

CITY OF HAZARD, KENTUCKY

FINANCIAL STATEMENTS AND REPORT OF AUDIT

For the Year Ended June 30, 2020

CITY OF HAZARD

FINANCIAL STATEMENTS AND REPORT OF AUDIT

For the Year Ended June 30, 2020

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**Chris Gooch**  
Certified Public Accountant  
P.O. Box 1536  
Hazard, Kentucky 41702  
(606) 436-5700 FAX: (606) 436-5701  
chrisgooch@chrisgoochcpa.com

INDEPENDENT AUDITOR'S REPORT

HONORABLE MAYOR AND CITY COMMISSIONERS

CITY OF HAZARD

HAZARD, KENTUCKY

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hazard, Kentucky, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Hazard, Kentucky's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hazard, Kentucky, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and OPEB supplemental reporting and budgetary comparison information on pages 4–8 and 67–70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2021, on our consideration of the City of Hazard, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Hazard, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hazard, Kentucky's internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "Chris Gooch".

Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

January 21, 2021

CITY OF HAZARDMANAGEMENT'S DISCUSSION AND ANALYSISFor the Year Ended June 30, 2020

As management of the City of Hazard, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020. This information should be considered in conjunction with the accompanying financial statements and disclosure following this section.

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance, including investments and fiduciary funds, for the City was \$5,601,862 of which \$4,293,530 is considered restricted. The ending cash balance, including investments and fiduciary funds, for the City was \$6,777,467 of which \$5,545,600 is considered restricted.
- Long-term debt decreased by \$4,858,063, consisting of general fund long-term debt principal of \$518,477 and proprietary fund debt principal of \$4,339,586. This included refunding of Water and Sewer Fund revenue bonds totaling \$3,233,500. New debt was issued in the amount of \$5,329,994, consisting of general fund long-term debt principal of \$569,010 and proprietary fund debt principal of \$4,760,984.
- The City recorded \$1,129,406 in governmental fixed assets and \$1,988,652 in proprietary fund fixed assets during the fiscal year. Governmental fixed asset additions included the USDA Farmer's Market for \$139,228 and construction in progress on the Allais Redevelopment Project for \$515,743, five 2019 Dodge Chargers for the police department for \$123,190 and the Amphitheater Project for \$103,507. Proprietary fixed assets consist largely of ongoing water, sewer and gas improvements.
- The City adopted GASB's 68 and 75 in a prior fiscal year and at June 30, 2020 recognize net pension liability of \$9,978,132 and a net OPEB liability of \$2,395,747 in relation to the City's participation in the County Employee's Retirement System. The net pension liability for the prior fiscal year was \$9,040,632 and the OPEB liability was \$2,636,383.
- Following are total customer users serviced directly by the City at beginning and end of year:

	<u>Beginning of Year</u>	<u>End of Year</u>
a. Water	8,790	8,764
b. Sewer	3,172	3,140
c. Gas	1,637	1,641



CITY OF HAZARDMANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)For the Year Ended June 30, 2020OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the City that are principally supported by property taxes, intergovernmental revenues and customer charges. The governmental activities of the City include general government, police and fire protection, public works and highway and streets. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

**Fund financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental, proprietary and fiduciary funds. Fiduciary funds include the Fire-Police Pension Fund, Disbursement Fund, Payroll Fund, and Jacklot Hollow Development Trust Fund. Proprietary funds include the Garbage Fund, Gas Fund, Water Fund, Sewer Fund, Public Improvement Fund, The Hazard Pavilion, Starland Building and the Hazard Forum. All other activities are reported under governmental funds.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

CITY OF HAZARDMANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)For the Year Ended June 30, 2020**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2020, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$35,504,189.

The greatest portion of the City's net position reflects its investment in capital assets (e.g., land and improvements, infrastructure, buildings and improvements, vehicles, furniture and equipment and ongoing construction projects, where applicable), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the citizens of Hazard and to customers for whom the City provides services; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**Net position for the Year Ended June 30, 2020**

Following are a comparison of net position for the prior two years ended:

	<u>Year Ended</u>	
	<u>2020</u>	<u>2019</u>
Current Assets	\$ 4,838,344	\$ 4,577,933
Noncurrent Assets	54,568,285	52,586,411
Deferred Outflows of Resources	<u>2,505,661</u>	<u>2,153,185</u>
<u>Total Assets and Deferred Outflows of Resources</u>	<u>61,912,290</u>	<u>59,317,529</u>
Current Liabilities	3,310,936	2,660,204
Noncurrent Liabilities	20,696,608	19,909,068
Deferred Inflows of Resources	<u>2,400,557</u>	<u>2,417,015</u>
<u>Total Liabilities and Deferred Inflows of Resources</u>	<u>26,408,101</u>	<u>24,986,287</u>
Net Position		
Net Investment in Capital Assets	42,111,015	42,181,498
Restricted	3,744,758	2,598,592
Unrestricted	<u>(10,351,584)</u>	<u>(10,448,848)</u>
<u>Total Net Position</u>	<u>35,504,189</u>	<u>34,331,242</u>
<u>Total Liabilities, Deferred Inflows of Resources and Net Position</u>	<u>\$ 61,912,290</u>	<u>\$ 59,317,529</u>

CITY OF HAZARDMANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)For the Year Ended June 30, 2020

- Deferred outflows of resources pension/OPEB resources increased \$42,971, deferred inflows of resources pension/OPEB resources decreased by \$125,202 and net pension and OPEB liability increased by \$696,864 due to recognition of the actuarially determined liabilities.
- Deferred outflows of resources 2020 refunding increased \$309,505 and deferred inflows of resources 2020 refunding increased by \$108,744 due to refunding of Water and Sewer Fund Revenue Bonds. The refunding issue totaled \$3,375,000.
- Noncurrent assets increased due to recognition of water, sewer and gas improvement projects.
- The City became a regional administrator for Department of Justice asset forfeiture funds. This resulted in an increase in current assets and liabilities in amounts due to other taxing districts of \$416,163.

The following is a comparison of general fund budget to actual:

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenues:			
Local revenue sources	\$ 6,801,866	\$ 6,657,581	\$ (144,285)
Intergovernmental revenues	<u>275,000</u>	<u>346,936</u>	<u>71,936</u>
<u>Total Revenues</u>	<u>7,076,866</u>	<u>7,004,517</u>	<u>(72,349)</u>
Expenditures:			
General government	1,992,748	991,535	1,001,213
Police	1,999,735	1,749,709	250,026
Fire	1,392,181	1,176,946	215,235
Public works	1,340,412	1,257,371	83,041
Other expenditures	176,610	111,762	64,848
Capital outlay	-	592,828	(592,828)
Debt service	<u>175,000</u>	<u>538,770</u>	<u>(363,770)</u>
<u>Total Expenditures</u>	<u>7,076,686</u>	<u>6,418,921</u>	<u>657,765</u>
<u>Excess of Revenues over Expenditures</u>	<u>\$ 180</u>	<u>\$ 585,596</u>	<u>\$ 585,416</u>

- Debt service expenditures includes \$360,160 which was refinanced into a new loan of \$300,320. It also includes \$145,500 in payments related to short term borrowing to assist with financing of the Allais Redevelopment Project.
- Capital outlay includes the Amphitheater Project \$103,507, Farmers Market \$139,228 and five 2019 Dodge Chargers for the Police department for \$123,190.

CITY OF HAZARDMANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)For the Year Ended June 30, 2020

The following table presents a comparison of government-wide funds revenue and expense for fiscal years ended June 30, 2020 and 2019:

	<u>Fiscal Year Ended</u>	
	<u>2020</u>	<u>2019</u>
<b>Revenues:</b>		
Taxes and other local revenues	\$ 6,780,851	\$ 6,499,189
Intergovernmental revenues	475,273	739,483
Charges for services	8,883,239	7,834,939
<u>Total revenues</u>	<u>16,139,363</u>	<u>15,073,611</u>
<b>Expenses:</b>		
General government	1,095,076	1,287,850
Police	1,941,915	1,791,956
Fire	1,315,764	1,293,068
Public works	1,357,809	1,172,832
Highway and streets	399,218	394,353
Other expenditures	216,046	91,542
Utility services	9,575,594	9,303,546
Other proprietary expenses	737,752	770,832
<u>Total expenses</u>	<u>16,639,174</u>	<u>16,105,979</u>
<u>Change in net position</u>	<u>\$ (499,811)</u>	<u>\$ (1,032,368)</u>

- Charges for services increased in part due to increases in water and sewer rates beginning in February 2020.

**BUDGETARY IMPLICATIONS**

In Kentucky the fiscal year for municipalities is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the City's overall budget.

Results of the current fiscal year and recent historical trends for the City were taken into account when preparing the 2020-21 budget. No significant revenue or expense line items are foreseeable. Revenues for proprietary funds are monitored for significant expenditures/obligations that may have an effect on rates charged to customers of the City. The City has assessed underlying economics risk factors that are prevalent for the geographic area and considered these risk factors when preparing budgets.

Questions regarding this report should be directed to the Mayor, City Manager or Chief Finance Officer at (606) 436-3171.

CITY OF HAZARDSTATEMENT OF NET POSITIONJune 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
- Current Assets -			
Cash and cash equivalents	\$ 13,532	\$ 1,218,335	\$ 1,231,867
Receivables, net of allowances:			
Taxes	158,526	-	158,526
Fees and services	-	1,989,938	1,989,938
Due from other funds	440,888	372,355	813,243
Other	404,264	44,372	448,636
Inventories	<u>35,025</u>	<u>161,109</u>	<u>196,134</u>
<u>Total current assets</u>	<u>1,052,235</u>	<u>3,786,109</u>	<u>4,838,344</u>
-Restricted Assets -			
Cash	<u>992,526</u>	<u>2,752,232</u>	<u>3,744,758</u>
- Noncurrent Assets -			
Capital assets	10,328,974	91,517,692	101,846,666
Less: accumulated depreciation	<u>(6,637,945)</u>	<u>(44,385,194)</u>	<u>(51,023,139)</u>
<u>Total noncurrent assets</u>	<u>3,691,029</u>	<u>47,132,498</u>	<u>50,823,527</u>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows - pension/OPEB resources	1,439,993	756,163	2,196,156
Deferred outflows - 2020 refunding	<u>-</u>	<u>309,505</u>	<u>309,505</u>
<u>Total deferred outflows of resources</u>	<u>1,439,993</u>	<u>1,065,668</u>	<u>2,505,661</u>
<u>Total assets and deferred outflows of resources</u>	<u>\$ 7,175,783</u>	<u>\$ 54,736,507</u>	<u>\$ 61,912,290</u>

See notes to financial statements.

## CITY OF HAZARD

## STATEMENT OF NET POSITION (CONTINUED)

June 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Liabilities:</b>			
- Current Liabilities -			
Accounts payable	\$ 400,234	\$ 350,338	\$ 750,572
Other current liabilities	662,486	586,329	1,248,815
Current portion of bond/lease obligations	<u>181,373</u>	<u>1,130,176</u>	<u>1,311,549</u>
<u>Total current liabilities</u>	<u>1,244,093</u>	<u>2,066,843</u>	<u>3,310,936</u>
- Noncurrent Liabilities -			
Noncurrent portion of bond/lease obligations	357,873	7,258,617	7,616,490
Net pension/OPEB liability	7,716,521	4,657,358	12,373,879
Other	<u>-</u>	<u>32,535</u>	<u>32,535</u>
<u>Total noncurrent liabilities</u>	<u>8,074,394</u>	<u>11,948,510</u>	<u>20,022,904</u>
- Other Liabilities -			
Deposits	<u>-</u>	<u>673,704</u>	<u>673,704</u>
<u>Total other liabilities</u>	<u>-</u>	<u>673,704</u>	<u>673,704</u>
<u>Total liabilities</u>	<u>9,318,487</u>	<u>14,689,057</u>	<u>24,007,544</u>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows - pension/OPEB related	1,295,515	996,298	2,291,813
Deferred inflows - 2020 refunding	<u>-</u>	<u>108,744</u>	<u>108,744</u>
<u>Total deferred inflows of resources</u>	<u>1,295,515</u>	<u>1,105,042</u>	<u>2,400,557</u>
<b>Net Position:</b>			
Net investment in capital assets	3,151,783	38,959,232	42,111,015
Restricted	992,526	2,752,232	3,744,758
Unrestricted (deficit)	<u>(7,582,528)</u>	<u>(2,769,056)</u>	<u>(10,351,584)</u>
<u>Total net position</u>	<u>(3,438,219)</u>	<u>38,942,408</u>	<u>35,504,189</u>
<u>Total liabilities, deferred inflows of resources and net position</u>	<u>\$ 7,175,783</u>	<u>\$ 54,736,507</u>	<u>\$ 61,912,290</u>

See notes to financial statements.

11.

CITY OF HAZARD

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

	Program Revenues		
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	
<b>FUNCTIONS/PROGRAMS:</b>			
- Governmental Activities -			
General government	\$ 1,095,076	\$ -	\$ 112,827
Police	1,941,915	-	147,837
Fire	1,315,764	-	105,009
Public works	1,357,809	-	-
Highways and streets	399,218	-	109,600
Other expenses	216,046	-	-
<b><u>Total governmental activities</u></b>	<b>6,325,828</b>	<b>-</b>	<b>475,273</b>
- Business-type Activities -			
Water utilities	5,038,906	4,859,156	-
Sewer utilities	2,077,128	1,397,191	-
Gas utilities	1,977,212	1,876,768	-
Garbage services	482,348	554,479	-
Public Improvement Corporation	80,375	-	-
Hazard Pavilion	334,188	62,232	-
Starland Building	22,167	44,000	-
The Hazard Forum	301,022	89,413	-
<b><u>Total business-type activities</u></b>	<b>10,313,346</b>	<b>8,883,239</b>	<b>-</b>
<b><u>Total primary government</u></b>	<b>\$ 16,639,174</b>	<b>\$ 8,883,239</b>	<b>\$ 475,273</b>

See notes to financial statements.

CITY OF HAZARDSTATEMENT OF ACTIVITIES (CONTINUED)For the Year Ended June 30, 2020

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Governmental</u>	<u>Business-</u>	
	<u>Activities</u>	<u>Type</u>	<u>Total</u>
		<u>Activities</u>	
	\$ (982,249)	\$ -	\$ (982,249)
	(1,794,078)	-	(1,794,078)
	(1,210,755)	-	(1,210,755)
	(1,357,809)	-	(1,357,809)
	(289,618)	-	(289,618)
	<u>(216,046)</u>	<u>-</u>	<u>(216,046)</u>
	<u>(5,850,555)</u>	<u>-</u>	<u>(5,850,555)</u>
	-	(179,750)	(179,750)
	-	(679,937)	(679,937)
	-	(100,444)	(100,444)
	-	72,131	72,131
	-	(80,375)	(80,375)
	-	(271,956)	(271,956)
	-	21,833	21,833
	-	<u>(211,609)</u>	<u>(211,609)</u>
	-	<u>(1,430,107)</u>	<u>(1,430,107)</u>
	<u>(5,850,555)</u>	<u>(1,430,107)</u>	<u>(7,280,662)</u>
<b>General revenues:</b>			
Taxes	2,153,564	-	2,153,564
Licenses and permits	4,212,172	-	4,212,172
Transfer in (out)	(577,115)	577,115	-
Interest income	2,323	11,144	13,467
Miscellaneous income/(loss)	<u>171,572</u>	<u>230,076</u>	<u>401,648</u>
<b><u>Total general revenues</u></b>	<u>5,962,516</u>	<u>818,335</u>	<u>6,780,851</u>
Change in net position	111,961	(611,772)	(499,811)
Net position, beginning	(4,195,424)	38,526,666	34,331,242
Contributed capital	<u>645,244</u>	<u>1,027,514</u>	<u>1,672,758</u>
Net position, ending	<u>\$ (3,438,219)</u>	<u>\$ 38,942,408</u>	<u>\$ 35,504,189</u>

See notes to financial statements.



CITY OF HAZARDBALANCE SHEET – GOVERNMENTAL FUNDSJune 30, 2020

	<u>General</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>ASSETS</u>			
Cash	\$ 13,532	\$ -	\$ 13,532
Receivables, net of allowance for uncollectibles			
Taxes	158,526	-	158,526
Receivables - other	51,514	352,750	404,264
Due from other funds	403,116	37,772	440,888
Inventory of supplies, at cost	35,025	-	35,025
Restricted cash	<u>262,025</u>	<u>730,501</u>	<u>992,526</u>
<u>Total assets</u>	<u>923,738</u>	<u>1,121,023</u>	<u>2,044,761</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES:</u>			
Accounts payable	131,360	268,874	400,234
Accrued wages	63,226	-	63,226
Due to other taxing units	2,951	416,163	419,114
Due to other funds	<u>36,973</u>	<u>103,617</u>	<u>140,590</u>
<u>Total liabilities</u>	<u>234,510</u>	<u>788,654</u>	<u>1,023,164</u>
<u>FUND EQUITY:</u>			
<u>Fund balance:</u>			
Nonspendable - inventories	35,025	-	35,025
<u>Unreserved:</u>			
Unassigned	392,178	-	392,178
Restricted	<u>262,025</u>	<u>332,369</u>	<u>594,394</u>
<u>Total fund equity</u>	<u>689,228</u>	<u>332,369</u>	<u>1,021,597</u>
<u>Total liabilities and fund equity</u>	<u>\$ 923,738</u>	<u>\$ 1,121,023</u>	<u>\$ 2,044,761</u>

See notes to financial statements.

CITY OF HAZARDRECONCILIATION OF THE BALANCE SHEET –  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITIONJune 30, 2020

Total fund balance per fund financial statements		\$ 1,021,597
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	\$ 10,328,974	
Less accumulated depreciation	<u>(6,637,945)</u>	
		3,691,029
Deferred outflows on pension/OPEB resources are reported in government wide financial statements, but not in fund financial statements.		
		1,439,993
Net pension/OPEB obligations are not due and payable in the current period, and therefore, are not reported in the fund financial statements.		
		(7,716,521)
Deferred inflows of resources related to pension/OPEB are not reported in the fund financial statements.		
		(1,295,515)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund		
Governmental bonds and notes payable	(539,246)	
Compensated absences	<u>\$ (39,556)</u>	
		<u>(578,802)</u>
Net position for governmental activities		<u>\$ (3,438,219)</u>

See notes to financial statements.

