,619,182	$ 11,166,466	$ 200,968,909
Construction in progress	3,615,629	43,612,656	-	-	-	-	-	-	47,228,285
	101,862,539	124,815,219	6,099,755	848,548	654,849	1,130,636	1,619,182	11,166,466	248,197,194
Less accumulated depreciation	43,747,130	51,261,844	583,133	478,282	279,131	595,230	817,533	4,814,336	102,576,619
Net capital assets	58,115,409	73,553,375	5,516,622	370,266	375,718	535,406	801,649	6,352,130	145,620,575
Other noncurrent assets									
Note receivable	-	48,456	-	-	-	-	-	-	48,456
Other receivable - USACE	845,410	-	-	-	-	-	-	-	845,410
Net OPEB asset	108,804	123,704	-	-	-	-	-	-	232,508
Total other noncurrent assets	954,214	172,160	-	-	-	-	-	-	1,126,374
Total noncurrent assets	59,069,623	73,725,535	5,516,622	370,266	375,718	535,406	801,649	6,352,130	146,746,949
Total assets	57,337,988	85,166,872	6,443,522	588,491	575,836	895,736	650,171	6,338,293	157,996,909
Deferred outflows of resources									
Deferred outflows from pension	897,630	1,020,561	-	-	-	-	-	-	1,918,191
Deferred outflows from OPEB	399,060	453,711	-	-	-	-	-	-	852,771
Deferred refunding costs	94,976	-	-	-	-	-	-	7,878	102,854
Total deferred outflows of resources	1,391,666	1,474,272	-	-	-	-	-	7,878	2,873,816
Total assets and deferred outflows of resources	$ 58,729,654	$ 86,641,144	$ 6,443,522	$ 588,491	$ 575,836	$ 895,736	$ 650,171	$ 6,346,171	$ 160,870,725

SCHEDULE 1

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY
COMBINING SCHEDULE OF NET POSITION (continued)
June 30, 2024

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	Hopkinsville			Pembroke		Crofton		Oak Grove	Totals
	Drinking Water	Clean Water	Gas	Drinking Water	Clean Water	Drinking Water	Clean Water	Clean Water	
Current liabilities									
State Revolving Fund loans, current portion	$ 1,142,215	$ 1,317,554	$ -	$ -	$ -	$ -	$ -	$ 341,830	$ 2,801,599
Payable to City of Hopkinsville, current portion	2,060,000	-	75,000	-	-	-	-	130,000	2,265,000
Payable to City of Hopkinsville, PILOT	31,390	50,515	8,337	-	-	-	-	-	90,242
Customer deposits	6,900	-	-	-	-	-	-	-	6,900
Accrued interest	82,619	49,185	10,836	-	-	-	-	15,131	157,771
Construction retainage payable	-	318,924	-	-	-	-	-	10,196	329,120
Accounts payable	607,426	373,830	4,192	615	322	647	149	-	987,181
Construction contracts payable	25,000	460,150	-	-	-	-	-	-	485,150
Accrued salaries	112,725	108,813	-	-	-	-	-	-	221,538
Accrued compensated absences	170,142	188,664	-	-	-	-	-	-	358,806
Total current liabilities	4,238,417	2,867,635	98,365	615	322	647	149	497,157	7,703,307
Noncurrent liabilities									
State Revolving Fund loans, net of current portion	12,916,513	50,605,459	-	-	-	-	-	4,245,403	67,767,375
Payable to City of Hopkinsville, net of current portion	4,960,092	-	1,224,741	-	-	-	-	390,854	6,575,687
Net pension liability	5,056,742	5,749,236	-	-	-	-	-	-	10,805,978
Net OPEB liability	-	-	-	-	-	-	-	-	-
Compensated absences, net of current portion	162,768	179,520	-	-	-	-	-	-	342,288
Total noncurrent liabilities	23,096,115	56,534,215	1,224,741	-	-	-	-	4,636,257	85,491,328
Total liabilities	27,334,532	59,401,850	1,323,106	615	322	647	149	5,133,414	93,194,635
Deferred inflows of resources									
Deferred revenue - USACE	3,881,935	-	-	-	-	-	-	-	3,881,935
Deferred inflows from pension	588,738	669,367	-	-	-	-	-	-	1,258,105
Deferred inflows from OPEB	1,747,901	1,987,269	-	-	-	-	-	-	3,735,170
Total deferred inflows of resources	6,218,574	2,656,636	-	-	-	-	-	-	8,875,210
Total liabilities and deferred inflows of resources	33,553,106	62,058,486	1,323,106	615	322	647	149	5,133,414	102,069,845
Net position									
Net investment in capital assets	37,106,565	20,851,288	4,216,881	370,266	375,718	535,406	801,649	1,241,725	65,499,498
Restricted									
Equipment maintenance and replacement	1,322,103	1,322,102	-	-	-	-	-	-	2,644,205
Unrestricted (deficit)	(13,252,120)	2,409,268	903,535	217,610	199,796	359,683	(151,627)	(28,968)	(9,342,823)
Total net position	25,176,548	24,582,658	5,120,416	587,876	575,514	895,089	650,022	1,212,757	58,800,880
Total liabilities, deferred inflows of resources, and net position	$ 58,729,654	$ 86,641,144	$ 6,443,522	$ 588,491	$ 575,836	$ 895,736	$ 650,171	$ 6,346,171	$ 160,870,725