CITY OF HAZARD

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

For the Year Ended June 30, 2020

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES:</u></b>			
Taxes	\$ 2,153,564	\$ -	\$ 2,153,564
Licenses and permits	4,212,172	-	4,212,172
Charges for services	-	-	-
Fines and forfeits	164,056	-	164,056
Intergovernmental revenues	346,936	956,582	1,303,518
Miscellaneous	<u>127,789</u>	<u>43,783</u>	<u>171,572</u>
<b><u>Total revenues</u></b>	<b><u>7,004,517</u></b>	<b><u>1,000,365</u></b>	<b><u>8,004,882</u></b>
<b><u>EXPENDITURES:</u></b>			
<b><u>Current:</u></b>			
General government	991,535	-	991,535
Police	1,749,709	-	1,749,709
Fire	1,176,946	-	1,176,946
Public works	1,257,371	-	1,257,371
Highways and streets	-	381,293	381,293
Other expenditures	111,762	9,615	121,377
Capital outlay	592,828	631,247	1,224,075
Debt service			
Principal	518,477	-	518,477
Interest	<u>20,293</u>	<u>-</u>	<u>20,293</u>
<b><u>Total expenditures</u></b>	<b><u>6,418,921</u></b>	<b><u>1,022,155</u></b>	<b><u>7,441,076</u></b>
<b><u>Excess of revenues over (under) expenditures</u></b>	<b><u>585,596</u></b>	<b><u>(21,790)</u></b>	<b><u>563,806</u></b>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>			
Operating transfers in	579,434	87,278	666,712
Operating transfers (out)	(1,512,556)	(165,281)	(1,677,837)
Proceeds from issuance of debt	569,010	-	569,010
Other income	<u>88,654</u>	<u>623</u>	<u>89,277</u>
<b><u>Total other financing sources (uses)</u></b>	<b><u>(275,458)</u></b>	<b><u>(77,380)</u></b>	<b><u>(352,838)</u></b>
<b><u>Excess of revenues and other sources over (under) expenditures and other uses</u></b>	<b><u>310,138</u></b>	<b><u>(99,170)</u></b>	<b><u>210,968</u></b>
<b><u>FUND BALANCE, JULY 1</u></b>	<b><u>379,090</u></b>	<b><u>431,539</u></b>	<b><u>810,629</u></b>
<b><u>FUND BALANCE, JUNE 30</u></b>	<b><u>\$ 689,228</u></b>	<b><u>\$ 332,369</u></b>	<b><u>\$ 1,021,597</u></b>

See notes to financial statements.

CITY OF HAZARDRECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIESFor the Year Ended June 30, 2020

Net change in total fund balances per fund financial statements	\$	210,968
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Amounts reported for governmental activities in the statement of activities differences:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$	484,162	
Depreciation		<u>(240,951)</u>	243,211

Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. The repayment of the principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which repayments exceeded proceeds.

Principal payments	518,477		
Note proceeds	\$	<u>(569,010)</u>	(50,533)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds

Change in compensated absences	(5,511)
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Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension/OPEB benefits earned net of employee contributions are reported as pension/OPEB expense.

<u>(286,174)</u>
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Change in net position of governmental activities	\$	<u><u>111,961</u></u>
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See notes to financial statements.

17.

CITY OF HAZARDSTATEMENT OF NET POSITION – PROPRIETARY FUNDSJune 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>
<b>Assets:</b>			
- Current Assets -			
Cash and cash equivalents	\$ 198,105	\$ 30,275	\$ 641,667
Receivables, net of allowances:			
Fees and services	1,149,318	388,704	252,995
Due from other funds	120,100	213,023	31,716
Other	-	14,929	-
Inventories of supplies, at cost	<u>90,647</u>	<u>13,038</u>	<u>52,409</u>
<u>Total current assets</u>	<u>1,558,170</u>	<u>659,969</u>	<u>978,787</u>
-Restricted Assets -			
Cash	<u>1,809,364</u>	<u>917,868</u>	<u>25,000</u>
- Noncurrent Assets -			
Capital assets	53,729,173	15,125,830	7,888,248
Less: accumulated depreciation	<u>(21,907,313)</u>	<u>(9,432,186)</u>	<u>(4,761,187)</u>
<u>Total noncurrent assets</u>	<u>31,821,860</u>	<u>5,693,644</u>	<u>3,127,061</u>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows - pension resources/OPEB	363,319	89,650	43,362
Deferred outflows - 2020 refunding	<u>286,304</u>	<u>23,201</u>	<u>-</u>
<u>Total deferred outflows of resources</u>	<u>649,623</u>	<u>112,851</u>	<u>43,362</u>
 Total assets and deferred outflows of resources	 <u>\$ 35,839,017</u>	 <u>\$ 7,384,332</u>	 <u>\$ 4,174,210</u>

See notes to financial statements.

CITY OF HAZARDSTATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)June 30, 2020

	<u>Other</u>	<u>Totals</u>
<b>Assets:</b>		
- Current Assets -		
Cash and cash equivalents	\$ 348,288	\$ 1,218,335
Receivables, net of allowances:		
Fees and services	198,921	1,989,938
Due from other funds	7,516	372,355
Other	29,443	44,372
Inventories of supplies, at cost	<u>5,015</u>	<u>161,109</u>
<u>Total current assets</u>	<u>589,183</u>	<u>3,786,109</u>
-Restricted Assets -		
Cash	<u>-</u>	<u>2,752,232</u>
- Noncurrent Assets -		
Capital assets	14,774,441	91,517,692
Less: accumulated depreciation	<u>(8,284,508)</u>	<u>(44,385,194)</u>
<u>Total noncurrent assets</u>	<u>6,489,933</u>	<u>47,132,498</u>
<b>Deferred Outflows of Resources:</b>		
Deferred outflows - pension resources/OPEB	259,832	756,163
Deferred outflows - 2020 refunding	<u>-</u>	<u>309,505</u>
<u>Total deferred outflows of resources</u>	<u>259,832</u>	<u>1,065,668</u>
Total assets and deferred outflows of <u>resources</u>	<u>\$ 7,338,948</u>	<u>\$ 54,736,507</u>

See notes to financial statements.

CITY OF HAZARDSTATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)June 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>
<b>Liabilities:</b>			
- Current Liabilities -			
Accounts payable	\$ 116,560	\$ 39,828	\$ 55,583
Accrued interest payable	26,036	-	8,237
Accrued wages	21,560	9,034	14,293
Accrued vacation payable	17,933	7,546	10,667
Due to other funds	202,959	16,781	221,800
Current portion of long-term debt	154,029	58,943	764,517
<u>Total current liabilities</u>	<u>539,077</u>	<u>132,132</u>	<u>1,075,097</u>
- Noncurrent Liabilities -			
Notes payable	-	830,999	128,964
Due to other taxing units	25,550	-	6,985
Revenue bonds payable	5,239,211	366,073	-
Net pension/OPEB liability	2,222,991	523,082	573,259
<u>Total noncurrent liabilities</u>	<u>7,487,752</u>	<u>1,720,154</u>	<u>709,208</u>
- Other Liabilities -			
Deposits	585,236	-	86,468
<u>Total liabilities</u>	<u>8,612,065</u>	<u>1,852,286</u>	<u>1,870,773</u>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows - pension/OPEB related	468,836	143,411	166,791
Deferred inflows - 2020 refunding	96,636	12,108	-
<u>Total deferred inflows of resources</u>	<u>565,472</u>	<u>155,519</u>	<u>166,791</u>
<b>Net Position:</b>			
Net investment in capital assets	26,428,620	4,437,629	2,449,107
Restricted	1,809,364	917,868	25,000
Unrestricted (deficit)	(1,576,504)	21,030	(337,461)
<u>Total net position</u>	<u>26,661,480</u>	<u>5,376,527</u>	<u>2,136,646</u>
<u>Total liabilities, deferred inflows of resources and net position</u>	<u>\$ 35,839,017</u>	<u>\$ 7,384,332</u>	<u>\$ 4,174,210</u>

See notes to financial statements.

CITY OF HAZARDSTATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)June 30, 2020

	<u>Other</u>	<u>Totals</u>
<b>Liabilities:</b>		
- Current Liabilities -		
Accounts payable	\$ 138,367	\$ 350,338
Accrued interest payable	528	34,801
Accrued wages	1,657	46,544
Accrued vacation payable	1,933	38,079
Due to other funds	25,365	466,905
Current portion of long-term debt	<u>152,687</u>	<u>1,130,176</u>
<u>Total current liabilities</u>	<u>320,537</u>	<u>2,066,843</u>
- Noncurrent Liabilities -		
Notes payable	693,370	1,653,333
Due to other taxing units	-	32,535
Revenue bonds payable	-	5,605,284
Net pension/OPEB liability	<u>1,338,026</u>	<u>4,657,358</u>
<u>Total noncurrent liabilities</u>	<u>2,031,396</u>	<u>11,948,510</u>
- Other Liabilities -		
Deposits	<u>2,000</u>	<u>673,704</u>
<u>Total liabilities</u>	<u>2,353,933</u>	<u>14,689,057</u>
<b>Deferred Inflows of Resources:</b>		
Deferred inflows - pension/OPEB related	217,260	996,298
Deferred inflows - 2020 refunding	<u>-</u>	<u>108,744</u>
<u>Total deferred inflows of resources</u>	<u>217,260</u>	<u>1,105,042</u>
<b>Net Position:</b>		
Net investment in capital assets	5,643,876	38,959,232
Restricted	-	2,752,232
Unrestricted (deficit)	<u>(876,121)</u>	<u>(2,769,056)</u>
<u>Total net position</u>	<u>4,767,755</u>	<u>38,942,408</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 7,338,948</u>	<u>\$ 54,736,507</u>

See notes to financial statements.



CITY OF HAZARDSTATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION – PROPRIETARY FUNDSFor the Year Ended June 30, 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Gas Fund</u>
<b>Operating revenues:</b>			
Charges for services	\$ 4,831,493	\$ 1,397,191	\$ 1,872,048
Other	<u>27,663</u>	<u>-</u>	<u>4,720</u>
<u>Total operating revenues</u>	<u>4,859,156</u>	<u>1,397,191</u>	<u>1,876,768</u>
<b>Operating expenses:</b>			
Salaries and wages	1,585,181	556,940	732,608
Contract services	1,216,271	620,257	999,920
Materials and supplies	917,302	346,732	147,199
Depreciation	1,139,251	509,771	71,839
Other operating expenses	<u>8,803</u>	<u>4,440</u>	<u>4,375</u>
<u>Total operating expenses</u>	<u>4,866,808</u>	<u>2,038,140</u>	<u>1,955,941</u>
<u>Operating income (loss)</u>	<u>(7,652)</u>	<u>(640,949)</u>	<u>(79,173)</u>
<b>Non-operating revenues (expenses):</b>			
Interest income	4,723	2,310	2,760
Interest expense	(172,098)	(38,988)	(21,271)
Other income/(loss)	<u>-</u>	<u>-</u>	<u>7,885</u>
<u>Total non-operating revenues (expenses)</u>	<u>(167,375)</u>	<u>(36,678)</u>	<u>(10,626)</u>
<u>Net income (loss) before operating transfers</u>	<u>(175,027)</u>	<u>(677,627)</u>	<u>(89,799)</u>
<u>Operating transfers in (out)</u>	<u>263,714</u>	<u>310,303</u>	<u>(14,600)</u>
<u>Net income (loss)</u>	<u>88,687</u>	<u>(367,324)</u>	<u>(104,399)</u>
<u>Net Position - Beginning</u>	<u>26,507,811</u>	<u>5,489,349</u>	<u>1,533,015</u>
<u>Contributed capital</u>	<u>64,982</u>	<u>254,502</u>	<u>708,030</u>
<u>Net Position - Ending</u>	<u>\$ 26,661,480</u>	<u>\$ 5,376,527</u>	<u>\$ 2,136,646</u>

See notes to financial statements.

CITY OF HAZARD

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION – PROPRIETARY FUNDS (CONTINUED)

For the Year Ended June 30, 2020

	<u>Other</u>	<u>Totals</u>
<b>Operating revenues:</b>		
Charges for services	\$ 748,268	\$ 8,849,000
Other	<u>1,856</u>	<u>34,239</u>
<u>Total operating revenues</u>	<u>750,124</u>	<u>8,883,239</u>
<b>Operating expenses:</b>		
Salaries and wages	348,971	3,223,700
Contract services	447,485	3,283,933
Materials and supplies	62,222	1,473,455
Depreciation	320,538	2,041,399
Other operating expenses	<u>3,371</u>	<u>20,989</u>
<u>Total operating expenses</u>	<u>1,182,587</u>	<u>10,043,476</u>
<u>Operating income (loss)</u>	<u>(432,463)</u>	<u>(1,160,237)</u>
<b>Non-operating revenues (expenses):</b>		
Interest income	1,351	11,144
Interest expense	(37,513)	(269,870)
Other income/(loss)	<u>222,191</u>	<u>230,076</u>
<u>Total non-operating revenues (expenses)</u>	<u>186,029</u>	<u>(28,650)</u>
<u>Net income (loss) before operating transfers</u>	<u>(246,434)</u>	<u>(1,188,887)</u>
<u>Operating transfers in (out)</u>	<u>17,698</u>	<u>577,115</u>
<u>Net income (loss)</u>	<u>(228,736)</u>	<u>(611,772)</u>
<u>Net Position - Beginning</u>	<u>4,996,491</u>	<u>38,526,666</u>
<u>Contributed capital</u>	-	1,027,514
<u>Net Position - Ending</u>	<u>\$ 4,767,755</u>	<u>\$ 38,942,408</u>

See notes to financial statements.

## CITY OF HAZARD

## STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

For the Year Ended June 30, 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Gas Fund</u>
<b>Cash flows from operating activities:</b>			
Cash received from:			
Charges for services	\$ 5,045,945	\$ 1,422,407	\$ 1,886,874
Other operating revenue	27,663	-	4,720
Cash paid to/for:			
Employees	(1,464,228)	(512,507)	(670,228)
Supplies/contractual	(2,731,097)	(1,032,917)	(1,139,515)
Other operating expenses	(8,803)	(4,440)	(4,375)
<u>Net cash provided/(used) by operating activities</u>	<u>869,480</u>	<u>(127,457)</u>	<u>77,476</u>
<b>Cash flows from capital and related financing activities:</b>			
Purchases of capital assets	(93,438)	(410,354)	(1,438,046)
Principal paid on notes and bonds	(2,977,893)	(421,843)	(790,291)
Proceeds from notes and bonds	2,991,709	383,291	1,385,984
Interest paid on notes and bonds	(172,098)	(38,988)	(21,271)
Nonoperating - income/(loss)	-	-	7,885
Contributed capital	64,982	254,502	708,030
<u>Net cash provided (used) for capital and related financing</u>	<u>(186,738)</u>	<u>(233,392)</u>	<u>(147,709)</u>
<b>Cash flows from non-capital financing activities:</b>			
Operating transfers - in (out)	263,714	310,303	(14,600)
<u>Net cash provided (used) for non-capital activities</u>	<u>263,714</u>	<u>310,303</u>	<u>(14,600)</u>
<b>Cash flows from investing activities:</b>			
Interest income	4,723	2,310	2,760
<u>Net cash provided (used) for investing activities</u>	<u>4,723</u>	<u>2,310</u>	<u>2,760</u>
Net increase (decrease) in cash	951,179	(48,236)	(82,073)
Cash, beginning of year	1,056,290	996,379	748,740
Cash, end of year	<u>2,007,469</u>	<u>948,143</u>	<u>666,667</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operations:</b>			
Operating income (loss)	(7,652)	(640,949)	(79,173)
Adjustment to reconcile operating income to cash provided (used) by operating activities:			
Depreciation	1,139,251	509,771	71,839
Changes in current assets/liabilities:			
Accounts receivable	(38,379)	22,561	17,001
Due from other funds	(1,987)	2,655	(3,061)
Other receivables	244,191	-	-
Accounts payable	(343,912)	(54,835)	11,642
Accrued interest payable	(63,944)	-	(4,038)
Accrued wages	(673)	1,213	3,465
Accrued vacation payable	2,909	1,443	2,297
Due to other taxing units	3,008	406	597
Customer deposits	10,627	-	886
Deferred outflows - pension/OPEB resources	(9,404)	(3,363)	(4,553)
Deferred outflows - 2020 refunding	(286,304)	(23,201)	-
Deferred inflows - pension/OPEB related	(27,401)	(9,798)	(13,266)
Deferred inflows - 2020 refunding	96,636	12,108	-
Net pension/OPEB liability	152,514	54,532	73,840
<u>Net cash provided (used) by operating activities</u>	<u>\$ 869,480</u>	<u>\$ (127,457)</u>	<u>\$ 77,476</u>

See notes to financial statements.

## CITY OF HAZARD

## STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)

For the Year Ended June 30, 2020

	<u>Other</u>	<u>Totals</u>
<b>Cash flows from operating activities:</b>		
Cash received from:		
Charges for services	\$ 671,192	\$ 9,026,418
Other operating revenue	1,856	34,239
Cash paid to/for:		
Employees	(324,052)	(2,971,015)
Supplies/contractual	(506,622)	(5,410,151)
Other operating expenses	(3,371)	(20,989)
<u>Net cash provided/(used) by operating activities</u>	<u>(160,997)</u>	<u>658,502</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	(46,814)	(1,988,652)
Principal paid on notes and bonds	(149,559)	(4,339,586)
Proceeds from notes and bonds	-	4,760,984
Interest paid on notes and bonds	(37,513)	(269,870)
Nonoperating - income/(loss)	222,191	230,076
Contributed capital	-	1,027,514
<u>Net cash provided (used) for capital and related financing</u>	<u>(11,695)</u>	<u>(579,534)</u>
<b>Cash flows from non-capital financing activities:</b>		
Operating transfers - in (out)	17,698	577,115
<u>Net cash provided (used) for non-capital activities</u>	<u>17,698</u>	<u>577,115</u>
<b>Cash flows from investing activities:</b>		
Interest income	1,351	11,144
<u>Net cash provided (used) for investing activities</u>	<u>1,351</u>	<u>11,144</u>
Net increase (decrease) in cash	(153,643)	667,227
Cash, beginning of year	<u>501,931</u>	<u>3,303,340</u>
Cash, end of year	<u><u>348,288</u></u>	<u><u>3,970,567</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operations:</b>		
Operating income (loss)	(432,463)	(1,160,237)
Adjustment to reconcile operating income to cash provided (used) by operating activities:		
Depreciation	320,538	2,041,399
Changes in current assets/liabilities:		
Accounts receivable	(77,076)	(75,893)
Due from other funds	-	(2,393)
Other receivables	-	244,191
Accounts payable	(2,679)	(389,784)
Accrued interest payable	(266)	(68,248)
Accrued wages	(5,471)	(1,466)
Accrued vacation payable	973	7,622
Due to other taxing units	6,030	10,041
Customer deposits	-	11,513
Deferred outflows - pension/OPEB resources	(2,391)	(19,711)
Deferred outflows - 2020 refunding	-	(309,505)
Deferred inflows - pension/OPEB related	(6,967)	(57,432)
Deferred inflows - 2020 refunding	-	108,744
Net pension/OPEB liability	38,775	319,661
<u>Net cash provided (used) by operating activities</u>	<u><u>\$ (160,997)</u></u>	<u><u>\$ 658,502</u></u>

See notes to financial statements.