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY
COMBINING SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the year ended June 30, 2024

	Hopkinsville			Pembroke		Crofton		Oak Grove	Totals
	Drinking Water	Clean Water	Gas	Drinking Water	Clean Water	Drinking Water	Clean Water	Clean Water	
Operating revenues	$ 8,612,963	$ 10,817,226	$ 874,977	$ 119,548	$ 214,463	$ 203,898	$ 106,437	$ 2,326,629	$ 23,276,141
Operating expenses									
Drinking water source of supply	632,586	-	-	-	-	-	-	-	632,586
Drinking water purification	2,234,446	-	-	-	-	-	-	-	2,234,446
Drinking water distribution	1,671,018	-	-	60,351	-	152,358	-	-	1,883,727
Clean water treatment plant and pumping stations	-	2,113,611	-	-	6,405	-	4,121	1,374,442	3,498,579
Clean water distribution	-	1,554,579	-	-	74,871	-	55,400	-	1,684,850
Natural gas	-	-	365,771	-	-	-	-	-	365,771
Administrative and general	1,980,884	1,838,497	-	234	468	37	(49)	-	3,820,071
Engineering services	422,262	497,879	-	-	-	-	-	-	920,141
Depreciation	2,482,172	2,121,773	137,851	31,523	43,752	49,149	37,589	421,970	5,325,779
Total operating expenses	9,423,368	8,126,339	503,622	92,108	125,496	201,544	97,061	1,796,412	20,365,950
Operating income	(810,405)	2,690,887	371,355	27,440	88,967	2,354	9,376	530,217	2,910,191
Nonoperating revenues (expenses)									
Interest revenue	268,500	229,099	-	-	-	-	-	-	497,599
Gain (loss) on sale of property, plant and equipment	4,458	22,507	-	-	(6,100)	-	-	40,500	61,365
Amortization of deferred refunding costs	(63,317)	-	-	-	-	-	-	(1,432)	(64,749)
Interest expense	(368,291)	(536,484)	(43,518)	-	-	-	-	(123,094)	(1,071,387)
Total nonoperating revenues (expenses)	(158,650)	(284,878)	(43,518)	-	(6,100)	-	-	(84,026)	(577,172)
Income (loss) before capital contributions and transfers	(969,055)	2,406,009	327,837	27,440	82,867	2,354	9,376	446,191	2,333,019
Capital contributions									
Capital assets contributed by developers	535,990	-	-	-	-	-	-	-	535,990
Grant income	1,125,985	721,064	-	-	-	-	-	-	1,847,049
Total capital contributions	1,661,975	721,064	-	-	-	-	-	-	2,383,039
Transfers (to) from									
Operating transfers in (out)	2,624,117	(2,228,777)	(14,269)	(19,338)	(6,196)	(18,506)	(6,407)	(330,624)	-
Change in net position	3,317,037	898,296	313,568	8,102	76,671	(16,152)	2,969	115,567	4,716,058
Net position - beginning of year	21,859,511	23,684,362	4,806,848	579,774	498,843	911,241	647,053	1,097,190	54,084,822
Net position - end of year	$ 25,176,548	$ 24,582,658	$ 5,120,416	$ 587,876	$ 575,514	$ 895,089	$ 650,022	$ 1,212,757	$ 58,800,880

SCHEDULE 3

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY
SCHEDULE OF CAPITAL ASSETS
For the year ended June 30, 2024