CITY OF HAZARDSTATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDSJune 30, 2020

	<u>Trust Funds</u>	<u>Agency Funds</u>	<u>Total</u>
<b>Assets:</b>			
Restricted assets:			
Cash and cash equivalents	\$ 93,555	\$ 206,035	\$ 299,590
Investments	1,501,252	-	1,501,252
Other receivables	12,798	-	12,798
Due from other funds	<u>287</u>	<u>25,771</u>	<u>26,058</u>
<u>Total assets</u>	<u>1,607,892</u>	<u>231,806</u>	<u>1,839,698</u>
<b>Deferred Outflows of Resources:</b>			
Deferred Outflows - pension/OPEB resources	<u>24,471</u>	<u>-</u>	<u>24,471</u>
<u>Total assets and deferred outflows of resources</u>	<u>1,632,363</u>	<u>231,806</u>	<u>1,864,169</u>
<b>Liabilities:</b>			
Due other funds	-	231,806	231,806
Net pension liability	<u>5,572,552</u>	<u>-</u>	<u>5,572,552</u>
<u>Total liabilities</u>	<u>5,572,552</u>	<u>231,806</u>	<u>5,804,358</u>
<b>Net Position:</b>			
Designated for retirement contributions	(4,043,992)	-	(4,043,992)
Designated for other purposes	<u>103,803</u>	<u>-</u>	<u>103,803</u>
<u>Total net position</u>	<u>(3,940,189)</u>	<u>-</u>	<u>(3,940,189)</u>
<u>Total liabilities and net position</u>	<u>\$ 1,632,363</u>	<u>\$ 231,806</u>	<u>\$ 1,864,169</u>

See notes to financial statements.

CITY OF HAZARDSTATEMENT OF CHANGES IN FIDUCIARY NET  
POSITION – TRUST FUNDSFor the Year Ended June 30, 2020Additions:

## Contributions:

Employer \$ 434,010

Investment Income:

Rental Income 14,392

Interest Income 32,307

Total investment income 46,699Total additions 480,709Deductions:

Benefits 608,264

Administrative expenses -

Total deductions 608,264Operating transfers in (out) -Net increase/(decrease) in net position (127,555)

## Net Position:

Beginning of Year (3,812,634)

End of Year \$ (3,940,189)

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTSJune 30, 2020**1. – General Statement and Summary of Significant Accounting Policies****General Statement**

The City of Hazard, Kentucky (The “City”) was incorporated in 1884, under the provisions of the State of Kentucky. The City operates under City manager form of government and provides the following services as authorized by its charter: Public safety (police and fire), streets, sanitation, recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities.

**A. The Reporting Entity**

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City’s reporting entity.

Excluded from the reporting entity:

**Hazard Independent School District**

The Hazard Independent School District selects management staff, sets tax rates, establishes budgets and controls all aspects of their daily activities.

**Hazard Housing Authority**

The Hazard Housing Authority is excluded as they have their own management staff and are under the supervision of HUD.

**Hazard-Perry County Airport Board**

Hazard-Perry County Airport Board is excluded as they have their own management board.

**Bobby Davis Museum and Park of Hazard and Perry County, Kentucky, Inc.**

Bobby Davis Museum and Park of Hazard and Perry County, Kentucky, Inc. is excluded as they have their own management board.



CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2020**B. Government-Wide and Fund Financial Statements***Government-wide Financial Statements*

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities such as employee pension plans. The primary government is presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

*Fund Financial Statements*

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2020**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Pension trust funds recognize employer and participant contributions in the period in which contributions are due and the City has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2020**D. Fund Types and Major Funds***Governmental Funds*

The City reports the following major governmental funds:

**General Fund** – reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Other governmental funds include:

**Special Revenue Funds** - accounts for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include Mayor and Commissioners Special Recreation, Asset Forfeiture Fund, Municipal Road Aid, LGEA Coal and Mineral Severance, Police Report Fund, Police Memorial Fund, Police Food Pantry Fund and the Hazard Flood Inundation Mapping Project.

**Capital Project Funds** – accounts for financial resources to be used for the acquisition and construction of major capital facilities. Capital project funds include Fire Department Equipment Fund, FEMA Grant Fund, USDA Farmers Market Fund, Allais Redevelopment Project and Fire Department Fund.

*Proprietary Funds*

The City reports the following major proprietary funds:

**Water, Sewer, and Gas** – accounts for operations that are financed and operated in a manner similar to private business enterprises where the costs of providing services to the general public on a continuing basis are financed through user charges.

The City has five other proprietary funds, the Hazard Pavilion, Hazard Forum, Starland Building, Garbage and the Public Improvement Corp Fund.

*Other Fund Types*

The City also reports the following fund types:

**Trust Funds** – reports fiduciary resources held in trust and the receipt, investments and distribution of retirement contributions and rental activities. Trust funds include Fire-Police Pension Fund and Jacklot Hollow Development Trust.

**Agency Funds** – accounts for funds that are generally custodial in nature and do not involve measurement or results of operations. Agency funds include the Disbursement and Payroll Funds.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2020**E. Assets, Liabilities, and Net Position or Equity****1. Cash and Investments**

Cash and investments are separately held and reflected in their respective funds as “cash and cash equivalents” and “investments” some of which are restricted assets. The City considers the above in its definitions for applicability of cash flow statement use.

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of one year or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value.

**2. Inventories and Prepaids**

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary fund and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

**3. Capital Assets, Depreciation, and Amortization**

The City’s property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2020**E. Assets, Liabilities, and Net Position or Equity (continued)**

Depreciation has been calculated on each class of depreciable property using the straight-line method, with one-half year's depreciation in the year of acquisition. Estimated useful lives are as follows:

Water and sewer line extensions	30 – 50 years
Buildings	30 – 50 years
Furniture and office equipment	5 – 10 years
Water storage tanks	50 years
Vehicles and equipment	4 – 10 years
Sewer treatment plant	24 years

**4. Long-term Debt, Deferred Debt Expense, and Bond Discounts/Premiums**

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**5. Fund Equity**

The City implemented Governmental Accounting Standards Board No. 54, Fund Balance Reporting and Governmental Fund Type Definitions effective for the fiscal year ended June 30, 2011. This standard clarifies existing governmental fund type definitions and establishes fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Classifications will include *nonspendable*, examples being prepaid items and inventory, and the following spendable fund balances – *restricted* – fund balances that are constrained by external parties, constitutional provisions or enabling legislation, *committed* – fund balances that contain self-imposed constraints of the government from its highest level of decision making authority, *assigned* – fund balances that contain self-imposed constraints of the government to be used for a particular purpose and *unassigned* – fund balance of the general fund that is not constrained for any particular purpose. The standard affects fund balance reporting only and does not affect government-wide or proprietary fund financial statements.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2020**E. Assets, Liabilities, and Net Position or Equity (continued)**

The following schedule reflects governmental fund balances at June 30, 2020:

Fund balances:

	General <u>Fund</u>	Non-major <u>Funds</u>	<u>Total</u>
Unassigned	\$ 392,178	\$ -	\$ 392,178
Nonspendable	35,025	-	35,025
Restricted	<u>262,025</u>	<u>332,369</u>	<u>594,394</u>
Total fund balances	<u>\$ 689,228</u>	<u>\$ 332,369</u>	<u>\$ 1,021,597</u>

**6. Fund Equity**

GASB 63, implemented for the fiscal year ended June 30, 2013, has changed the presentation of the City's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources. Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations on its use either through the enabling legislation adopted by the City or through external restrictions imposed by the creditors, grantors or laws or regulations of other governments.

**F. Sources of Revenue and Other General Information****1. Revenues**

The major sources of revenue other than general fund tax and licenses and proprietary fee for services are federal and state grants, state financial assistance, local contributed cash, contributed services, and other revenues as discussed below:

**a. Federal and State Grant Revenue**

Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2020**F. Sources of Revenue and Other General Information (continued)****b. State Financial Assistance**

State financial assistance revenues are recognized upon notification of the amount of the award as the resources are collectible within the current period.

**c. Local Contributed Cash**

Contributions to grant programs from local governments and other participants are recognized as revenue when grant expenditures are incurred in the case of cost reimbursement grants.

**d. In-Kind – Contributed Services**

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal funding on various grants. Contributed services are therefore reflected as revenue and expenditures in accordance with legal requirements of the individual grants. Contributed services are recorded as an expenditure with an equivalent amount recorded as revenue. The amounts of such services are recorded in the accompanying financial statements at their estimated fair values at date of receipt.

**e. Other Revenues**

Other revenues are composed primarily of interest and miscellaneous charges for services. Interest income is recorded as earned since it is measurable and available. Miscellaneous charges for services are recorded as revenues when received in cash because they are generally not measurable until actually received.

**2. Leases**

Leases that transfer substantially all of the risks and benefits of ownership are capital leases. Other leases are operating leases. Capital leases are included in property and equipment and are amortized using the straight-line method over their respective terms. Operating leases are expensed over the terms of the leases.

**3. Budgets and Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reflected in the fund financial statements:

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2020**F. Sources of Revenue and Other General Information (continued)**

- a. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds as well as for all enterprise funds. These budgets are adopted on a basis consistent with generally accepted accounting principles.
- b. Budgetary data for capital project funds has not been presented in the accompanying combined financial statements as such funds are budgeted over the life of the respective project and not on an annual basis.
- c. The City Commission approves, by ordinance, total budget appropriations only. Any revisions thereafter for any fund must also be approved by the City Commission. Therefore, the level of budgetary responsibility is by total appropriations. However, for report purposes this level has been expanded to a functional basis (general government, public safety, etc.).
- d. Unused appropriations for all of the above annually budgeted funds lapse at the end of year.
- e. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

**4. Leave Policies**Vacation

The vacation leave in 2020 is 3 calendar weeks per year.

Vacation leave must be taken within the year after it is accumulated.

Absences on account of sickness, injury or disability in excess of that authorized for such purposes may be charged to vacation leave credit.

Sick

All full-time employees shall be granted one working day sick leave credit with pay for each completed calendar month of service. Sick leave may be accumulated to a maximum of 60 working days.

At June 30, 2020, accrued compensated absences totaled \$77,635 based on the number of days earned for each employee.



CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2020**F. Sources of Revenue and Other General Information (continued)****5. Property Tax Calendar**

Property taxes for the fiscal year were levied in September 2019, on the assessed valuation of property in Perry County as of the preceding January 1, the lien date. The due date and collection periods for all taxes exclusive of vehicle taxes, are as follows:

<u>Description</u>	<u>Per KRS 134.020</u>
1. Due date for payment of taxes, 2% discount	30 days from the date mailed
2. Face value amount payment date	31-60 days from the date mailed
3. Delinquent date 10% penalty, .5% interest per month	Beyond 61 days until collected

Vehicle taxes are collected by the County Clerk of Perry County and are due and collected in the birth month of the vehicle's licensee.

**6. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**7. Accounting for Pensions and Other Post-Employment Benefits (OPEB)**

GASB Statements Nos. 67 and 68, *Accounting and Financial Reporting for Pensions* – an *amendment* of GASB Statement 27 and GASB Statement No. 71 improves accounting and financial reporting by state and local governments for pensions and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, improves information provided by state and local governmental employers about financial support for pensions and OPEB that is provided by other entities. These Statements result from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions/OPEB with regard to providing decisions-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. These Statements were effective for fiscal years beginning after June 15, 2014 for pension reporting and fiscal year beginning after June 15, 2017 for OPEB, each have been implemented by the City of Hazard.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2020**F. Sources of Revenue and Other General Information (continued)****8. Recently Issued Accounting Pronouncements**

The City did not implement any new accounting pronouncements during the year ended June 30, 2020.

The City will adopt the following new accounting pronouncements in future years:

- GASB Statement No. 84—Fiduciary Activities, effective for the City’s fiscal year ending June 30, 2021.
- GASB Statement No. 87—Leases, effective for the City’s fiscal year ending June 30, 2022.
- GASB Statement No. 89—Accounting for Interest Cost Incurred before the End of a Construction Period, effective for the City’s fiscal year ending June 30, 2022.

The impact of these pronouncements on the City’s financial statements has not been determined.

**2. - Cash and Investments**

The carrying amount of the City’s deposits with financial institutions and petty cash was \$6,777,467 and the bank balance was \$6,798,096.

Custodial credit risk is the risk that in event of bank failure the deposits may not be returned or that the City may not recover collateral securities. The City requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). At June 30, 2020, \$1,812,502 was insured by FDIC, \$3,816,235 was collateralized with securities held by the pledging financial institution’s trust department in the City’s name and \$1,169,359 of the City’s deposits were not collateralized.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2020**2. - Cash and Investments (continued)**

At June 30, 2020, the City's deposits at Peoples Bank and Trust, First Trust and First Federal Savings and Loan were not fully covered by collateral agreements. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

The City does not retain any long-term investments. Concentrations of credit risk are the risk of loss attributed to the magnitude of the City's investments in a single issuer. All of the organization's cash is held at local financial institutions. Foreign currency risk is the risk of changes in exchange rates affecting foreign investments. The City does not hold any foreign investments.

Other Investments:

Investment in the Hazard Gas Company is accounted for under the equity method, at cost, increased or decreased by the Hazard Gas Company's share of earnings or losses, less transfers. The Hazard Gas Company is 100% owned by Public Improvement Corporation. As of June 30, 2020, the balance is \$202,922.

Investment in the Hazard Pavilion is accounted for under the equity method, at cost, increased or decreased by the Hazard Pavilion's share of earnings or losses, less transfers. The Hazard Pavilion is 100% owned by Public Improvement Corporation. As of June 30, 2020, the balance is \$(736,722).

For financial reporting purposes, the investment and related earnings from the subsidiaries are eliminated in the combining financial statements.

**3. - Retirement Plans**

The City of Hazard is a participating employer of the City of Hazard Policemen's and Firemen's Pension Fund of those employees hired before August 31, 1989 and after this date County Employee's Retirement System.

A summary of the City of Hazard Policemen's and Firemen's Pension fund is as follows:

Effective Date	March 2, 1953.
Plan Year (Fiscal Year)	The 12-month period ending June 30.
Participants	Policemen and Firemen employed before 1989 by the City of Hazard, Kentucky.
Normal Eligibility	20 years of service.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 20203. - **Retirement Plans (continued)**

Retirement Pension Benefit	50% of salary at a time of retirement.
Disability Eligibility	Total and permanent disability incurred by reason of service with the Police or Fire Department.
Pension Benefits	50% of salary at time of retirement.
Retiree Survivors Benefits	If a retiree dies, his monthly pension will continue to his surviving spouse for life. In addition, there are fixed dollar amounts which can be paid to surviving children and parents.
Death Before Retirement	If an active participant dies in the line of duty or with at least 15 years of service, the widows and orphans benefits outline above will be paid.
Vesting	The employee is always vested in the value of his own contributions. He is not, however, vested in any monthly pension prior to completing 20 years of service.
Employee Contributions	Equal to the amount the employee would contribute to the Social Security system in payroll taxes.
Employer Contributions	City of Hazard contributes to the general fund the balance needed to fund the Plan offset by Employee Contributions.

The City of Hazard plan (KRS 95.620 Revised Subsection 2) has no active employees (firemen and policemen) covered by the City of Hazard Policemen's and Firemen's Pension Fund. Funding for the plan was provided through payroll withholding of 7.65% and a City's contribution of the balance needed to fund the plan offset by employer's contributions.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2020**3. - Retirement Plans (continued)**

The City of Hazard has a total of 124 employees under the County Employee's Retirement System, (CERS) a cost sharing, multiple-employer, public employer retirement system. Funding for the plan is provided through a payroll withholding of 5%, except for new hires on or after September 1, 2008 with payroll withholdings of 6%, and a City's contribution of 24.06% of the employees total compensation subject to contribution. The City does not participate in the hazardous plan of CERS but provides a pass-through hazardous CERS contribution for one police officer who is funded through the federal UNITE program.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling (800) 928-4646 or at <https://kyret.ky.gov>.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the plan documents.

At June 30, 2020, the City reported the following for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2019 for the City's proportionate share of net CERS pension liability and June 30, 2020 for the City's Firemen's and Policemen's Pension Fund. At June 30, 2019 the City's proportion of the net pension liability based on contributions to CERS during fiscal year ended June 30, 2018 was .137590% for non-hazardous and .010910% for hazardous. The City's proportionate share was 100% for the Firemen's and Policemen's Pension Fund.

City's proportionate share of the net CERS non-hazardous pension liability	<u>\$ 9,676,766</u>
City's proportionate share of the net CERS hazardous pension liability	<u>\$ 301,366</u>
City's proportionate share of the net Firemen-Police pension liability	<u>\$ 5,572,552</u>

For the year ended June 30, 2020, the City's financial statements reported pension expense of \$1,094,195 for CERS non-hazardous, \$50,086 for CERS hazardous and \$608,264 for the Firemen-Police pension. For the year ended June 30, 2020 the City recognized deferred outflows of resources for non-hazardous, hazardous and firemen-police of \$1,412,232, \$55,633 and \$24,471, respectively, and deferred inflows of resources for non-hazardous, hazardous and firemen-police of \$1,098,494, \$9,555 and \$0, respectively. These contributions will be recognized as a reduction of the net pension liability in subsequent fiscal years.

## CITY OF HAZARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

3. - **Retirement Plans (continued)**

The City previously reported deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments. This will be recognized as pension expense as follows:

Year	Non-hazardous		Hazardous		Firemen-Police	
	<u>Total</u>		<u>Total</u>		<u>Total</u>	
2020	228,186		29,624		-	
2021	16,781		12,190		-	
2022	57,702		3,992		7,558	
2023	11,068		271		7,558	
2024	-		-		7,559	
Thereafter	-		-		1,796	
	<u>\$ 313,737</u>		<u>\$ 46,077</u>		<u>\$ 24,471</u>	

  

	Non-hazardous		Hazardous		Firemen-Police	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 247,077	\$ 40,887	\$ 12,804	\$ -	\$ -	\$ -
Changes of assumptions	979,399	-	29,253	-	-	-
Net difference between projected and actual earnings on pension plan investments	185,756	341,749	4,636	8,901	24,471	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	715,858	8,940	654	-	-
City contributions subsequent to the measurement date	-	-	-	-	-	-
Total	<u>\$ 1,412,232</u>	<u>\$ 1,098,494</u>	<u>\$ 55,633</u>	<u>\$ 9,555</u>	<u>\$ 24,471</u>	<u>\$ -</u>

*Actuarial Methods and Assumptions* - The total pension liability for CERS and Firemen-Police was determined by applying procedures to the actuarial valuation as of June 30, 2018 and June 30, 2020, respectively. The financial reporting actuarial valuation for CERS as of June 30, 2019, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2020**3. - Retirement Plans (continued)**

- Valuation date, June 30, 2017
- Actuarial Cost method – Entry Age Normal
- Amortization Method – Level percentage of payroll, closed
- Remaining Amortization Period – 26 years, closed
- Asset Valuation method – 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
- Payroll growth rate – 2%
- Inflation – 2.30%
- Salary increases, 3.30% to 11.55%, varies by service for non-hazardous; 3.05% to 18.55%, varies by service for hazardous
- Investment return – 6.25%
- RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

The financial reporting actuarial valuation for Firemen-Police as of June 30, 2020, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

- Valuation date, June 30, 2020
- Actuarial Cost method – Entry Age Normal
- Amortization Method – Level dollar, open
- Remaining Amortization Period – 15 years
- Asset Valuation method – Market value
- Cost of living adjustments – Not applicable
- Salary increases – Not applicable
- Investment rate of return – 2.66%, net of pension plan investment expense, including inflation
- The assumed mortality tables have been updated to the gender specific PUB-2010 Amount Weighted Safety Table, generational mortality using MP-2020 mortality improvement projection scale.