	ASSETS					ACCUMULATED DEPRECIATION					
Descriptions	Balance June 30, 2023	Additions	Deletions	Transfers	Balance June 30, 2024	Balance June 30, 2023	Additions	Deletions	Transfers	Balance June 30, 2024	Depreciated values June 30, 2024
DRINKING WATER:											
Drinking water plant											
Land	$ 1,230,391	$ -	$ -	$ -	$ 1,230,391	$ -	$ -	$ -	$ -	$ -	$ 1,230,391
Structures	3,088,763	92,332	5,950	-	3,175,145	2,012,553	78,796	5,950	-	2,085,399	1,089,746
Elevated tanks	5,100,578	-	-	-	5,100,578	2,710,310	157,966	-	-	2,868,276	2,232,302
Transmission mains	196,596	-	-	-	196,596	196,596	-	-	-	196,596	-
Distribution mains	27,165,975	318,784	-	-	27,484,759	11,762,166	596,681	-	-	12,358,847	15,125,912
Services	3,741,737	397,442	-	(13,591)	4,125,588	2,032,260	117,709	-	-	2,149,969	1,975,619
Meters and installation	2,764,701	560,130	-	-	3,324,831	1,338,336	238,214	-	-	1,576,550	1,748,281
Hydrants	1,153,477	14,213	-	-	1,167,690	660,227	20,020	-	-	680,247	487,443
Purification structures	17,773,442	26,230	-	436,648	18,236,320	9,920,604	686,493	-	-	10,607,097	7,629,223
Purification equipment	3,755,277	-	-	-	3,755,277	3,311,001	50,331	-	-	3,361,332	393,945
Electric pumping equipment	286,985	-	-	-	286,985	236,240	3,859	-	-	240,099	46,886
Quarry - raw water supply	29,567,127	35,416	-	-	29,602,543	6,493,259	430,995	-	-	6,924,254	22,678,289
Total drinking water plant	95,825,049	1,444,547	5,950	- 423,057	97,686,703	40,673,552	2,381,064	5,950	-	43,048,666	54,638,037
General											
Transportation equipment	762,155	140,134	11,010	-	891,279	580,629	71,659	11,010	-	641,278	250,001
Tractors and backhoes	235,696	234,200	32,255	(78,459)	359,182	221,207	22,383	23,116	(78,459)	142,015	217,167
General equipment	689,040	45,024	-	221,292	955,356	467,204	59,025	-	221,291	747,520	207,836
Office furniture and fixtures	74,331	9,581	6,904	-	77,008	58,107	6,819	5,625	-	59,301	17,707
Two-way radio equipment	6,712	-	-	-	6,712	4,979	669	-	-	5,648	1,064
Computer equipment	220,884	36,336	7,366	-	249,854	162,354	21,226	7,366	-	176,214	73,640
Total general	1,988,818	465,275	57,535	142,833	2,539,391	1,494,480	181,781	47,117	142,832	1,771,976	767,415
Unclassified											
Construction in progress	682,508	3,369,769	-	(436,648)	3,615,629	-	-	-	-	-	3,615,629
Total drinking water plant	$ 98,496,375	$ 5,279,591	$ 63,485	$ 129,242	$ 103,841,723	$ 42,168,032	$ 2,562,845	$ 53,067	$ 142,832	$ 44,820,642	$ 59,021,081

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY
SCHEDULE OF CAPITAL ASSETS (continued)
For the year ended June 30, 2024

	ASSETS					ACCUMULATED DEPRECIATION					
Descriptions	Balance June 30, 2023	Additions	Deletions	Transfers	Balance June 30, 2024	Balance June 30, 2023	Additions	Deletions	Transfers	Balance June 30, 2024	Depreciated values June 30, 2024
CLEAN WATER:											
Clean water plant											
Land	$ 341,449	$ -	$ -	$ -	$ 341,449	$ -	$ -	$ -	$ -	$ -	$ 341,449
Buildings	4,250,770	213,338	5,950	-	4,458,158	2,317,453	168,295	5,950	-	2,479,798	1,978,360
Clean water treatment plants											
Northside	8,312,249	-	-	-	8,312,249	8,307,884	2,494	-	-	8,310,378	1,871
Hammond-Wood	11,864,318	36,891	-	-	11,901,209	11,370,901	447,364	-	-	11,818,265	82,944
Machinery and equipment	216,715	-	-	-	216,715	210,775	4,703	-	-	215,478	1,237
Pumping stations	16,853,330	507,328	20,839	-	17,339,819	7,357,505	757,019	14,738	-	8,099,786	9,240,033
Mains and laterals	47,215,079	171,321	-	563,594	47,949,994	23,231,088	932,868	-	-	24,163,956	23,786,038
Total clean water plant	89,053,910	928,878	26,789	563,594	90,519,593	52,795,606	2,312,743	20,688	-	55,087,661	35,431,932
General											
Transportation equipment	914,514	474,903	62,765	-	1,326,652	710,310	69,764	62,335	-	717,739	608,913
Tractors and backhoes	181,454	90,600	32,255	(21,003)	218,796	158,876	20,997	23,116	(20,478)	136,279	82,517
General equipment	1,892,866	545,325	73,966	(121,830)	2,242,395	1,012,898	185,163	73,966	(122,354)	1,001,741	1,240,654
Office furniture and fixtures	111,430	5,521	6,904	-	110,047	62,476	15,761	5,625	-	72,612	37,435
Two-way radio equipment	9,151	-	-	-	9,151	6,242	975	-	-	7,217	1,934
Computer equipment	197,169	26,623	7,366	-	216,426	137,281	19,680	7,366	-	149,595	66,831
Total general	3,306,584	1,142,972	183,256	(142,833)	4,123,467	2,088,083	312,340	172,408	(142,832)	2,085,183	2,038,284
Unclassified											
Construction in progress	36,423,227	7,753,023	-	(563,594)	43,612,656	-	-	-	-	-	43,612,656
Total clean water plant	128,783,721	9,824,873	210,045	(142,833)	138,255,716	54,883,689	2,625,083	193,096	(142,832)	57,172,844	81,082,872
NATURAL GAS:											
General											
Distribution mains	5,888,927	63,725	-	13,591	5,966,243	396,863	120,824	-	-	517,687	5,448,556
Meters and installation	119,894	-	-	-	119,894	42,064	14,303	-	-	56,367	63,527
Transportation equipment	13,618	-	-	-	13,618	6,355	2,724	-	-	9,079	4,539
Total general	6,022,439	63,725	-	13,591	6,099,755	445,282	137,851	-	-	583,133	5,516,622
Unclassified											
Construction in progress	-	-	-	-	-	-	-	-	-	-	-
Total natural gas	$ 6,022,439	$ 63,725	$ -	$ 13,591	$ 6,099,755	$ 445,282	$ 137,851	$ -	$ -	$ 583,133	$ 5,516,622

SCHEDULE 4

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY
SCHEDULE OF SINKING FUND REQUIREMENTS
June 30, 2024

Bonds Due Fiscal Year	2010B	2013B	2014B	2014C	2015A	Total Debt Service
2025	$ 258,737	$ 251,175	$ 117,219	$ 145,975	$ 1,788,700	$ 2,561,806
2026	259,127	255,050	114,969	107,075	1,785,000	2,521,221
2027	261,139	253,478	117,644	89,225	-	721,486
2028	261,540	251,540	115,244	111,825	-	740,149
2029	261,280	254,025	117,716	108,413	-	741,434
2030	130,500	255,825	115,060	-	-	501,385
2031	-	251,788	117,325	-	-	369,113
2032	-	251,888	119,256	-	-	371,144
2033	-	251,538	115,931	-	-	367,469
2034	-	255,622	117,518	-	-	373,140
2035	-	-	118,865	-	-	118,865
2036	-	-	115,059	-	-	115,059
2037	-	-	116,162	-	-	116,162
2038	-	-	117,090	-	-	117,090
	$ 1,432,323	$ 2,531,929	$ 1,635,058	$ 562,513	$ 3,573,700	$ 9,735,523

The sinking fund reserve requirement is the maximum total debt service on bonds due in future years. Therefore, the sinking fund reserve requirement as of June 30, 2024, was $2,561,806. HWEA is setting aside funds to meet this requirement.