The target asset allocation and best estimates of arithmetic real rate of return for each major asset class, as provided by CERS's investment consultant, are summarized as follows:

	Non-hazardous and Hazardous	Target	Long-term Expected Nominal Return
<b>Growth</b>	<u>Asset Class</u>	<u>Allocation</u>	
		<b>62.50%</b>	
	US Equity	18.75%	4.30%
	Non US Equity	18.75%	4.80%
	Private Equity	10.00%	6.65%
	Specialty Credit/High Yield	15.00%	2.60%

## CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

3. - Retirement Plans (continued)

Non-hazardous and Hazardous		Target	Long-term Expected Nominal
	<u>Asset Class</u>	<u>Allocation</u>	<u>Return</u>
<b>Liquidity</b>		<b>14.50%</b>	
	Core Bonds	13.50%	1.35%
	Cash	1.00%	0.20%
<b>Diversifying Strategies</b>		<b>23.00%</b>	
	Real Estate	5.00%	4.85%
	Opportunistic	3.00%	2.97%
	Real Return	15.00%	4.10%

The target asset allocation and best estimates of arithmetic real rate of return for each major asset class, as provided by Firemen-Police's investment consultant, are summarized as follows:

Firemen-Police		Target	Long-term Expected Nominal
	<u>Asset Class</u>	<u>Allocation</u>	<u>Return</u>
	Cash	100.00%	2.66%

*Discount Rate* – The discount rate used to measure the total pension liability for CERS and Firemen-Police was 6.25% and 2.66%, respectively. The projection of cash flows used to determine the discount rate assumed contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25% for CERS and 2.66% for Firemen-Police. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Deferred inflows and outflows and pension expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability is based on the June 30, 2019 actuarial valuations for CERS and June 30, 2020 actuarial valuations for Firemen-Police. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a five year period.



CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2020**3. - Retirement Plans (continued)**

The following presents the City's proportionate share of net pension liability calculated using the discount rate for CERS of 6.25% and the Firemen-Police rate of 2.66%, as well as the City's share, if calculated using a rate 1% higher and 1% lower:

	1% Decrease <u>5.25%</u>	Current Discount Rate <u>6.25%</u>	1% Increase <u>7.25%</u>
City's proportionate share of net non-hazardous pension liability	\$ 12,102,890	\$ 9,676,766	\$ 7,654,616
City's proportionate share of net hazardous pension liability	\$ 376,776	\$ 301,366	\$ 239,542
	<u>1.66%</u>	<u>2.66%</u>	<u>3.66%</u>
City's proportionate share of the net Firemen-Police pension liability	\$ 6,440,378	\$ 5,572,552	\$ 4,851,942

There were no payables to the pension plans at June 30, 2020.

**4. - OPEB Plans****General Information about the OPEB Plan**

*Plan description* – Substantially all full-time employees of the City are provided OPEBs through the County Employees Retirement System of the State of Kentucky (CERS)—a cost-sharing multiple-employer defined benefit OPEB plan. CERS was created by the Kentucky General Assembly pursuant to the provisions of Kentucky Revised Statute 78.520.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling (800)928-4646 or at <https://kyret.ky.gov>.

The State reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the KRS Insurance Fund. The following information is about the KRS plans:

**Medical Insurance Plan**

*Plan description* – In addition to the OPEB benefits described above, KRS provides post-employment healthcare benefits to eligible members and dependents. The KRS Insurance benefit is a cost-sharing multiple employer defined benefit plan.

CITY OF HAZARDNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2020**4. - OPEB Plans (continued)**

*Benefits provided* – Benefits under the plan will vary based on years of service and other factors as fully described in the plan documents.

*Contributions* – In order to fund the post-retirement healthcare benefit, participants hired on or after September 1, 2008 contribute 1% of total compensation subject to contribution for non-hazardous and hazardous duty positions. Also, the premiums collected from retirees as described in the plan documents and investment interest help meet the medical expenses of the plan.

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

At June 30, 2020, the City of Hazard reported a liability of \$2,315,043 and \$80,704 for its proportionate share of the collective net CERS non-hazardous and hazardous OPEB liability, respectively. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the City's proportion was .137640% for non-hazardous and .010908% for hazardous. The previous year proportion were .144254% and .010545%, respectively.

The amount recognized by the City as its proportionate share of the OPEB liability was as follows:

City's proportionate share of the net CERS non-hazardous OPEB liability	<u>\$2,315,043</u>
City's proportionate share of the net CERS hazardous OPEB liability	<u>\$ 80,704</u>

For the year ended June 30, 2020, the City recognized OPEB expense of \$178,495 and \$13,534 for non-hazardous and hazardous, respectively. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

## CITY OF HAZARD

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

4. - OPEB Plans (continued)

	Non-hazardous		Hazardous	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 698,502	\$ -	\$ 15,014
Changes of assumptions	685,043	4,581	24,388	153
Net difference between projected and actual earnings on plan investments	15,249	118,073	551	5,191
Changes in proportion and differences between City contributions and proportionate share of contributions	-	342,243	3,060	7
City contributions subsequent to the measurement date	-	-	-	-
Total	<u>\$ 700,292</u>	<u>\$ 1,163,399</u>	<u>\$ 27,999</u>	<u>\$ 20,365</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the City's OPEB expense as follows:

	Non-hazardous	Hazardous
<u>Year</u>	<u>Total</u>	<u>Total</u>
2020	(92,643)	6,146
2021	(92,643)	1,854
2022	(59,951)	(919)
2023	(122,400)	554
2024	(82,033)	-
Thereafter	<u>(13,437)</u>	<u>-</u>
	<u>\$ (463,107)</u>	<u>\$ 7,635</u>

*Actuarial assumptions* – The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation date, June 30, 2017
- Actuarial Cost method – Entry Age Normal
- Amortization Method – Level percentage of payroll, closed

CITY OF HAZARDNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2020**4. - OPEB Plans (continued)**

- Remaining Amortization Period – 26 years, closed
- Asset Valuation method – 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
- Payroll growth rate – 2%
- Inflation – 2.30%
- Salary increases, 3.30% to 11.55%, varies by service for non-hazardous; 3.05% to 18.55%, varies by service for hazardous
- Investment return – 6.25%
- RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
- Phase-in Provision-Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018
- Healthcare cost trend rates
 

Under 65	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Ages 65 and Older	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined by weighting the expected future real rates of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KRS's investment consultant, are summarized in the following table:

Non-hazardous and Hazardous	Target	Long-term
<u>Asset Class</u>	<u>Allocation</u>	<u>Expected Nominal Return</u>
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%

## CITY OF HAZARD

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

4. - OPEB Plans (continued)

Non-hazardous and Hazardous <u>Asset Class</u>	Target	Long-term
	<u>Allocation</u>	Expected <u>Nominal Return</u>
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%

*Discount rate* - The discount rate used to measure the total OPEB liability was 5.68% for non-hazardous and 5.69% for hazardous. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the City's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.68% and 5.69% for non-hazardous and hazardous, respectively, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.68% for non-hazardous and 4.69% hazardous) or 1-percentage-point higher (6.68% for non-hazardous and 6.69% for hazardous) than the current rate:

	1% Decrease 4.68%	Current Discount Rate 5.68%	1% Increase 6.68%
City's proportionate share of net non-hazardous OPEB liability	\$ 3,101,205	\$ 2,315,043	\$ 1,667,297

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2020**4. - OPEB Plans (continued)**

	<u>1%</u> <u>Decrease</u> 4.69%	<u>Current</u> <u>Discount Rate</u> 5.69%	<u>1%</u> <u>Increase</u> 6.69%
City's proportionate share of net hazardous OPEB liability	\$ 112,598	\$ 80,704	\$ 54,815

*Sensitivity of the City's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates* – The following presents the City's proportionate share of the collective net OPEB liability, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1%</u> <u>Decrease</u>	<u>Current Healthcare</u> <u>Cost Trend Rate</u>	<u>1%</u> <u>Increase</u>
City's proportionate share of net non-hazardous OPEB liability	\$ 1,721,709	\$ 2,315,043	\$ 3,034,530

	<u>1%</u> <u>Decrease</u>	<u>Current Healthcare</u> <u>Cost Trend Rate</u>	<u>1%</u> <u>Increase</u>
City's proportionate share of net hazardous OPEB liability	\$ 56,155	\$ 80,704	\$ 110,652

*OPEB plan fiduciary net position* – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KRS financial report.

**5. - Allowance for Uncollectible Accounts**

Allowance for uncollectible accounts receivable in the various funds at June 30, 2020 is as follows:

General Fund	
Property taxes	\$ 181,618
Water Fund	
Water billing	591,219
Sewer Fund	
Sewer billing	123,694
Gas Fund	
Gas billing	130,143
Garbage Fund	
Garbage billing	\$ 294,614

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2020**6. - Proprietary Funds Fixed Assets**

The following is a summary of property, plant and equipment of the Proprietary Funds at June 30, 2020:

	Public		Hazard				Starland	The	
	Improvement	Water	Pavilion	Gas	Garbage	Sewer	Building	Hazard	Total
	Corp.							Forum	
Land	\$ 821,026	\$ 98,897	\$ -	\$ 21,799	\$ -	\$ 16,605	\$ -	\$ -	\$ 958,327
Construction in progress	-	24,509	-	1,604,564	-	111,833	-	-	1,740,906
Buildings	2,310,673	6,624,309	1,602,455	-	-	7,306,922	203,164	7,038,660	25,086,183
Improvements other than buildings	708,286	44,884,608	-	5,063,279	-	7,105,844	10,585	-	57,772,602
Equipment and machinery	-	1,338,688	123,783	619,155	666,050	487,989	3,324	32,638	3,271,627
Office equipment and fixtures	-	74,286	156,796	216,318	46,800	42,045	-	-	536,245
Vehicles	66,000	683,876	-	363,133	984,201	54,592	-	-	2,151,802
	3,905,985	53,729,173	1,883,034	7,888,248	1,697,051	15,125,830	217,073	7,071,298	91,517,692
Accumulated Depreciation	<u>(2,057,902)</u>	<u>(21,907,313)</u>	<u>(1,507,561)</u>	<u>(4,761,187)</u>	<u>(1,600,151)</u>	<u>(9,432,186)</u>	<u>(15,780)</u>	<u>(3,103,114)</u>	<u>(44,385,194)</u>
<b>Total</b>	<b><u>\$ 1,848,083</u></b>	<b><u>\$ 31,821,860</u></b>	<b><u>\$ 375,473</u></b>	<b><u>\$ 3,127,061</u></b>	<b><u>\$ 96,900</u></b>	<b><u>\$ 5,693,644</u></b>	<b><u>\$ 201,293</u></b>	<b><u>\$ 3,968,184</u></b>	<b><u>\$ 47,132,498</u></b>

Depreciation was allocated to each fund as follows:

Public Improvement Corp.	\$ 60,512
Water	1,139,251
Pavilion	53,223
Gas	71,839
Garbage	23,412
Sewer	509,771
Starland Building	6,116
Hazard Forum	177,275
<b>Total Depreciation</b>	<b><u>\$ 2,041,399</u></b>

## CITY OF HAZARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

6. - Proprietary Funds Fixed Assets (continued)

Proprietary fund activity for the fiscal year ended June 30, 2020 was as follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2020</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 945,650	\$ 12,677	\$ -	\$ 958,327
Construction in progress	<u>2,900,014</u>	<u>1,856,560</u>	<u>(3,015,668)</u>	<u>1,740,906</u>
Total capital assets not being depreciated	3,845,664	1,869,237	(3,015,668)	2,699,233
<u>Capital assets being depreciated:</u>				
Buildings	25,057,293	28,890	-	25,086,183
Improvements other than buildings	54,721,880	3,050,722	-	57,772,602
Equipment and machinery	3,254,631	16,996	-	3,271,627
Office equipment and fixtures	557,344	-	(21,099)	536,245
Vehicles	<u>2,092,228</u>	<u>59,574</u>	<u>-</u>	<u>2,151,802</u>
Total capital assets being depreciated	85,683,376	3,156,182	(21,099)	88,818,459
<u>Less accumulated depreciation for:</u>				
Buildings	(16,239,412)	(708,520)	-	(16,947,932)
Improvements other than buildings	(20,975,048)	(1,197,315)	-	(22,172,363)
Equipment and machinery	(2,525,665)	(96,150)	-	(2,621,815)
Office equipment and fixtures	(529,433)	(22,285)	-	(551,718)
Vehicles	<u>(2,074,237)</u>	<u>(17,129)</u>	<u>-</u>	<u>(2,091,366)</u>
Total accumulated depreciation	(42,343,795)	(2,041,399)	-	(44,385,194)
<u>Total capital assets being depreciated, net:</u>	<u>43,339,581</u>	<u>1,114,783</u>	<u>(21,099)</u>	<u>44,433,265</u>
<u>Total proprietary fund fixed assets</u>	<u>\$ 47,185,245</u>	<u>\$ 2,984,020</u>	<u>\$ (3,036,767)</u>	<u>\$ 47,132,498</u>

The following ongoing and completed infrastructure asset/projects were recognized and added to the schedule of fixed assets:

Coalfields Gas Supply Project	\$1,366,533
Hwy 15 Utilities Relocation	\$30,454
AML Waterline Projects	\$244,191
USDA Sanitary Sewer Project	\$406,682



## CITY OF HAZARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

7. - Governmental Fixed Assets

The following is a summary of changes in governmental fixed assets:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2020</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 969,330	\$ 165,500	\$ -	\$ 1,134,830
Construction in progress	<u>8,965</u>	<u>370,243</u>	<u>(8,965)</u>	<u>370,243</u>
Total capital assets not being depreciated	978,295	535,743	(8,965)	1,505,073
<u>Capital assets being depreciated:</u>				
Buildings	2,482,240	242,735	-	2,724,975
Improvements other than buildings	1,370,238	58,993	-	1,429,231
Equipment and machinery	798,805	57,555	-	856,360
Office equipment and fixtures	381,925	-	-	381,925
Vehicles	<u>3,188,065</u>	<u>243,345</u>	<u>-</u>	<u>3,431,410</u>
Total capital assets being depreciated	8,221,273	602,628	-	8,823,901
<u>Less accumulated depreciation for:</u>				
Buildings	(1,985,923)	(47,123)	-	(2,033,046)
Improvements other than buildings	(555,376)	(30,187)	-	(585,563)
Equipment and machinery	(600,565)	(56,852)	-	(657,417)
Office equipment and fixtures	(342,738)	(6,850)	-	(349,588)
Vehicles	<u>(2,912,392)</u>	<u>(99,939)</u>	<u>-</u>	<u>(3,012,331)</u>
Total accumulated depreciation	(6,396,994)	(240,951)	-	(6,637,945)
<u>Total capital assets being depreciated, net:</u>	<u>1,824,279</u>	<u>361,677</u>	<u>-</u>	<u>2,185,956</u>
<u>Total governmental fund fixed assets</u>	<u>\$ 2,802,574</u>	<u>\$ 897,420</u>	<u>\$ (8,965)</u>	<u>\$ 3,691,029</u>

Depreciation expense was allocated to each function as follows:

General government	\$ 42,994
Police	75,869
Fire	51,034
Public works	54,521
Highway and streets	<u>16,533</u>
<u>Total Depreciation</u>	<u>\$ 240,951</u>

## CITY OF HAZARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

**8. - Proprietary Fund and Governmental Fund Changes in Long-term Debt**

The following is a summary of changes in long-term obligations for the year ended June 30, 2020:

	Balance			Balance	
	July 1, 2019	Additions	Deductions	June 30, 2020	Current
<u>Governmental activities:</u>					
Notes from direct borrowing	\$ 488,713	\$ 569,010	\$ (518,477)	\$ 539,246	\$ 181,373
Total	<u>488,713</u>	<u>569,010</u>	<u>(518,477)</u>	<u>539,246</u>	<u>181,373</u>
<u>Proprietary-type activities:</u>					
General obligation bonds	5,717,800	3,375,000	(3,327,249)	5,765,551	160,266
Notes from direct borrowing	2,249,595	1,385,984	(1,012,337)	2,623,242	969,910
Total	<u>7,967,395</u>	<u>4,760,984</u>	<u>(4,339,586)</u>	<u>8,388,793</u>	<u>1,130,176</u>
Total	<u>\$ 8,456,108</u>	<u>\$ 5,329,994</u>	<u>\$ (4,858,063)</u>	<u>\$ 8,928,039</u>	<u>\$ 1,311,549</u>

The City's outstanding notes from direct borrowing related to governmental activities contains provision that in the event of default, outstanding balances become immediately due, with possible loss of equipment, interest rate increases and accrued fees.

The City's outstanding notes from direct borrowing related to proprietary-type activities contains provision that in the event of default, outstanding balances become immediately due, with possible loss of equipment, interest rate increases and accrued fees. If the City defaults on the proprietary-type activities related to the Revenue Bonds, the lenders may assign a receiver to administer on behalf of the City to charge and collect rates sufficient to provide for payment of operating and maintenance expenses and for the payment of principal and interest on the outstanding balances.

Principal and interest requirements to retire the City's long-term obligations are as follows:

	Government activities		Proprietary-type activities			
	Notes from direct		Bonds		Notes from direct borrowing	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 181,373	\$ 12,170	\$ 160,266	\$ 148,116	\$ 969,910	\$ 79,605
2022	50,937	11,853	169,384	143,082	296,089	44,566
2023	52,983	9,808	173,500	139,012	159,451	33,884
2024	55,112	7,681	176,784	134,844	80,459	30,932
2025	31,551	5,963	182,984	130,598	82,676	28,715
2026 - 30	161,439	14,638	978,751	584,939	449,261	107,700
2031 - 35	5,851	24	1,104,835	455,620	442,321	42,666
2036 - 40	-	-	1,208,885	299,011	143,075	3,645
2041 - 45	-	-	797,749	152,461	-	-
2046 - 50	-	-	513,414	59,591	-	-
2051 - 54	-	-	299,000	9,787	-	-
Total	<u>\$ 539,246</u>	<u>\$ 62,137</u>	<u>\$ 5,765,551</u>	<u>\$ 2,257,059</u>	<u>\$ 2,623,242</u>	<u>\$ 371,713</u>

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2020**8. - Proprietary Fund and Governmental Fund Changes in Long-term Debt (continued)**

In January 2020, the City issued \$3,375,000 in water and sewer revenue bonds with an interest rate of 2.25% to 3%. These refunding bonds were issued to defease bonds issued in 2000, 2003 and 2010. Those defeased included the following:

- City of Hazard Water System Revenue Bonds, consisting of \$1,248,000 of Series A Bonds and \$752,000 of Series B Bonds were issued with a date of July 13, 2000. Initial interest payment at a rate of 4.5%.
- City of Hazard Sewer System Revenue Bonds, 2/3/2003, original amount of loan, \$450,000. Fixed interest rate of 4.5%.
- City of Hazard Water System Revenue Bonds, consisting of \$1,569,000 of Series 2009 were issued with a date of January 27, 2010. Initial interest payment at a rate of 4.375%.