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY
SCHEDULES OF OPERATING EXPENSES
For the years ended June 30, 2024 and 2023

	2024		2023	
	Amount	% of Net Revenues	Amount	% of Net Revenues
Drinking Water Source of Supply				
Supplies	$ 1,034	0.00%	$ 734	0.00%
Utilities	550,383	2.36%	619,512	2.70%
Maintenance to equipment	80,827	0.35%	68,868	0.30%
Maintenance to buildings and grounds	342	0.00%	18,547	0.08%
Total drinking water source of supply	632,586	2.72%	707,661	3.08%
Drinking Water Purification				
Labor	793,724	3.41%	711,692	3.10%
Employee benefits	339,713	1.46%	339,210	1.48%
Chemicals	486,545	2.09%	377,567	1.65%
Maintenance to equipment	34,674	0.15%	34,827	0.15%
Supplies	17,550	0.08%	15,526	0.07%
Maintenance to reservoirs and tanks	40,572	0.17%	31,664	0.14%
Utilities	385,037	1.65%	399,839	1.74%
Training and education	3,929	0.02%	2,036	0.01%
Laboratory work	29,846	0.13%	21,148	0.09%
Laboratory supplies and expense	30,158	0.13%	28,335	0.12%
Emergency generators	8,449	0.04%	12,077	0.05%
Maintenance to buildings and grounds	39,122	0.17%	34,970	0.15%
Professional services	4,476	0.02%	4,226	0.02%
Transportation expense	12,716	0.05%	26,312	0.11%
Small tools	7,935	0.03%	2,001	0.01%
Total drinking water purification	2,234,446	9.60%	2,041,430	8.90%
Drinking Water Distribution				
Labor	912,558	3.92%	687,825	3.00%
Employee benefits	413,229	1.78%	387,085	1.69%
Supplies	259,734	1.12%	274,129	1.19%
Maintenance to distribution mains	116,410	0.50%	54,099	0.24%
Maintenance to fire hydrants	1,653	0.01%	-	0.00%
Maintenance to equipment	29,967	0.13%	-	0.00%
Transportation expense	58,007	0.25%	43,203	0.19%
Maintenance to buildings and grounds	9,295	0.04%	13,682	0.06%
Utilities	18,935	0.08%	19,900	0.09%
Professional services	13,762	0.06%	-	0.00%
Transmission expense	21,059	0.09%	17,525	0.08%
Training, education and licenses	10,942	0.05%	6,373	0.03%
Small tools	18,176	0.08%	19,867	0.09%
Total drinking water distribution	1,883,727	8.09%	1,523,688	6.64%
Subtotal carried forward	$ 4,750,759	20.41%	$ 4,272,779	18.62%

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY
SCHEDULES OF OPERATING EXPENSES (continued)
For the years ended June 30, 2024 and 2023

	2024		2023	
	Amount	% of Net Revenues	Amount	% of Net Revenues
Subtotal carried forward	$ 4,750,759	20.41%	$ 4,272,779	18.62%
Drinking Water Engineering Services				
Labor	273,651	1.18%	201,958	0.88%
Employee benefits	133,004	0.57%	113,042	0.49%
Supplies	10,966	0.05%	11,855	0.05%
Training, education and licenses	399	0.00%	265	0.00%
Transportation expense	4,242	0.02%	2,464	0.01%
Total drinking water engineering services	422,262	1.81%	329,584	1.44%
Drinking Water Administrative and General				
Office salaries	483,869	2.08%	436,298	1.90%
Customer service salaries	451,059	1.94%	393,806	1.72%
Employee benefits	207,901	0.89%	1,048,590	4.57%
Office supplies	54,262	0.23%	42,469	0.19%
Postage	6,049	0.03%	18,983	0.08%
Telephone	38,847	0.17%	38,168	0.17%
Insurance and bonds	217,441	0.93%	207,544	0.90%
Professional services	210,617	0.90%	143,893	0.63%
Safety program and drug screening	26,708	0.11%	29,416	0.13%
Maintenance to buildings and grounds	34,640	0.15%	29,071	0.13%
Bad debts, net	30,638	0.13%	29,126	0.13%
Training, education and licenses	3,163	0.01%	2,846	0.01%
Transportation expense	23,606	0.10%	21,418	0.09%
REZ and CCWD rebate payments	940	0.00%	1,283	0.01%
Utilities	17,652	0.08%	19,075	0.08%
Meetings and events	17,448	0.07%	16,923	0.07%
Advertising, donations, and memberships	92,442	0.40%	83,396	0.36%
Miscellaneous	63,873	0.27%	5,011	0.02%
Total drinking water administrative and general	1,981,155	8.51%	2,567,316	11.19%
Total drinking water operating expense other than depreciation	$ 7,154,176	30.74%	$ 7,169,679	31.24%

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY
SCHEDULES OF OPERATING EXPENSES (continued)
For the years ended June 30, 2024 and 2023