In fiscal year 2017, the City of Hazard Sewer System received a loan from the Kentucky Infrastructure Authority in the amount of \$1,005,000 with a fixed interest rate of 1.75%. The loan requires a reserve account in the amount of \$2,800 per year until a balance of \$28,000 is reached.

City of Hazard Water System Revenue Bonds, consisting of \$2,282,000 of Series A Bonds and \$392,000 of Series B Bonds were issued with a date of October 2, 2014. Initial interest payment at a rate of 2.125% and 2.375%, respectively, became due January 1, 2015 and the initial principal payment became due January 1, 2016.

Total interest expense for year ended June 30, 2020 was \$243,834 and \$20,293 for proprietary funds and governmental funds, respectively.

The following is a summary of notes and bond payable transactions for the year ended June 30, 2020 by fund:

<u>Description</u>	<u>Collateral</u>	<u>Rate</u>	<u>Balance</u> <u>6/30/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/20</u>	<u>Current</u> <u>Portion</u>
<b>- General Fund -</b>							
Peoples Bank and Trust	Revenues	5.25%	300,160	-	(300,160)	-	-
Peoples Bank and Trust	Revenues	Variable	-	300,320	-	300,320	21,474
Kansas State Bank	Vehicles	4.35%	4,016	-	(4,016)	-	-
Kansas State Bank	Vehicles	4.40%	28,704	-	(24,557)	4,147	4,147
Kansas State Bank	Vehicles	4.73%	-	123,190	(20,884)	102,306	23,279
First Trust Bank	Unsecured	3.95%	-	145,500	(145,500)	-	-
Peoples Bank and Trust	Real estate	2.75%	155,833	-	(23,360)	132,473	132,473
<u>Sub-total</u>			<u>488,713</u>	<u>569,010</u>	<u>(518,477)</u>	<u>539,246</u>	<u>181,373</u>
<b>- Water Fund -</b>							
Cat Financial	Equipment	3.20%	22,624	-	(16,569)	6,055	6,055

## CITY OF HAZARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

**8. - Proprietary Fund and Governmental Fund Changes in Long-term Debt (continued)**

Description	Collateral	Rate	Balance 6/30/19	Additions	Reductions	Balance 6/30/20	Current Portion
<b>Water System Revenue Bonds</b>							
Series 2000A	Revenue	4.50%	927,000	-	(927,000)	-	-
Series 2000B	Revenue	4.50%	558,500	-	(558,500)	-	-
Series 2009	Revenue	4.375%	1,387,000	-	(1,387,000)	-	-
Series 2014A	Revenue	2.125%	2,118,500	-	(43,000)	2,075,500	44,000
Series 2014B	Revenue	2.375%	365,800	-	(7,000)	358,800	7,100
KY Bond Corporation	Revenue	Variable	-	2,991,709	(38,824)	2,952,885	96,874
<u>Sub-total</u>			<u>5,379,424</u>	<u>2,991,709</u>	<u>(2,977,893)</u>	<u>5,393,240</u>	<u>154,029</u>
<b>- Sewer Fund -</b>							
Kentucky Infrastructure Loan	Revenue	1.75%	919,515	-	(43,873)	875,642	44,644
TCF Equipment Finance	Revenue	3.15%	14,052	-	(12,045)	2,007	2,007
KY Bond Corporation	Revenue	Variable	-	383,291	(4,925)	378,366	12,292
Rural Utility Service	Revenue	4.50%	361,000	-	(361,000)	-	-
<u>Sub-total</u>			<u>1,294,567</u>	<u>383,291</u>	<u>(421,843)</u>	<u>1,256,015</u>	<u>58,943</u>
<b>- Public Improvement Corporation -</b>							
Peoples Bank and Trust	Revenues	4.75%	412,237	-	(117,089)	295,148	123,115
<b>- Forum Fund -</b>							
Community Trust Bank	Real Estate/ Rent Revenues	Variable	405,479	-	(25,438)	380,041	22,355
<b>- Starland Building -</b>							
Whitaker Bank	Real Estate	3.95%	177,900	-	(7,032)	170,868	7,217
<b>- Gas Fund -</b>							
Peoples Bank and Trust	Revenues	4.75%	297,788	-	(82,261)	215,527	86,563
Community Trust Bank	Revenues	3.37%	-	1,385,984	(708,030)	677,954	677,954
<u>Sub-total</u>			<u>297,788</u>	<u>1,385,984</u>	<u>(790,291)</u>	<u>893,481</u>	<u>764,517</u>
<u>Total</u>			<u>\$ 8,456,108</u>	<u>\$ 5,329,994</u>	<u>\$ (4,858,063)</u>	<u>\$ 8,928,039</u>	<u>\$ 1,311,549</u>

In July 2018, the City entered into a revolving line of credit with Peoples Bank & Trust for \$500,000. The note was collateralized with pledged occupational license taxes and ad valorem property taxes. The proceeds were used to pay the City's general operation expenses and satisfy a prior line of credit. During fiscal year 2020, the loan was refinanced and monthly payments of \$2,943 were started in September 2020.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2020**9. – Deferred Inflows and Outflows of Resources**

Deferred outflows of resources at June 30, 2020 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Deferred Outflows related to 2020 refunding	\$ -	\$ 309,505
GASB Statement No. 68 Pension Deferred Outflow	989,765	478,100
GASB Statement No. 75 OPEB Deferred Outflow	<u>450,228</u>	<u>278,063</u>
Total	<u>\$ 1,439,993</u>	<u>\$ 1,065,668</u>

Deferred inflows of resources at June 30, 2020 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Deferred Inflows related to 2020 refunding	\$ -	\$ 108,744
GASB Statement No. 68 Pension Deferred Inflow	645,717	462,332
GASB Statement No. 75 OPEB Deferred Inflow	<u>649,798</u>	<u>533,966</u>
Total	<u>\$ 1,295,515</u>	<u>\$ 1,105,042</u>

**10. – Cash and Investments - Restricted Funds**

Certain assets of the City of Hazard are restricted at June 30, 2020 for customers' deposits and debt service. These assets consist of cash and short-term investments restricted as follows:

Water Fund	\$ 1,809,364
Gas Fund	25,000
Sewer Fund	<u>917,868</u>
Total	<u>\$ 2,752,232</u>

**11. - Cash Flow Statement**

For purpose of the cash flow statement cash at June 30, 2020 is as follows:

<u>Proprietary Funds</u>	
Cash - unrestricted	\$ 1,218,335
<u>Restricted</u>	
Cash	<u>2,752,232</u>
	<u>\$ 3,970,567</u>

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

**12. - Contingent Liabilities**

In the normal course of business, the City is a defendant in various lawsuits. Defense of the lawsuits is being handled by the City's attorneys and insurance carriers and losses, if any, are expected to be covered by insurance. Management is of the opinion that none of these lawsuits will have a material adverse effect on the City's financial position.

**13. - Excess Expenditures over Revenues**

The following funds have excess operating expenditures over operating revenues before operating transfers in (out) and other financing sources (uses):

Pavilion Fund	\$	(271,956)
Water Fund		(7,652)
Sewer Fund		(640,949)
Gas Fund		(79,173)
Municipal Road Aid		(214,696)
Fire Dept Fund		(9,399)
Forum Fund		(198,093)
Public Improvement Corporation		(63,330)
Fire-Police Pension Fund	\$	(608,264)

**14. - Deficit in Fund Balance or Retained Earnings**

As of June 30, 2020, the following funds had a deficit in fund balance or retained earnings.

Garbage Fund	\$	(210,799)
Fire-Police Pension Fund		(4,043,992)
Pavilion Fund	\$	(277,741)

**15. - Interfund Assets/Liabilities**

Due from/to other funds balances at June 30, 2020 were as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Payroll Fund -		
Due to/from General Fund	\$ -	\$ 65,579
Due to/from Water Fund	-	35,608
Due to/from Gas Fund	-	11,060
Due to/from Garbage Fund	-	2,429
Due to/from Pavilion Fund	-	4,676
Due to/from Sewer Fund	-	10,064
<u>Total Payroll Fund</u>	<u>-</u>	<u>129,416</u>

## CITY OF HAZARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

15. - Interfund Assets/Liabilities (continued)

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Disbursement Fund -		
Due to/from General Fund	-	12,857
Due to/from Gas Fund	-	20,656
Due to/from Water Fund	-	68,117
Due to/from Fire-Police Pension Fund	-	287
Due to/from Forum Fund	-	411
Due to/from Garbage Fund	25,317	-
Due to/from Pavilion Fund	48	-
Due to/from Sewer Fund	406	-
Due to/from Road Aid Fund	-	62
<u>Total Disbursement Fund</u>	<u>25,771</u>	<u>102,390</u>
General Fund -		
Due to/from Disbursement Fund	12,857	-
Due to/from Road Aid Fund	-	36,973
Due to/from Gas Fund	221,800	-
Due to/from Fire Dept Equipment Fund	11,302	-
Due to/from Allais Redevelopment Project	91,578	-
Due to/from Payroll Fund	65,579	-
<u>Total General Fund</u>	<u>403,116</u>	<u>36,973</u>
Gas Fund -		
Due to/from Payroll Fund	11,060	-
Due to/from Disbursement Fund	20,656	-
Due to/from General Fund	-	221,800
<u>Total Gas Fund</u>	<u>31,716</u>	<u>221,800</u>
Pavilion Fund -		
Due to/from Disbursement Fund	-	48
Due to/from Payroll Fund	4,676	-
<u>Total Pavilion Fund</u>	<u>4,676</u>	<u>48</u>
Sewer Fund -		
Due to/from Payroll Fund	10,064	-
Due to/from Disbursement Fund	-	406
Due to/from Water Fund	202,959	16,375
<u>Total Sewer Fund</u>	<u>213,023</u>	<u>16,781</u>

## CITY OF HAZARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

15. - Interfund Assets/Liabilities (continued)

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Garbage Fund -		
Due to/from Disbursement Fund	-	25,317
Due to/from Payroll Fund	<u>2,429</u>	<u>-</u>
<u>Total Garbage Fund</u>	<u>2,429</u>	<u>25,317</u>
Water Fund -		
Due to/from Disbursement Fund	68,117	-
Due to/from Sewer Fund	16,375	202,959
Due to/from Payroll Fund	<u>35,608</u>	<u>-</u>
<u>Total Water Fund</u>	<u>120,100</u>	<u>202,959</u>
Forum Fund -		
Due to/from Disbursement Fund	<u>411</u>	<u>-</u>
<u>Total Forum Fund</u>	<u>411</u>	<u>-</u>
Fire Dept Equipment Fund -		
Due to/from General Fund	<u>-</u>	<u>11,302</u>
<u>Total Fire Dept Equipment Fund</u>	<u>-</u>	<u>11,302</u>
Allais Redevelopment Project -		
Due to/from General Fund	<u>-</u>	<u>91,578</u>
<u>Total Allais Redevelopment Project</u>	<u>-</u>	<u>91,578</u>
Road Aid Fund -		
Due to/from Asset Forfeiture Fund	-	737
Due to/from General Fund	36,973	-
Due to/from Disbursement Fund	<u>62</u>	<u>-</u>
<u>Total Road Aid Fund</u>	<u>37,035</u>	<u>737</u>
Asset Forfeiture Fund -		
Due to/from Road Aid Fund	<u>737</u>	<u>-</u>
<u>Total Asset Forfeiture Fund</u>	<u>737</u>	<u>-</u>
Fire-Police Pension Fund -		
Due to/from Disbursement Fund	<u>287</u>	<u>-</u>
<u>Total F&amp;P Pension Fund</u>	<u>287</u>	<u>-</u>
<u>Total</u>	<u>\$ 839,301</u>	<u>\$ 839,301</u>



## CITY OF HAZARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

16. - Interfund Operating Transfers

Individual Fund operating transfers for fiscal year 2020, were as follows:

Fund	Transfer Out	Transfer In
<b>General Fund -</b>		
Transfer to/from Fire and Police Pension Fund	\$ 434,010	\$ -
Transfer to/from Garbage Fund	12,000	364,100
Transfer to/from Gas Fund	12,000	84,000
Transfer to/from Pavilion Fund	236,700	-
Transfer to/from Payroll Fund	41,732	41,732
Transfer to/from Disbursement Fund	10,237	10,237
Transfer to/from Sewer Fund	308,900	-
Transfer to/from Water Fund	192,517	-
Transfer to/from FEMA Grant Fund	-	18,390
Transfer to/from Allais Redevelopment Fund	-	29,500
Transfer to/from USDA Farmer's Market Fund	-	8,423
Transfer to/from Fire Department Equipment Fund	-	10,014
Transfer to/from Police Report Fund	-	10,000
Transfer to/from Road Aid Fund	1,362	-
Transfer to/from Mayor and Commissioners Special Recreation	-	3,038
Transfer to/from Public Improvement Corp Fund	263,098	-
<u>Total General Fund</u>	<u>1,512,556</u>	<u>579,434</u>
<b>Special Revenue -</b>		
Road Aid Fund		
Transfer to/from General Fund	-	1,362
Transfer to/from LGEA Coal and Mineral Severance	-	82,416
LGEA Coal and Mineral Severance		
Transfer to/from Road Aid Fund	82,416	-
Mayor and Commissioners Special Recreation		
Transfer to/from General Fund	3,038	-
Police Report Fund		
Transfer to/from General Fund	10,000	-
<u>Total Special Revenue Funds</u>	<u>95,454</u>	<u>83,778</u>
<b>Capital Projects -</b>		
Fire Department Equipment Fund		
Transfer to/from Fire Dept Fund	2,500	1,000
Fire Dept Fund		
Transfer to/from General Fund	10,014	-
Transfer to/from Fire Department Equipment Fund	1,000	2,500
USDA Farmers Market Fund		
Transfer to/from General Fund	8,423	-
Allais Redevelopment Fund		
Transfer to/from General Fund	29,500	-
FEMA Grant Fund		
Transfer to/from General Fund	18,390	-
<u>Total Capital Projects</u>	<u>69,827</u>	<u>3,500</u>

## CITY OF HAZARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

16. - Interfund Operating Transfers (continued)

<u>Fund</u>	<u>Transfer Out</u>	<u>Transfer In</u>
Fiduciary Fund Type -		
Fire and Police Pension Fund		
Transfer to/from General Fund	-	434,010
Disbursement Fund		
Transfer to/from General Fund	10,237	10,237
Transfer to/from Water Fund	15,195	15,195
Transfer to/from Gas Fund	5,257	5,257
Transfer to/from Garbage Fund	6,030	6,030
Transfer to/from Sewer Fund	6,643	6,643
Payroll Fund		
Transfer to/from General Fund	41,732	41,732
Transfer to/from Water Fund	17,182	17,182
Transfer to/from Gas Fund	8,319	8,319
Transfer to/from Sewer Fund	3,583	3,583
<u>Total Fiduciary Funds</u>	<u>114,178</u>	<u>548,188</u>
Proprietary Funds -		
Sewer Fund		
Transfer to/from General Fund	-	308,900
Transfer to/from Gas Fund	-	8,500
Transfer to/from Garbage Fund	-	13,100
Transfer to/from Water Fund	20,197	-
Transfer to/from Payroll Fund	3,583	3,583
Transfer to/from Disbursement Fund	6,643	6,643
Water Fund		
Transfer to/from General Fund	-	192,517
Transfer to/from Gas Fund	-	21,000
Transfer to/from Garbage Fund	-	30,000
Transfer to/from Sewer Fund	-	20,197
Transfer to/from Payroll Fund	17,182	17,182
Transfer to/from Disbursement Fund	15,195	15,195
Garbage Fund		
Transfer to/from General Fund	364,100	12,000
Transfer to/from Disbursement Fund	6,030	6,030
Transfer to/from Pavilion Fund	9,500	-
Transfer to/from Water Fund	30,000	-
Transfer to/from Sewer Fund	13,100	-

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2020**16. - Interfund Operating Transfers (continued)**

Fund	Transfer Out	Transfer In
Public Improvement Corp Fund		
Transfer to/from General Fund	-	263,098
Transfer to/from Forum	38,953	-
Transfer to/from Gas Fund	94,800	7,900
Pavilion Fund		
Transfer to/from General Fund	-	236,700
Transfer to/from Garbage Fund	-	9,500
Forum		
Transfer to/from Public Improvement Corp Fund	-	38,953
Gas fund		
Transfer to/from General Fund	84,000	12,000
Transfer to/from Sewer Fund	8,500	-
Transfer to/from Water Fund	21,000	-
Transfer to/from Payroll Fund	8,319	8,319
Transfer to/from Disbursement Fund	5,257	5,257
Transfer to/from Public Improvement Corp Fund	<u>7,900</u>	<u>94,800</u>
<u>Total Proprietary Funds</u>	<u>754,259</u>	<u>1,331,374</u>
<u>Total All Funds</u>	<u>\$ 2,546,274</u>	<u>\$ 2,546,274</u>

Transfers were according to state law, budget or various operating purposes.

**17. - Leasing Transactions**

- As Lessor -

The City of Hazard, as lessor, has entered into the following agreements:

<u>Tenant</u>	<u>Leased term</u>	<u>Monthly rent</u>	<u>Location</u>
KVC Behavioral Healthcare, Inc.	June 30, 2020	\$ 2,909	The Forum
Commonwealth of Kentucky AML	June 30, 2025	\$ 3,900	The Forum
American National Red Cross	March 31, 2021	\$ 800	The Forum
LKLP, Inc.	Monthly	\$ 4,000	Starland Building
		2% of adjusted	
Drinkard Development, LLC	Monthly	base rents	Black Gold Plaza
KCTCS Kentucky Fire Commission	Monthly	\$ 3,000	65 Gorman Hollow Road

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2020**18. - Grant Programs**

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2020 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

To ensure adequate funds for major maintenance and replacement of the wastewater projects funded by the Kentucky Infrastructure Authority, the City of Hazard is required to set aside annually to a replacement reserve fund from current sewer revenues, after taking into account costs of operations and maintenance and debt service requirements an amount determined by the cabinet. Monies may be withdrawn from the account when major maintenance or replacement of equipment in excess of budgeted amounts is required.

**19. - Risk Management**

The City is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the City carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years, with the exception of contingent liabilities disclosed in the notes to the financial statements.

**20. - Commitments and Contingencies**

The City continues to participate in an ongoing interlocal cooperation with Perry County Fiscal Court agreement dated May 7, 2003 for the development of waterline extensions throughout Perry County.

The City, acting as a political subdivision for a private activity bond issue, agreed to enter into a promissory note arrangement with Appalachian Regional Healthcare, Inc. (ARH) in the amount of \$55,867,000 after the end of the June 30, 2012 fiscal year. The City refinanced the issue named Series 2014 anticipation note having a par amount of \$42,000,000. The proceeds are used to finance improvements to medical facilities in Perry County, Kentucky. Debt service payments will not be administered directly by City personnel. The City has no obligation to repay the bond issue.