	2024		2023	
	Amount	% of Net Revenues	Amount	% of Net Revenues
Clean Water Treatment Plant and Pumping Stations				
Labor	$ 797,043	3.42%	$ 823,422	3.59%
Employee benefits	386,239	1.66%	436,731	1.90%
Chemicals and materials	367,382	1.58%	296,046	1.29%
Supplies and tools	58,963	0.25%	36,230	0.16%
Utilities	800,693	3.44%	672,620	2.93%
Transportation expense	39,206	0.17%	31,310	0.14%
Maintenance to machinery and equipment	126,463	0.54%	148,816	0.65%
Maintenance to buildings and grounds	42,601	0.18%	62,167	0.27%
Maintenance of pump stations	306,876	1.32%	295,705	1.29%
Emergency generators	38,558	0.17%	34,524	0.15%
Laboratory work	49,216	0.21%	51,922	0.23%
Laboratory supplies and expense	28,321	0.12%	37,615	0.16%
Sludge disposal	417,178	1.79%	586,313	2.56%
Training, education and licenses	9,528	0.04%	6,184	0.03%
Professional services	2,102	0.01%	652	0.00%
Billing and collection expense	28,210	0.12%	23,459	0.10%
Total clean water treatment plant and pumping stations	3,498,579	15.03%	3,543,716	15.44%
Clean Water Distribution				
Labor	880,214	3.78%	832,306	3.63%
Employee benefits	431,734	1.85%	467,963	2.04%
Supplies and tools	152,962	0.66%	162,396	0.71%
Maintenance to mains and laterals	95,316	0.41%	25,761	0.11%
Maintenance to machinery and equipment	46,392	0.20%	27,586	0.12%
Transportation expense	42,460	0.18%	69,627	0.30%
Utilities	19,945	0.09%	16,217	0.07%
Maintenance to buildings and grounds	13,016	0.06%	21,078	0.09%
Training, education and licenses	2,211	0.01%	1,893	0.01%
Professional services	600	0.00%	16,100	0.07%
Total clean water distribution	1,684,850	7.24%	1,640,927	7.15%
Clean Water Engineering Services				
Labor	345,872	1.49%	279,038	1.22%
Employee benefits	136,377	0.59%	127,847	0.56%
Supplies	10,989	0.05%	11,801	0.05%
Training, education and licenses	399	0.00%	265	0.00%
Transportation expense	4,242	0.02%	2,514	0.01%
Total clean water engineering services	497,879	2.14%	421,465	1.84%
Subtotal carried forward	$ 5,681,308	24.41%	$ 5,606,108	24.43%

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY
SCHEDULES OF OPERATING EXPENSES (continued)
For the years ended June 30, 2024 and 2023

	2024		2023	
	Amount	% of Net Revenues	Amount	% of Net Revenues
Subtotal carried forward	$ 5,681,308	24.41%	$ 5,606,108	24.43%
Clean Water Administrative and General				
Office salaries	483,869	2.08%	435,997	1.90%
Customer service salaries	451,019	1.94%	393,807	1.72%
Employee benefits	114,313	0.49%	983,766	4.29%
Office supplies	54,332	0.23%	42,257	0.18%
Postage	6,049	0.03%	18,983	0.08%
Telephone	38,847	0.17%	38,357	0.17%
Insurance and bonds	217,441	0.93%	207,544	0.90%
Professional services	200,752	0.86%	126,003	0.55%
Maintenance to buildings and grounds	34,612	0.15%	29,057	0.13%
Bad debts, net	32,028	0.14%	36,439	0.16%
Training, education and licenses	3,061	0.01%	2,641	0.01%
Safety program and drug screening	46,258	0.20%	47,725	0.21%
Transportation expense	23,610	0.10%	21,422	0.09%
Rez rebate payments	-	0.00%	375	0.00%
Utilities	17,652	0.08%	19,075	0.08%
Meetings and events	15,424	0.07%	17,034	0.07%
Advertising, donations, and memberships	92,042	0.40%	84,096	0.37%
Miscellaneous	7,607	0.03%	5,062	0.02%
Total clean water administrative and general	1,838,916	7.90%	2,509,640	10.94%
Total clean water operating expense other than depreciation	$ 7,520,224	32.31%	$ 8,115,748	35.37%
Natural Gas				
Gas purchased	$ 307,251	1.32%	$ 437,089	1.90%
Labor	20,540	0.09%	26,748	0.12%
Employee benefits	6,321	0.03%	9,157	0.04%
Maintenance to mains and equipment	7,706	0.03%	4,460	0.02%
Supplies	209	0.00%	1,745	0.01%
Postage	61	0.00%	18	0.00%
Telephone	954	0.00%	923	0.00%
Training, education and licenses	7,547	0.03%	13,104	0.06%
Transportation expense	2,232	0.01%	370	0.00%
Professional services	407	0.00%	-	0.00%
Insurance	2,496	0.01%	2,496	0.01%
Advertising, donations, and memberships	10,019	0.04%	19	0.00%
Small tools	28	0.00%	1,727	0.01%
Total natural gas	365,771	1.57%	497,856	2.17%
Total natural gas operating expense other than depreciation	$ 365,771	1.57%	$ 497,856	2.17%