The City entered into an agreement with Rumpke of Kentucky, Inc. beginning January 1, 2016, for a five year period, awarding franchise and license privileges within the City to provide residential and commercial solid waste collection, transfer and disposal services. The City retains solid waste billing services and receives twenty percent of gross receipts from all collection and disposal services.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2020**20. – Commitments and Contingencies (continued)**

In addition, the City entered into an agreement with Perry Fiscal Court and Waste Connections of Kentucky, Inc. to provide billing and payment processing services at 8% of the total monthly amount billed for solid waste collection services to those customers who are also provided other City utility customer services.

Also, the City will propose subsequent to the financial statement date, a new sewer processing monthly rate to Sanitation District No. 1 in the amount of \$3.14 based on the audited financial statements.

Subsequent to the financial statement date, the City entered into an agreement through the Kentucky League of Cities' Kentucky Bond Corporation borrowing program to offer \$9,285,000 in general obligation bonds to finance energy conservation improvements to City facilities. The improvements are expected to save the City approximately \$555,778 over the life of the bonds.

**21. – Subsequent Events**

The City continues to monitor the direct and indirect effects of COVID-19, which has led to closings of non-essential services and limitations for public assemblies. While the immediate and long-term financial impact cannot be reasonably estimated, management anticipates preparing amendments to future budget projections reflecting any significant changes in revenues or expenditures affecting the City as a result of the coronavirus.

Subsequent to the financial statement date, the City approved an ordinance, effective January 1, 2021, to amend the calculation of occupational license tax. The ordinance changed the amount of tax due to 1.25% of all wages, compensation and net profits from business conducted within the City, increased the minimum license fee from \$50 to \$100 and eliminated the \$60,000 ceiling for wages/net profit to be taxed at a lower rate.

SUPPLEMENTARY DATA

## CITY OF HAZARD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2020

	General Fund			
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Budget		
<b>REVENUES:</b>				
Taxes	\$2,121,568	\$ 2,121,568	\$ 2,153,564	\$ 31,996
Licenses and permits	4,303,459	4,303,459	4,212,172	(91,287)
Intergovernmental revenues	275,000	275,000	346,936	71,936
Charges for services	-	-	-	-
Fines and forfeits	167,611	167,611	164,056	(3,555)
Miscellaneous revenues	209,228	209,228	127,789	(81,439)
<u>Total revenues</u>	<u>7,076,866</u>	<u>7,076,866</u>	<u>7,004,517</u>	<u>(72,349)</u>
<b>EXPENDITURES:</b>				
<u>Current:</u>				
General government	1,992,748	1,992,748	991,535	1,001,213
Police department	1,999,735	1,999,735	1,749,709	250,026
Fire department	1,392,181	1,392,181	1,176,946	215,235
Public works department	1,340,412	1,340,412	1,257,371	83,041
Other expenditures	176,610	176,610	111,762	64,848
Capital outlay	-	-	592,828	(592,828)
Debt service	-	-	-	-
Principal	175,000	175,000	518,477	(343,477)
Interest	-	-	20,293	(20,293)
<u>Total expenditures</u>	<u>7,076,686</u>	<u>7,076,686</u>	<u>6,418,921</u>	<u>657,765</u>
Excess of revenues over (under) expenditures	<u>180</u>	<u>180</u>	<u>585,596</u>	<u>585,416</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	-	-	579,434	579,434
Operating transfers (out)	-	-	(1,512,556)	(1,512,556)
Proceeds from issuance of debt	-	-	569,010	569,010
Other income	-	-	88,654	88,654
<u>Total other financing sources (uses)</u>	<u>-</u>	<u>-</u>	<u>(275,458)</u>	<u>(275,458)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>180</u>	<u>180</u>	<u>310,138</u>	<u>309,958</u>
<b>FUND BALANCE, JULY 1</b>	<u>-</u>	<u>-</u>	<u>379,090</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 689,228</u>	<u>\$ -</u>

See notes to financial statements and independent auditor's report.

CITY OF HAZARDSCHEDULES OF EMPLOYER'S SHARE OF NET PENSION LIABILITY  
AND SCHEDULES OF EMPLOYER CONTRIBUTIONSFor the Year Ended June 30, 2020

	Employer's Proportionate Share of Net Pension Liability								
	2020			2019			2018		
	<u>CERS Nonhazardous</u>	<u>CERS Hazardous</u>	<u>Fire-Police Pension Fund</u>	<u>CERS Nonhazardous</u>	<u>CERS Hazardous</u>	<u>Fire-Police Pension Fund</u>	<u>CERS Nonhazardous</u>	<u>CERS Hazardous</u>	<u>Fire-Police Pension Fund</u>
Employer's proportion of the net pension liability	0.137590%	0.010910%	100.00%	0.144256%	0.010544%	100.00%	0.163860%	0.010020%	100.00%
Employer's proportionate share of the net pension liability	9,676,766	301,366	5,572,552	8,785,630	255,002	5,396,868	9,591,230	224,175	4,602,159
Employer's covered employee payroll	3,798,308	63,994	-	3,501,884	62,135	-	3,584,162	58,738	-
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	255%	471%	N/a	251%	410%	N/a	268%	382%	N/a
Plan fiduciary net position as a percentage of the total pension liability	50.45%	46.63%	21.25%	53.54%	49.26%	21.43%	53.32%	49.78%	21.11%

	Employer's Contributions								
	2020			2019			2018		
	<u>CERS Nonhazardous</u>	<u>CERS Hazardous</u>	<u>Fire-Police Pension Fund</u>	<u>CERS Nonhazardous</u>	<u>CERS Hazardous</u>	<u>Fire-Police Pension Fund</u>	<u>CERS Nonhazardous</u>	<u>CERS Hazardous</u>	<u>Fire-Police Pension Fund</u>
Contractually required contribution	562,933	15,453	445,238	517,715	13,040	473,851	556,546	11,941	473,851
Contributions in relation to the contractually required contribution	562,933	15,453	434,010	517,715	13,040	453,161	556,546	11,941	494,269
Contribution deficiency (excess)	-	-	11,228	-	-	20,690	-	-	(20,418)
City's covered employee payroll	3,798,308	63,994	-	3,501,884	62,135	-	3,584,162	58,738	-
Contributions as a percentage of covered employee payroll	14.82%	24.15%	N/a	14.78%	20.99%	N/a	15.53%	20.33%	N/a

Until a full 10-year trend is compiled, the City will present information for years available.

Ultimately, ten year of data will be presented.

See notes to financial statements and independent auditor's report.



CITY OF HAZARDSCHEDULES OF EMPLOYER'S SHARE OF NET PENSION LIABILITY  
AND SCHEDULES OF EMPLOYER CONTRIBUTIONSFor the Year Ended June 30, 2020

	Employer's Proportionate Share of Net Pension Liability								
	2017			2016			2015		
	<u>CERS Nonhazardous</u>	<u>CERS Hazardous</u>	<u>Fire-Police Pension Fund</u>	<u>CERS Nonhazardous</u>	<u>CERS Hazardous</u>	<u>Fire-Police Pension Fund</u>	<u>CERS Nonhazardous</u>	<u>CERS Hazardous</u>	<u>Fire-Police Pension Fund</u>
Employer's proportion of the net pension liability	0.176530%	0.010380%	100.00%	0.189850%	0.010900%	100.00%	0.166407%	0.016623%	100.00%
Employer's proportionate share of the net pension liability	8,691,781	178,044	4,602,159	8,162,517	167,284	4,602,159	5,399,000	200,000	4,602,159
Employer's covered employee payroll	4,020,479	55,002	-	4,244,921	53,943	-	4,456,896	55,741	-
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	216%	324%	N/a	192%	310%	N/a	121%	359%	N/a
Plan fiduciary net position as a percentage of the total pension liability	55.50%	53.95%	23.20%	59.97%	57.52%	23.20%	66.80%	63.46%	23.20%

	Employer's Contributions								
	2017			2016			2015		
	<u>CERS Nonhazardous</u>	<u>CERS Hazardous</u>	<u>Fire-Police Pension Fund</u>	<u>CERS Nonhazardous</u>	<u>CERS Hazardous</u>	<u>Fire-Police Pension Fund</u>	<u>CERS Nonhazardous</u>	<u>CERS Hazardous</u>	<u>Fire-Police Pension Fund</u>
Contractually required contribution	501,538	10,969	473,851	566,818	11,777	473,851	432,000	15,000	473,851
Contributions in relation to the contractually required contribution	494,600	10,929	456,087	564,747	11,555	463,334	432,000	15,000	474,306
Contribution deficiency (excess)	6,938	40	17,764	2,071	222	10,517	-	-	(455)
City's covered employee payroll	4,020,479	55,002	-	4,244,921	53,943	-	4,456,896	55,741	-
Contributions as a percentage of covered employee payroll	12.30%	19.87%	N/a	13.30%	21.42%	N/a	9.69%	26.91%	N/a

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Ultimately, ten year of data will be presented.

See notes to financial statements and independent auditor's report.

CITY OF HAZARDSCHEDULES OF EMPLOYER'S SHARE OF NET OPEB LIABILITYFor the Year Ended June 30, 2020

	Employer's Proportionate Share of Net OPEB Liability					
	2020		2019		2018	
	<u>CERS Non-hazardous</u>	<u>CERS Hazardous</u>	<u>CERS Non-hazardous</u>	<u>CERS Hazardous</u>	<u>CERS Non-hazardous</u>	<u>CERS Hazardous</u>
Employer's proportion of the net OPEB liability	0.137640%	0.010908%	0.144254%	0.010545%	0.163860%	0.010020%
Employer's proportionate share of the net OPEB liability	2,315,043	80,704	2,561,201	75,182	3,294,146	82,832
Employer's covered employee payroll	3,798,308	63,994	3,501,884	62,135	3,584,162	58,738
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	61%	126%	73%	121%	92%	141%
Plan fiduciary net position as a percentage of the total pension liability	60.44%	64.44%	57.62%	64.24%	52.39%	58.99%

	Employer's Contributions					
	2020		2019		2018	
	<u>CERS Non-hazardous</u>	<u>CERS Hazardous</u>	<u>CERS Non-hazardous</u>	<u>CERS Hazardous</u>	<u>CERS Non-hazardous</u>	<u>CERS Hazardous</u>
Contractually required contribution	182,667	6,506	168,047	5,492	188,707	5,143
Contributions in relation to the contractually required contribution	182,667	6,506	168,047	5,492	188,707	5,143
Contribution deficiency (excess)	-	-	-	-	-	-
City's covered employee payroll	3,798,308	63,994	3,501,884	62,135	3,584,162	58,738
Contributions as a percentage of covered employee payroll	4.81%	10.17%	4.80%	8.84%	5.27%	8.76%

Until a full 10-year trend is compiled, the City will present information for years available. Ultimately, ten year of data will be presented.

See notes to financial statements and independent auditor's report.

CITY OF HAZARDCOMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDSJune 30, 2020

	Mayor and Commissioners Special Recreation	Asset Forfeiture Fund	Municipal Road Aid	LGEA Coal and Mineral Severance
<u>ASSETS</u>				
Cash	\$ 3,818	\$424,479	\$ -	\$ 192,347
Receivables - other	-	-	6,595	-
Due from other funds	-	<u>737</u>	<u>37,035</u>	-
<u>Total assets</u>	<u>3,818</u>	<u>425,216</u>	<u>43,630</u>	<u>192,347</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities:</u>				
Accounts payable	-	-	14,297	-
Due to other taxing units	-	416,163	-	-
Due to other funds	-	-	<u>737</u>	-
<u>Total liabilities</u>	-	<u>416,163</u>	<u>15,034</u>	-
<u>Fund balances:</u>				
Restricted	<u>3,818</u>	<u>9,053</u>	<u>28,596</u>	<u>192,347</u>
<u>Total fund balance</u>	<u>3,818</u>	<u>9,053</u>	<u>28,596</u>	<u>192,347</u>
<u>Total liabilities and fund balances</u>	<u>\$ 3,818</u>	<u>\$425,216</u>	<u>\$ 43,630</u>	<u>\$ 192,347</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS (CONTINUED)June 30, 2020

	<u>Police Report Fund</u>	<u>Hazard Flood Inundation Mapping Project</u>	<u>Police Memorial Fund</u>	<u>Police Food Pantry Fund</u>	<u>Total</u>
<u>ASSETS</u>					
Cash	\$ 3,402	\$ 4,449	\$ 11,230	\$ 82	\$ 639,807
Receivables - other	-	-	-	-	6,595
Due from other funds	-	-	-	-	37,772
<u>Total assets</u>	<u>3,402</u>	<u>4,449</u>	<u>11,230</u>	<u>82</u>	<u>684,174</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities:</u>					
Accounts payable	-	-	-	-	14,297
Due to other taxing units	-	-	-	-	416,163
Due to other funds	-	-	-	-	737
<u>Total liabilities</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>431,197</u>
<u>Fund balances:</u>					
Restricted	3,402	4,449	11,230	82	252,977
<u>Total fund balance</u>	<u>3,402</u>	<u>4,449</u>	<u>11,230</u>	<u>82</u>	<u>252,977</u>
<u>Total liabilities and fund balances</u>	<u>\$ 3,402</u>	<u>\$ 4,449</u>	<u>\$ 11,230</u>	<u>\$ 82</u>	<u>\$ 684,174</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – ALL SPECIAL REVENUE FUNDSFor the Year Ended June 30, 2020

	<u>Mayor and Commissioners Special Recreation</u>	<u>Asset Forfeiture Fund</u>	<u>Municipal Road Aid</u>	<u>LGEA Coal and Mineral Severance</u>
<u>REVENUES:</u>				
Intergovernmental	\$ -	\$ 6,602	\$ 166,597	\$ 119,412
Other revenues	<u>8,255</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total revenues</u>	<u>8,255</u>	<u>6,602</u>	<u>166,597</u>	<u>119,412</u>
<u>EXPENDITURES:</u>				
Highway and streets	-	-	381,293	-
Other expenditures	<u>7,900</u>	<u>201</u>	<u>-</u>	<u>-</u>
<u>Total expenditures</u>	<u>7,900</u>	<u>201</u>	<u>381,293</u>	<u>-</u>
Excess of revenues (over) under expenditures	<u>355</u>	<u>6,401</u>	<u>(214,696)</u>	<u>119,412</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Other transfers in	-	-	83,778	-
Other transfers (out)	(3,038)	-	-	(82,416)
Other income	<u>13</u>	<u>-</u>	<u>320</u>	<u>285</u>
<u>Total other financial sources (uses)</u>	<u>(3,025)</u>	<u>-</u>	<u>84,098</u>	<u>(82,131)</u>
Excess of revenues and other sources over (under) expenditures and other sources	<u>(2,670)</u>	<u>6,401</u>	<u>(130,598)</u>	<u>37,281</u>
<u>FUND BALANCE - JULY 1</u>	<u>6,488</u>	<u>2,652</u>	<u>159,194</u>	<u>155,066</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 3,818</u>	<u>\$ 9,053</u>	<u>\$ 28,596</u>	<u>\$ 192,347</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS (CONTINUED)For the Year Ended June 30, 2020

	<u>Police Report Fund</u>	<u>Hazard Flood Inundation Mapping Project</u>	<u>Police Memorial Fund</u>	<u>Police Food Pantry Fund</u>	<u>Total</u>
<u>REVENUES:</u>					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 292,611
Other revenues	<u>3,416</u>	<u>-</u>	<u>11,230</u>	<u>1,596</u>	<u>24,497</u>
<u>Total revenues</u>	<u>3,416</u>	<u>-</u>	<u>11,230</u>	<u>1,596</u>	<u>317,108</u>
<u>EXPENDITURES:</u>					
Highway and streets	-	-	-	-	381,293
Other expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,514</u>	<u>9,615</u>
<u>Total expenditures</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,514</u>	<u>390,908</u>
Excess of revenues (over) under expenditures	<u>3,416</u>	<u>-</u>	<u>11,230</u>	<u>82</u>	<u>(73,800)</u>
<u>OTHER FINANCING SOURCES (USES):</u>					
Other transfers in	-	-	-	-	83,778
Other transfers (out)	(10,000)	-	-	-	(95,454)
Other income	<u>-</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>623</u>
<u>Total other financial sources (uses)</u>	<u>(10,000)</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>(11,053)</u>
Excess of revenues and other sources over (under) expenditures and other sources	(6,584)	5	11,230	82	(84,853)
<u>FUND BALANCE - JULY 1</u>	<u>9,986</u>	<u>4,444</u>	<u>-</u>	<u>-</u>	<u>337,830</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 3,402</u>	<u>\$ 4,449</u>	<u>\$ 11,230</u>	<u>\$ 82</u>	<u>\$ 252,977</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING BALANCE SHEET – ALL CAPITAL PROJECTSJune 30, 2020

	Fire Department Equipment Fund	FEMA Grant Fund	Fire Dept Fund	USDA Farmers Market Fund	Allais Redevelopment Project	Totals
<u>ASSETS</u>						
Cash	\$ 32,984	\$ 31,637	\$ 26,071	\$ -	\$ 2	\$ 90,694
Grants receivable	-	-	-	91,578	254,577	346,155
<u>Total assets</u>	<u>32,984</u>	<u>31,637</u>	<u>26,071</u>	<u>91,578</u>	<u>254,579</u>	<u>436,849</u>
 <u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities:</u>						
Accounts payable	-	-	-	-	254,577	254,577
Due to other funds	11,302	-	-	91,578	-	102,880
<u>Total liabilities</u>	<u>11,302</u>	<u>-</u>	<u>-</u>	<u>91,578</u>	<u>254,577</u>	<u>357,457</u>
 <u>Fund Equity</u>						
<u>Fund balance:</u>						
Restricted	21,682	31,637	26,071	-	2	79,392
<u>Total fund equity</u>	<u>21,682</u>	<u>31,637</u>	<u>26,071</u>	<u>-</u>	<u>2</u>	<u>79,392</u>
 <u>Total liabilities and fund equity</u>	 <u>\$ 32,984</u>	 <u>\$ 31,637</u>	 <u>\$ 26,071</u>	 <u>\$ 91,578</u>	 <u>\$ 254,579</u>	 <u>\$ 436,849</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – ALL CAPITAL PROJECTSFor the Year Ended June 30, 2020

	Fire Department Equipment Fund	FEMA Grant Fund	Fire Dept Fund	USDA Farmers Market Fund	Allais Redevelopment Project	Totals
<u>REVENUES:</u>						
Intergovernmental revenues	\$ 16,000	\$ -	\$ 2,727	\$ 100,000	\$ 545,244	\$ 663,971
Other revenues	19,285	-	-	-	1	19,286
<u>Total revenues</u>	<u>35,285</u>	<u>-</u>	<u>2,727</u>	<u>100,000</u>	<u>545,245</u>	<u>683,257</u>
<u>EXPENDITURES:</u>						
Capital outlay	11,801	-	12,126	91,577	515,743	631,247
Excess of revenues over (under) <u>expenditures</u>	<u>23,484</u>	<u>-</u>	<u>(9,399)</u>	<u>8,423</u>	<u>29,502</u>	<u>52,010</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Operating transfers in (out)	(1,500)	(18,390)	(8,514)	(8,423)	(29,500)	(66,327)
Interest income	-	-	-	-	-	-
<u>Total other financing sources (uses)</u>	<u>(1,500)</u>	<u>(18,390)</u>	<u>(8,514)</u>	<u>(8,423)</u>	<u>(29,500)</u>	<u>(66,327)</u>
Excess of revenues and other sources over (under) expenditures and other uses	21,984	(18,390)	(17,913)	-	2	(14,317)
<u>FUND BALANCE, JULY 1</u>	<u>(302)</u>	<u>50,027</u>	<u>43,984</u>	<u>-</u>	<u>-</u>	<u>93,709</u>
<u>FUND BALANCE, JUNE 30</u>	<u>\$ 21,682</u>	<u>\$ 31,637</u>	<u>\$ 26,071</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 79,392</u>

See independent auditor's report.



CITY OF HAZARDCOMBINING STATEMENT OF NET POSITION – NONMAJOR PROPRIETARY FUNDSJune 30, 2020

	<u>Public Improvement Corporation</u>	<u>The Hazard Forum</u>	<u>Hazard Pavilion</u>
<b>Assets:</b>			
- Current Assets -			
Cash and cash equivalents	\$ 678	\$ 42,289	\$ 381
Receivables, net of allowances:			
Fees and services	-	-	-
Due from other funds	-	411	4,676
Other	-	-	-
Inventories of supplies, at cost	<u>-</u>	<u>-</u>	<u>3,932</u>
<u>Total current assets</u>	<u>678</u>	<u>42,700</u>	<u>8,989</u>
-Restricted Assets -			
Cash	<u>-</u>	<u>-</u>	<u>-</u>
- Noncurrent Assets -			
Capital assets	3,905,985	7,071,298	1,883,034
Less: accumulated depreciation	<u>(2,057,902)</u>	<u>(3,103,114)</u>	<u>(1,507,561)</u>
<u>Total noncurrent assets</u>	<u>1,848,083</u>	<u>3,968,184</u>	<u>375,473</u>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows - pension/OPEB resources	<u>-</u>	<u>-</u>	<u>110,871</u>
<u>Total assets and deferred outflows of resources</u>	<u>\$ 1,848,761</u>	<u>\$ 4,010,884</u>	<u>\$ 495,333</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING STATEMENT OF NET POSITION – NONMAJOR PROPRIETARY FUNDS  
(CONTINUED)June 30, 2020

	<u>Garbage</u>	<u>Starland Building</u>	<u>Totals</u>
<b>Assets:</b>			
- Current Assets -			
Cash and cash equivalents	\$ 257,934	\$ 47,006	\$ 348,288
Receivables, net of allowances:			
Fees and services	198,921	-	198,921
Due from other funds	2,429	-	7,516
Other	29,443	-	29,443
Inventories of supplies, at cost	<u>1,083</u>	<u>-</u>	<u>5,015</u>
<u>Total current assets</u>	<u>489,810</u>	<u>47,006</u>	<u>589,183</u>
-Restricted Assets -			
Cash	<u>-</u>	<u>-</u>	<u>-</u>
- Noncurrent Assets -			
Capital assets	1,697,051	217,073	14,774,441
Less: accumulated depreciation	<u>(1,600,151)</u>	<u>(15,780)</u>	<u>(8,284,508)</u>
<u>Total noncurrent assets</u>	<u>96,900</u>	<u>201,293</u>	<u>6,489,933</u>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows - pension/OPEB resources	<u>148,961</u>	<u>-</u>	<u>259,832</u>
<u>Total assets and deferred outflows of resources</u>	<u>\$ 735,671</u>	<u>\$ 248,299</u>	<u>\$ 7,338,948</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING STATEMENT OF NET POSITION – NONMAJOR PROPRIETARY FUNDS  
(CONTINUED)June 30, 2020

	<u>Public</u> <u>Improvement</u> <u>Corporation</u>	<u>The</u> <u>Hazard</u> <u>Forum</u>	<u>Hazard</u> <u>Pavilion</u>
<b>Liabilities:</b>			
- Current Liabilities -			
Accounts payable	\$ 200	\$ 2,864	\$ 262
Accrued interest payable	528	-	-
Accrued wages	-	-	492
Accrued vacation payable	-	-	960
Due to other funds	-	-	48
Current portion of long-term debt	<u>123,115</u>	<u>22,355</u>	<u>-</u>
<u>Total current liabilities</u>	<u>123,843</u>	<u>25,219</u>	<u>1,762</u>
- Noncurrent Liabilities -			
Notes payable	172,033	357,686	-
Due to other taxing units	-	-	-
Revenue bonds payable	-	-	-
Net pension/OPEB liability	<u>-</u>	<u>-</u>	<u>642,679</u>
<u>Total noncurrent liabilities</u>	<u>172,033</u>	<u>357,686</u>	<u>642,679</u>
- Other Liabilities -			
Deposits	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total other liabilities</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total liabilities</u>	<u>295,876</u>	<u>382,905</u>	<u>644,441</u>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows - pension/OPEB related	<u>-</u>	<u>-</u>	<u>128,633</u>
<b>Net Position:</b>			
Net investment in capital assets	1,552,935	3,588,143	375,473
Restricted	-	-	-
Unrestricted (deficit)	<u>(50)</u>	<u>39,836</u>	<u>(653,214)</u>
<u>Total net position</u>	<u>1,552,885</u>	<u>3,627,979</u>	<u>(277,741)</u>
<u>Total liabilities, deferred inflows of resources</u> <u>and net position</u>	<u>\$ 1,848,761</u>	<u>\$ 4,010,884</u>	<u>\$ 495,333</u>

See independent auditor's report.

## CITY OF HAZARD

COMBINING STATEMENT OF NET POSITION – NONMAJOR PROPRIETARY FUNDS  
(CONTINUED)

June 30, 2020

	<u>Garbage</u>	<u>Starland Building</u>	<u>Totals</u>
<b>Liabilities:</b>			
- Current Liabilities -			
Accounts payable	\$ 135,041	\$ -	\$ 138,367
Accrued interest payable	-	-	528
Accrued wages	1,165	-	1,657
Accrued vacation payable	973	-	1,933
Due to other funds	25,317	-	25,365
Current portion of long-term debt	-	7,217	152,687
	<u>162,496</u>	<u>7,217</u>	<u>320,537</u>
<b><u>Total current liabilities</u></b>			
- Noncurrent Liabilities -			
Notes payable	-	163,651	693,370
Due to other taxing units	-	-	-
Revenue bonds payable	-	-	-
Net pension/OPEB liability	695,347	-	1,338,026
	<u>695,347</u>	<u>163,651</u>	<u>2,031,396</u>
<b><u>Total noncurrent liabilities</u></b>			
- Other Liabilities -			
Deposits	-	2,000	2,000
	<u>-</u>	<u>2,000</u>	<u>2,000</u>
<b><u>Total other liabilities</u></b>			
	<u>-</u>	<u>2,000</u>	<u>2,000</u>
<b><u>Total liabilities</u></b>	<u>857,843</u>	<u>172,868</u>	<u>2,353,933</u>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows - pension/OPEB related	88,627	-	217,260
	<u>88,627</u>	<u>-</u>	<u>217,260</u>
<b>Net Position:</b>			
Net investment in capital assets	96,900	30,425	5,643,876
Restricted	-	-	-
Unrestricted (deficit)	(307,699)	45,006	(876,121)
	<u>(210,799)</u>	<u>75,431</u>	<u>4,767,755</u>
<b><u>Total net position</u></b>			
	<u>(210,799)</u>	<u>75,431</u>	<u>4,767,755</u>
<b><u>Total liabilities, deferred inflows of resources and net position</u></b>	<u>\$ 735,671</u>	<u>\$ 248,299</u>	<u>\$ 7,338,948</u>

See independent auditor's report.

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CITY OF HAZARDCOMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION – NONMAJOR PROPRIETARY FUNDSFor the Year Ended June 30, 2020

	Public Improvement <u>Corporation</u>	The Hazard <u>Forum</u>	Hazard <u>Pavilion</u>
<b>Operating revenues:</b>			
Charges for services	\$ -	\$ 89,413	\$ 60,952
Other	-	-	1,280
	<u>-</u>	<u>-</u>	<u>1,280</u>
<u>Total operating revenues</u>	<u>-</u>	<u>89,413</u>	<u>62,232</u>
<b>Operating expenses:</b>			
Salaries and wages	-	-	232,339
Contract services	2,818	97,125	8,462
Materials and supplies	-	13,106	38,392
Depreciation	60,512	177,275	53,223
Other operating expenses	-	-	1,772
	<u>-</u>	<u>-</u>	<u>1,772</u>
<u>Total operating expenses</u>	<u>63,330</u>	<u>287,506</u>	<u>334,188</u>
<u>Operating income (loss)</u>	<u>(63,330)</u>	<u>(198,093)</u>	<u>(271,956)</u>
<b>Non-operating revenues (expenses):</b>			
Interest income	1	64	-
Interest expense	(17,045)	(13,516)	-
Other income/(loss)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total non-operating revenues (expenses)</u>	<u>(17,044)</u>	<u>(13,452)</u>	<u>-</u>
<u>Net income (loss) before operating transfer</u>	<u>(80,374)</u>	<u>(211,545)</u>	<u>(271,956)</u>
<u>Operating transfers in (out)</u>	<u>137,245</u>	<u>38,953</u>	<u>246,200</u>
<u>Net income (loss)</u>	<u>56,871</u>	<u>(172,592)</u>	<u>(25,756)</u>
<u>Net Position - Beginning</u>	<u>1,496,014</u>	<u>3,800,571</u>	<u>(251,985)</u>
<u>Contributed capital</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Net Position - Ending</u>	<u>\$ 1,552,885</u>	<u>\$ 3,627,979</u>	<u>\$ (277,741)</u>

See independent auditor's report.

## CITY OF HAZARD

COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION – NONMAJOR PROPRIETARY FUNDS (CONTINUED)

For the Year Ended June 30, 2020

	<u>Garbage</u>	<u>Starland Building</u>	<u>Totals</u>
<b>Operating revenues:</b>			
Charges for services	\$ 553,903	\$ 44,000	\$ 748,268
Other	<u>576</u>	<u>-</u>	<u>1,856</u>
<u>Total operating revenues</u>	<u>554,479</u>	<u>44,000</u>	<u>750,124</u>
<b>Operating expenses:</b>			
Salaries and wages	116,632	-	348,971
Contract services	339,080	-	447,485
Materials and supplies	1,625	9,099	62,222
Depreciation	23,412	6,116	320,538
Other operating expenses	<u>1,599</u>	<u>-</u>	<u>3,371</u>
<u>Total operating expenses</u>	<u>482,348</u>	<u>15,215</u>	<u>1,182,587</u>
<u>Operating income (loss)</u>	<u>72,131</u>	<u>28,785</u>	<u>(432,463)</u>
<b>Non-operating revenues (expenses):</b>			
Interest income	1,237	49	1,351
Interest expense	-	(6,952)	(37,513)
Other income/(loss)	<u>222,191</u>	<u>-</u>	<u>222,191</u>
<u>Total non-operating revenues (expenses)</u>	<u>223,428</u>	<u>(6,903)</u>	<u>186,029</u>
<u>Net income (loss) before operating transfer</u>	<u>295,559</u>	<u>21,882</u>	<u>(246,434)</u>
<u>Operating transfers in (out)</u>	<u>(404,700)</u>	<u>-</u>	<u>17,698</u>
<u>Net income (loss)</u>	<u>(109,141)</u>	<u>21,882</u>	<u>(228,736)</u>
<u>Net Position - Beginning</u>	<u>(101,658)</u>	<u>53,549</u>	<u>4,996,491</u>
<u>Contributed capital</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Net Position - Ending</u>	<u>\$ (210,799)</u>	<u>\$ 75,431</u>	<u>\$ 4,767,755</u>

See independent auditor's report.

CITY OF HAZARD

COMBINING STATEMENT OF CASH FLOWS –  
NONMAJOR PROPRIETARY FUNDS

For the Year Ended June 30, 2020

	<u>Public Improvement Corporation</u>	<u>The Hazard Forum</u>	<u>Hazard Pavilion</u>
<b>Cash flows from operating activities:</b>			
Cash received from:			
Charges for services	\$ -	\$ 89,413	\$ 60,952
Other operating revenue	-	-	1,280
Cash paid to/for:			
Employees	-	-	(217,109)
Supplies/contractual	(3,111)	(109,914)	(51,245)
Other operating expenses	-	-	(1,772)
<u>Net cash provided/(used) by operating activities</u>	<u>(3,111)</u>	<u>(20,501)</u>	<u>(207,894)</u>
<b>Cash flows from capital and related financing activities:</b>			
Purchases of capital assets	-	-	(38,890)
Principal paid on notes and bonds	(117,089)	(25,438)	-
Interest paid on notes and bonds	(17,045)	(13,516)	-
Nonoperating - income	-	-	-
Contributed capital	-	-	-
<u>Net cash provided (used) for capital and related financing</u>	<u>(134,134)</u>	<u>(38,954)</u>	<u>(38,890)</u>
<b>Cash flows from non-capital financing activities:</b>			
Operating transfers - in (out)	<u>137,245</u>	<u>38,953</u>	<u>246,200</u>
<b>Cash flows from investing activities:</b>			
Interest income	<u>1</u>	<u>64</u>	<u>-</u>
<u>Net cash provided (used) for investing activities</u>	<u>1</u>	<u>64</u>	<u>-</u>
Net increase (decrease) in cash	1	(20,438)	(584)
Cash, beginning of year	<u>677</u>	<u>62,727</u>	<u>965</u>
Cash, end of year	<u><u>678</u></u>	<u><u>42,289</u></u>	<u><u>381</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operations:</b>			
Operating income (loss)	(63,330)	(198,093)	(271,956)
Adjustment to reconcile operating income to cash provided (used) by operating activities:			
Depreciation	60,512	177,275	53,223
Changes in current assets/liabilities:			
Accounts receivable	-	-	-
Due from other funds	-	-	-
Other receivables	-	-	-
Inventory	-	-	-
Accounts payable	(27)	317	(4,391)
Accrued interest payable	(266)	-	-
Accrued wages	-	-	(4,940)
Accrued vacation payable	-	-	-
Due to other funds	-	-	-
Due to other taxing units	-	-	-
Customer deposits	-	-	-
Deferred outflows - pension/OPEB resources	-	-	(1,639)
Deferred inflows - pension/OPEB related	-	-	(4,777)
Net pension/OPEB liability	-	-	26,586
<u>Net cash provided (used) by operating activities</u>	<u>\$ (3,111)</u>	<u>\$ (20,501)</u>	<u>\$ (207,894)</u>

See independent auditor's report.

## CITY OF HAZARD

COMBINING STATEMENT OF CASH FLOWS –  
NONMAJOR PROPRIETARY FUNDS (CONTINUED)

For the Year Ended June 30, 2020

	<u>Garbage</u>	<u>Starland Building</u>	<u>Totals</u>
<b>Cash flows from operating activities:</b>			
Cash received from:			
Charges for services	\$ 476,827	\$ 44,000	\$ 671,192
Other operating revenue	576	-	1,856
Cash paid to/for:			
Employees	(106,943)	-	(324,052)
Supplies/contractual	(333,253)	(9,099)	(506,622)
Other operating expenses	(1,599)	-	(3,371)
Net cash provided/(used) by operating activities	<u>35,608</u>	<u>34,901</u>	<u>(160,997)</u>
<b>Cash flows from capital and related financing activities:</b>			
Purchases of capital assets	-	(7,924)	(46,814)
Principal paid on notes and bonds	-	(7,032)	(149,559)
Interest paid on notes and bonds	-	(6,952)	(37,513)
Nonoperating - income	222,191	-	222,191
Contributed capital	-	-	-
Net cash provided (used) for capital and related financing	<u>222,191</u>	<u>(21,908)</u>	<u>(11,695)</u>
<b>Cash flows from non-capital financing activities:</b>			
Operating transfers - in (out)	<u>(404,700)</u>	<u>-</u>	<u>17,698</u>
<b>Cash flows from investing activities:</b>			
Interest income	<u>1,237</u>	<u>49</u>	<u>1,351</u>
Net cash provided (used) for investing activities	<u>1,237</u>	<u>49</u>	<u>1,351</u>
Net increase (decrease) in cash	(145,664)	13,042	(153,643)
Cash, beginning of year	<u>403,598</u>	<u>33,964</u>	<u>501,931</u>
Cash, end of year	<u><u>257,934</u></u>	<u><u>47,006</u></u>	<u><u>348,288</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operations:</b>			
Operating income (loss)	72,131	28,785	(432,463)
Adjustment to reconcile operating income to cash provided (used) by operating activities:			
Depreciation	23,412	6,116	320,538
Changes in current assets/liabilities:			
Accounts receivable	(77,076)	-	(77,076)
Due from other funds	-	-	-
Other receivables	-	-	-
Inventory	-	-	-
Accounts payable	1,422	-	(2,679)
Accrued interest payable	-	-	(266)
Accrued wages	(531)	-	(5,471)
Accrued vacation payable	973	-	973
Due to other funds	6,030	-	6,030
Due to other taxing units	-	-	-
Customer deposits	-	-	-
Deferred outflows - pension/OPEB resources	(752)	-	(2,391)
Deferred inflows - pension/OPEB related	(2,190)	-	(6,967)
Net pension/OPEB liability	<u>12,189</u>	<u>-</u>	<u>38,775</u>
Net cash provided (used) by operating activities	<u>\$ 35,608</u>	<u>\$ 34,901</u>	<u>\$ (160,997)</u>

See independent auditor's report.