Single Audit Section

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2024

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Pass-through Grantor and Number	Pass-Through to Subrecipients	Federal Expenditures	
Other Programs:					
Department of Homeland Security					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		$ -	$ 6,419	
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)			-	6,419	
Total Department of Homeland Security			-	6,419	
Department of the Treasury					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	KY Infrastructure Authority, KY Cleaner Water Program Project 21CWS018	-	100,000	*
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	KY Infrastructure Authority, KY Cleaner Water Program Project 21CWS103	-	380,000	*
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	KY Infrastructure Authority, KY Cleaner Water Program Project 21CWW035	-	685,370	*
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	KY Infrastructure Authority, KY Cleaner Water Program Project 22CWW256	-	440,615	*
Total **COVID-19** Coronavirus State and Local Fiscal Recovery Funds			-	1,605,985	
Total Department of Treasury			-	1,605,985	
Various Agencies - 2					
Delta Regional Authority	90.200	City of Hopkinsville, Kentucky	-	241,064	
Total Delta Regional Authority			-	241,064	
Total Various Agencies - 2			-	241,064	
Total Other Programs			-	1,853,468	
Total Expenditures of Federal Awards			$ -	$ 1,853,468	

*Denotes major program

See accompanying notes to schedule of expenditures of federal awards.

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2024

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Hopkinsville Water Environment Authority (HWEA), a component unit of the City of Hopkinsville, Kentucky, and is presented on the cash basis of accounting. The information in that 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 that schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE B - SUBRECIPIENTS

The Hopkinsville Water Environment Authority did not provide any federal awards to subrecipients during the year ended June 30, 2024.

NOTE C – INDIRECT COST RATE

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

NOTE D – LOAN BALANCES

At June 30, 2024 and 2023, the outstanding principal balance on the State Revolving Funds Loan A19-003 from the Kentucky Infrastructure Authority totaled $39,371,523 and $32,438,748, respectively. At June 30, 2024 and 2023, the outstanding principal balance on the State Revolving Funds Loan F16-001 from the Kentucky Infrastructure Authority totaled $5,286,486 and $2,172,657, respectively. None of the funds expended from SRF Loan A19-003 or SRF Loan F16-001 during fiscal year ended June 30, 2024, were from federal sources; therefore, there are no expenditures to include on the accompanying schedule of expenditures of federal awards for the fiscal year ended June 30, 2024. For additional information, see Note 6, Noncurrent Liabilities, in the notes to the financial statements.

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 Members of the
City of Hopkinsville Sewerage and
Water Works Commission d/b/a
Hopkinsville Water Environment Authority
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 business-type activities of the Hopkinsville Water Environment Authority (HWEA), a component unit 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 HWEA's basic financial statements, and have issued our report thereon dated January 24, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered HWEA'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 HWEA's internal control. Accordingly, we do not express an opinion on the effectiveness of HWEA'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.

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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; therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompany schedule of findings and questioned costs as items 2024-01 and 2024-02, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether HWEA'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*.

HWEA's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on HWEA's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. HWEA's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on the response.

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 24, 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 Members of the
City of Hopkinsville Sewerage and
Water Works Commission d/b/a
Hopkinsville Water Environment Authority
Hopkinsville, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Hopkinsville Water Environment Authority's (HWEA), a component unit of the City of Hopkinsville, Kentucky, 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 HWEA's major federal program for the year ended June 30, 2024. HWEA'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, HWEA 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.

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We are required to be independent of HWEA 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 HWEA'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 HWEA'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 HWEA'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 HWEA'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 HWEA'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 HWEA'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 HWEA'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 24, 2025

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the 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 Hopkinsville Water Environment Authority were prepared in accordance with generally accepted accounting principles.

2. Two material weaknesses in internal control relating to the audit of the financial statements are reported.

3. No instances of noncompliance material to the financial statements of the Hopkinsville Water Environment Authority, 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 Hopkinsville Water Environment Authority 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	ALN
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027

8. The threshold used for distinguishing between Types A and B programs was $750,000.

9. The Hopkinsville Water Environment Authority qualified to be audited as a low-risk auditee.

Section II – Findings – Financial Statements Audit

2024-01 **Condition:** Bank statements in some instances were accumulated for several months before they were reconciled to the appropriate general ledger accounts.

Criteria: Bank accounts should be reconciled on a monthly basis in order to recognize errors or other problems in a timely manner. A timely review for the preparation of complete and accurate bank reconciliations is necessary to ensure that cash receipts and disbursements are properly recorded.

Section II – Findings – Financial Statements Audit, continued

Cause of Condition: The implementation of a new software system midway through FYE June 30, 2024, affected the general ledger and created unexpected challenges and setbacks that hindered a timely reconciliation of bank accounts.

Potential Effect of Condition: Not reconciling the bank accounts on a monthly basis could lead to errors or other problems that might not be recognized and resolved in a timely manner. Failure to perform reconciliations could result in improper recording of receipts and disbursements. Also, it is generally easier and less time consuming to reconcile accounts while transactions are fresh in mind.

Recommendation: We recommend that all bank accounts be reconciled each month prior to preparation of the monthly financial statements. A monthly review of the bank reconciliations should also be part of the process. The review should include tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents. The composition of unreconciled differences should be determined and followed up on, and any journal entries deemed necessary, as a result, should be recorded. Furthermore, if it is determined that reconciliations aren't being prepared on a timely basis, appropriate follow up should be conducted with the person(s) responsible for preparing the reconciliations in order to mitigate the accumulation of numerous months of unreconciled activity.

Client Response: Client understands the importance of timely bank account reconciliations and will implement these recommendations. However, after obtaining a stronger understanding of the workings of the new software, reconciliation procedures were updated and account reconciliations were caught up, and monthly reconciliations are once again being performed on a timely basis.

2024-02 **Condition:** Customer accounts receivable subsidiary ledgers were not reconciled to the general ledger accounts in a timely manner, which led to there being several months' worth of billings and collections activity that was not reconciled until after a significant amount of time had passed.

Criteria: Customer accounts receivable should be reconciled and reviewed on a monthly basis in order to recognize errors or other problems in a timely manner. Timely preparation and review of monthly accounts receivable reconciliations will help to ensure that billings and collections are properly recorded in the general ledger, and it will also help to ensure that amounts collected on another entity's behalf are appropriately recognized and accurately recorded in the general ledger.

Cause of Condition: The implementation of a new software system midway through FYE June 30, 2024, significantly impacted billings and collections and created unexpected challenges and setbacks that hindered a timely and accurate reconciliation of billings, collections, and customer accounts receivable.

Section II – Findings – Financial Statements Audit, continued

Potential Effect of Condition: Not reconciling customer accounts receivable on a monthly basis could lead to errors or other problems that might not be recognized and resolved in a timely manner. Failure to perform these reconciliations could result in the improper recording of revenues and receivables in the general ledger as well as the inaccurate reporting of amounts owed to other entities. Also, it is generally easier and less time consuming to reconcile accounts while transactions are fresh in mind.

Recommendation: We recommend that billings and collections be reconciled each month and customer accounts receivable be reconciled prior to preparation of the monthly financial statements. A monthly review of these reconciliations should also be part of the process, and reconciling items should be traced to relevant source documents. The composition of unreconciled differences should be determined and followed up on, and any journal entries deemed necessary, as a result, should be recorded. If it is determined that reconciliations aren't being prepared on a timely basis, appropriate follow up should be conducted with the person(s) responsible for preparing the reconciliations in order to mitigate the accumulation of numerous months of unreconciled activity.

Client Response: Client understands the importance of timely reconciliations as described above and will implement these recommendations. However, after working extensively with the new software vendor, Client now has a stronger understanding of the workings of the new software, and updated procedures have been put into place. Reconciliations of billings and collections are now caught up, and routine reconciliations are now being performed on a timely basis.

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).

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY
DRINKING WATER, CLEAN WATER, AND GAS DEPARTMENTS
A COMPONENT UNIT OF THE CITY OF HOPKINSVILLE, KENTUCKY
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
For the 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 were 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).