CITY OF HAZARDCOMBINING STATEMENT OF NET POSITION – ALL FIDUCIARY TYPE FUNDSJune 30, 2020

	<u>Fire-Police Pension Fund</u>	<u>Jacklot Hollow Development Trust</u>
<b>Assets:</b>		
<b><u>Restricted Assets:</u></b>		
Cash and cash equivalents	\$ 1,227	\$ 92,328
Investments	1,501,252	-
Other receivables	1,323	11,475
Due from other funds	<u>287</u>	<u>-</u>
 <u>Total assets</u>	 <u>1,504,089</u>	 <u>103,803</u>
 <b>Deferred Outflows of Resources:</b>		
Deferred outflows - pension/OPEB resources	<u>24,471</u>	<u>-</u>
 Total assets and deferred outflows of <u>resources</u>	 <u>1,528,560</u>	 <u>103,803</u>
 <b>Liabilities:</b>		
Due to other funds	-	-
Net pension liability	<u>5,572,552</u>	<u>-</u>
 <u>Total liabilities</u>	 <u>5,572,552</u>	 <u>-</u>
 <b>Net Position:</b>		
Designated for employee retirement	(4,043,992)	-
Designated for a specific purpose	<u>-</u>	<u>103,803</u>
 <u>Total net position</u>	 <u>(4,043,992)</u>	 <u>103,803</u>
	<u>\$ 1,528,560</u>	<u>\$ 103,803</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING STATEMENT OF NET POSITION – ALL FIDUCIARY TYPE FUNDS  
(CONTINUED)June 30, 2020

	<u>Disbursement</u> <u>Fund</u>	<u>Payroll</u> <u>Fund</u>	<u>Totals</u>
<b>Assets:</b>			
<b>Restricted Assets:</b>			
Cash and cash equivalents	\$ 76,619	\$ 129,416	\$ 299,590
Investments	-	-	1,501,252
Other receivables	-	-	12,798
Due from other funds	<u>25,771</u>	<u>-</u>	<u>26,058</u>
<u>Total assets</u>	<u>102,390</u>	<u>129,416</u>	<u>1,839,698</u>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows - pension/OPEB resources	<u>-</u>	<u>-</u>	<u>24,471</u>
<u>Total assets and deferred outflows of resources</u>	<u>102,390</u>	<u>129,416</u>	<u>1,864,169</u>
<b>Liabilities:</b>			
Due to other funds	102,390	129,416	231,806
Net pension liability	<u>-</u>	<u>-</u>	<u>5,572,552</u>
<u>Total liabilities</u>	<u>102,390</u>	<u>129,416</u>	<u>5,804,358</u>
<b>Net Position:</b>			
Designated for employee retirement	-	-	(4,043,992)
Designated for a specific purpose	<u>-</u>	<u>-</u>	<u>103,803</u>
<u>Total net position</u>	<u>-</u>	<u>-</u>	<u>(3,940,189)</u>
	<u>\$ 102,390</u>	<u>\$ 129,416</u>	<u>\$ 1,864,169</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING STATEMENT OF CHANGES IN NET POSITION –  
TRUST FUNDSFor the Year Ended June 30, 2020

	<u>Fire-Police Pension Fund</u>	<u>Jacklot Hollow Development Trust</u>	<u>Total</u>
<u>OPERATING REVENUES:</u>			
Miscellaneous	\$ -	\$ 14,392	\$ 14,392
<u>Total operating revenues</u>	<u>-</u>	<u>14,392</u>	<u>14,392</u>
<u>OPERATING EXPENSES:</u>			
Pension	608,264	-	608,264
Administrative expenses	-	-	-
Materials and supplies	-	-	-
<u>Total operating expenses</u>	<u>608,264</u>	<u>-</u>	<u>608,264</u>
<u>Operating income (loss)</u>	<u>(608,264)</u>	<u>14,392</u>	<u>(593,872)</u>
<u>NON-OPERATING REVENUES (EXPENSES):</u>			
Interest income	31,965	342	32,307
Transfers in (out)	434,010	-	434,010
<u>Total non-operating revenues (expenses)</u>	<u>465,975</u>	<u>342</u>	<u>466,317</u>
<u>Net income (loss)</u>	<u>(142,289)</u>	<u>14,734</u>	<u>(127,555)</u>
<u>NET POSITION - JULY 1</u>	<u>(3,901,703)</u>	<u>89,069</u>	<u>(3,812,634)</u>
<u>NET POSITION - JUNE 30</u>	<u>\$ (4,043,992)</u>	<u>\$ 103,803</u>	<u>\$ (3,940,189)</u>

See independent auditor's report.

CITY OF HAZARDCOMPARATIVE STATEMENT OF NET POSITION -  
WATER FUNDJune 30, 2020 and 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<b>Assets:</b>		
- Current Assets -		
Cash and cash equivalents	\$ 198,105	\$ 62,616
Receivables, net of allowances:		
Fees and services	1,149,318	1,110,939
Due from other funds	120,100	118,113
Other	-	244,191
Inventories of supplies, at cost	<u>90,647</u>	<u>90,647</u>
<u>Total current assets</u>	<u>1,558,170</u>	<u>1,626,506</u>
-Restricted Assets -		
Cash	<u>1,809,364</u>	<u>993,674</u>
- Noncurrent Assets -		
Capital assets	53,729,173	53,635,735
Less: accumulated depreciation	<u>(21,907,313)</u>	<u>(20,768,062)</u>
<u>Total noncurrent assets</u>	<u>31,821,860</u>	<u>32,867,673</u>
<b>Deferred Outflows of Resources:</b>		
Deferred outflows - pension resources/OPEB	363,319	353,915
Deferred outflows - 2020 refunding	<u>286,304</u>	<u>-</u>
<u>Total deferred outflows of resources</u>	<u>649,623</u>	<u>353,915</u>
<u>Total assets and deferred outflows of resources</u>	<u>\$ 35,839,017</u>	<u>\$ 35,841,768</u>

See independent auditor's report.

CITY OF HAZARDCOMPARATIVE STATEMENT OF NET POSITION -  
WATER FUND (CONTINUED)June 30, 2020 and 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<b>Liabilities:</b>		
- Current Liabilities -		
Accounts payable	\$ 116,560	\$ 460,472
Accrued interest payable	26,036	89,980
Accrued wages	21,560	22,233
Accrued vacation payable	17,933	15,024
Due to other funds	202,959	202,959
Current portion of long-term debt	154,029	137,353
<u>Total current liabilities</u>	<u>539,077</u>	<u>928,021</u>
- Noncurrent Liabilities -		
Notes payable	-	4,271
Due to other taxing units	25,550	22,542
Revenue bonds payable	5,239,211	5,237,800
Net pension/OPEB liability	2,222,991	2,070,477
<u>Total noncurrent liabilities</u>	<u>7,487,752</u>	<u>7,335,090</u>
- Other Liabilities -		
Deposits	585,236	574,609
<u>Total liabilities</u>	<u>8,612,065</u>	<u>8,837,720</u>
<b>Deferred Inflows of Resources:</b>		
Deferred inflows - pension/OPEB related	468,836	496,237
Deferred inflows - 2020 refunding	96,636	-
<u>Total deferred inflows of resources</u>	<u>565,472</u>	<u>496,237</u>
<b>Net Position:</b>		
Net investment in capital assets	26,428,620	27,488,249
Restricted	1,809,364	993,674
Unrestricted (deficit)	(1,576,504)	(1,974,112)
<u>Total net position</u>	<u>26,661,480</u>	<u>26,507,811</u>
Total liabilities, deferred inflows of resources and <u>net position</u>	<u>\$ 35,839,017</u>	<u>\$ 35,841,768</u>

See independent auditor's report.

CITY OF HAZARDCOMPARATIVE STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION - WATER FUNDFor the Years Ended June 30, 2020 and 2019

	<u>Year Ended</u>	
	<u>2020</u>	<u>2019</u>
<b>Operating revenues:</b>		
Charges for services	\$ 4,831,493	\$ 3,692,553
Other	<u>27,663</u>	<u>53,476</u>
<u>Total operating revenues</u>	<u>4,859,156</u>	<u>3,746,029</u>
<b>Operating expenses:</b>		
Salaries and wages	1,585,181	1,514,803
Contract services	1,216,271	1,198,744
Materials and supplies	917,302	1,213,151
Depreciation	1,139,251	1,135,174
Other operating expenses	<u>8,803</u>	<u>5,476</u>
<u>Total operating expenses</u>	<u>4,866,808</u>	<u>5,067,348</u>
<u>Operating income (loss)</u>	<u>(7,652)</u>	<u>(1,321,319)</u>
<b>Non-operating revenues (expenses):</b>		
Interest income	4,723	1,883
Interest expense	(172,098)	(178,291)
Other income/(loss)	<u>-</u>	<u>-</u>
<u>Total non-operating revenues (expenses)</u>	<u>(167,375)</u>	<u>(176,408)</u>
<u>Net income (loss) before operating transfers</u>	<u>(175,027)</u>	<u>(1,497,727)</u>
<u>Operating transfers in (out)</u>	<u>263,714</u>	<u>659,644</u>
<u>Net income (loss)</u>	<u>88,687</u>	<u>(838,083)</u>
<u>Net Position - Beginning</u>	<u>26,507,811</u>	<u>25,287,321</u>
<u>Contributed capital</u>	<u>64,982</u>	<u>2,058,573</u>
<u>Net Position - Ending</u>	<u>\$ 26,661,480</u>	<u>\$ 26,507,811</u>

See independent auditor's report.

CITY OF HAZARDCOMPARATIVE STATEMENT OF NET POSITION -  
SEWER FUNDJune 30, 2020 and 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<b>Assets:</b>		
- Current Assets -		
Cash and cash equivalents	\$ 30,275	\$ 9,843
Receivables, net of allowances:		
Fees and services	388,704	411,265
Due from other funds	213,023	215,678
Other	14,929	14,929
Inventories of supplies, at cost	<u>13,038</u>	<u>13,038</u>
<u>Total current assets</u>	<u>659,969</u>	<u>664,753</u>
-Restricted Assets -		
Cash	<u>917,868</u>	<u>986,536</u>
- Noncurrent Assets -		
Capital assets	15,125,830	14,715,476
Less: accumulated depreciation	<u>(9,432,186)</u>	<u>(8,922,415)</u>
<u>Total noncurrent assets</u>	<u>5,693,644</u>	<u>5,793,061</u>
<b>Deferred Outflows of Resources:</b>		
Deferred outflows - pension resources/OPEB	89,650	86,287
Deferred outflows - 2020 refunding	<u>23,201</u>	<u>-</u>
<u>Total deferred outflows of resources</u>	<u>112,851</u>	<u>86,287</u>
<u>Total assets and deferred outflows of resources</u>	<u>\$ 7,384,332</u>	<u>\$ 7,530,637</u>

See independent auditor's report.

CITY OF HAZARDCOMPARATIVE STATEMENT OF NET POSITION -  
SEWER FUND (CONTINUED)June 30, 2020 and 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<b>Liabilities:</b>		
- Current Liabilities -		
Accounts payable	\$ 39,828	\$ 94,663
Accrued wages	9,034	7,821
Accrued vacation payable	7,546	6,103
Due to other funds	16,781	16,375
Current portion of long-term debt	58,943	64,926
<u>Total current liabilities</u>	<u>132,132</u>	<u>189,888</u>
- Noncurrent Liabilities -		
Notes payable	830,999	877,641
Revenue bonds payable	366,073	352,000
Net pension/OPEB liability	523,082	468,550
<u>Total noncurrent liabilities</u>	<u>1,720,154</u>	<u>1,698,191</u>
<u>Total liabilities</u>	<u>1,852,286</u>	<u>1,888,079</u>
<b>Deferred Inflows of Resources:</b>		
Deferred inflows - pension/OPEB related	143,411	153,209
Deferred inflows - 2020 refunding	12,108	-
<u>Total deferred inflows of resources</u>	<u>155,519</u>	<u>153,209</u>
<b>Net Position:</b>		
Net investment in capital assets	4,437,629	4,850,493
Restricted	917,868	986,536
Unrestricted (deficit)	21,030	(347,680)
<u>Total net position</u>	<u>5,376,527</u>	<u>5,489,349</u>
Total liabilities, deferred inflows of resources and <u>net position</u>	<u>\$ 7,384,332</u>	<u>\$ 7,530,637</u>

See independent auditor's report.



CITY OF HAZARDCOMPARATIVE STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION - SEWER FUNDFor the Years Ended June 30, 2020 and 2019

	<u>Year Ended</u>	
	<u>2020</u>	<u>2019</u>
<b>Operating revenues:</b>		
Charges for services	\$ <u>1,397,191</u>	\$ <u>1,434,455</u>
<u>Total operating revenues</u>	<u>1,397,191</u>	<u>1,434,455</u>
<b>Operating expenses:</b>		
Salaries and wages	556,940	474,573
Contract services	620,257	552,110
Materials and supplies	346,732	246,199
Depreciation	509,771	490,730
Other operating expenses	<u>4,440</u>	<u>3,776</u>
<u>Total operating expenses</u>	<u>2,038,140</u>	<u>1,767,388</u>
<u>Operating income (loss)</u>	<u>(640,949)</u>	<u>(332,933)</u>
<b>Non-operating revenues (expenses):</b>		
Interest income	2,310	2,370
Interest expense	<u>(38,988)</u>	<u>(28,245)</u>
<u>Total non-operating revenues (expenses)</u>	<u>(36,678)</u>	<u>(25,875)</u>
<u>Net income (loss) before operating transfers</u>	<u>(677,627)</u>	<u>(358,808)</u>
<u>Operating transfers in (out)</u>	<u>310,303</u>	<u>234,596</u>
<u>Net income (loss)</u>	<u>(367,324)</u>	<u>(124,212)</u>
<u>Net Position - Beginning</u>	<u>5,489,349</u>	<u>5,235,864</u>
Contributed Capital	254,502	377,697
<u>Net Position - Ending</u>	<u>\$ 5,376,527</u>	<u>\$ 5,489,349</u>

See independent auditor's report.

## Chris Gooch

Certified Public Accountant  
P.O. Box 1536  
Hazard, Kentucky 41702  
(606) 436-5700 FAX: (606) 436-5701  
chrisgooch@chrisgoochcpa.com

### 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*

Honorable Mayor and City Commissioners  
City of Hazard, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hazard, Kentucky, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Hazard, Kentucky's basic financial statements and have issued our report thereon dated January 21, 2021.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Hazard, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hazard, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hazard, Kentucky's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

**Compliance and Other Matters**

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

**City of Hazard, Kentucky's Response to Findings**

City of Hazard, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Hazard, Kentucky's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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.



Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

January 21, 2021

CITY OF HAZARDSUMMARY SCHEDULE OF PRIOR AUDIT FINDINGSJune 30, 2020**2019-001**

Condition:	Fund financial statements presented from the City's accounting system required several significant adjustments related to reconciliation and reclassification.
Criteria:	End of year and periodic closing information in anticipation of audited financial statements should be reviewed and reconciled to underlying documentation. Any potential differences should be documented to indicate management is aware of potential adjusting entries.
Cause:	Management has not implemented review and reconciliation procedures for transactions entered and potential adjustments for periodic and end of year financial reporting.
Effect:	Annual financial reporting information presented for audit required significant adjustments to assure financial statements were fairly stated.
Recommendations:	The City should enhance its controls over fiscal year-end and interim processing and reporting to include review of transactions and balances for all fund types to ensure significant adjustments are entered or acknowledged and significant account balances are reconciled.
Management's Response:	The City is in process of establishing procedures over year-end and interim processing and reporting to include review of transactions and balances for all fund types to assure significant adjustments are entered or acknowledged and significant account balances are reconciled. The City has new accounting software anticipated to improve this deficiency.

CITY OF HAZARDSCHEDULE OF FINDINGS AND QUESTIONED COSTSJune 30, 2020- SUMMARY OF AUDIT RESULTS -

1. We have issued an unmodified opinion on the financial statements.
2. No material weakness was disclosed by the audit of the financial statements, however a significant deficiency not identified as a material weakness was disclosed by the audit of the financial statements.
3. No material noncompliance was disclosed in our audit of the financial statements.
4. No material weakness or significant deficiency not identified as a material weakness was disclosed by the audit in internal control over major programs.
5. We have issued an unmodified opinion on compliance for major programs.
6. The audit did not disclose any audit findings which we are required to report under Section 200.516 of Title 2 U.S. Code of Federal Regulations Part 200.
7. City of Hazard had the following major programs:
  - U.S. Department of Interior
    - Passed through Kentucky Natural Resources and Environmental Protection Cabinet
    - Abandoned Mine Land Reclamation (AMLR) Program
      - AML Multisite Project—CFDA #15.252
      - Coalfields Gas Supply Project—CFDA #15.252
  - U.S. Department of Commerce
    - Passed through Kentucky Department for Local Government Economic Adjustment Assistance
      - Coalfields Gas Supply Project—CFDA #11.307
8. The dollar threshold to distinguish between Type A and Type B programs was \$750,000.
9. The auditee did not qualify as a low-risk auditee under Section 200.520 of Title 2 U.S. Code of Federal Regulations Part 200.

CITY OF HAZARDSCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)June 30, 2020- FINDINGS RELATED TO THE FINANCIAL STATEMENTS -**2020-001**

Condition:	Fund financial statements presented from the City's accounting system required several significant adjustments related to reconciliation and reclassification.
Criteria:	End of year and periodic closing information in anticipation of audited financial statements should be reviewed and reconciled to underlying documentation. Any potential differences should be documented to indicate management is aware of potential adjusting entries.
Cause:	Management has not implemented review and reconciliation procedures for transactions entered and potential adjustments for periodic and end of year financial reporting.
Effect:	Annual financial reporting information presented for audit required significant adjustments to assure financial statements were fairly stated.
Recommendations:	The City should enhance its controls over fiscal year-end and interim processing and reporting to include review of transactions and balances for all fund types to ensure significant adjustments are entered or acknowledged and significant account balances are reconciled.
Management's Response:	The City is in process of establishing procedures over year-end and interim processing and reporting to include review of transactions and balances for all fund types to assure significant adjustments are entered or acknowledged and significant account balances are reconciled enabling accurate interim and end of period reporting. City management has scheduled training for key personnel relative to its accounting software and is considering re-defining current personnel job descriptions, hiring or outsourcing additional personnel in order to mitigate and eliminate this deficiency.

- FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS -

None

CITY OF HAZARDSCHEDULE OF EXPENDITURES OF FEDERAL AWARDSFor the Year Ended June 30, 2020

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>SUBRECIPIENT AMOUNT</u>	<u>PROGRAM AWARDS EXPENDED</u>
<b>Executive Office of the President:</b>				
Office of National Drug Control Policy - Passed through Laurel County Fiscal Court - High Intensity Drug Trafficking Areas Program	95.001	GIDAP001A	N/A	\$ <u>17,703</u>
<b>Appalachian Regional Commission:</b>				
- Direct - Appalachian Regional Development	23.001	N/A	N/A	<u>197,095</u>
<b>U.S. Department of Interior:</b>				
- Passed through Kentucky Natural Resources and Environmental Protection Cabinet - Abandoned Mine Land Reclamation (AMLR) Program- AML Multisite Project	15.252	N/A	N/A	244,191
Coalfields Gas Supply Project	15.252	N/A	N/A	<u>650,058</u>
<u>Total U.S. Department of Interior</u>				<u>894,249</u>
<b>U.S. Department of Justice:</b>				
- Direct - Congressionally Recommended Awards	16.753	N/A	N/A	61,777
Equitable Sharing Program	16.922	N/A	N/A	<u>6,602</u>
<u>Total U.S. Department of Justice</u>				<u>68,379</u>
<b>U.S. Department of Agriculture:</b>				
- Direct - Rural Business Development Grant	10.351	N/A	N/A	<u>100,000</u>
<b>U.S. Department of Homeland Security:</b>				
-Passed through Kentucky Emergency Management Hazard Mitigation Grant	97.039	FEMA-4428-DR-KY	N/A	<u>252,282</u>

See independent auditor's report.

CITY OF HAZARDSCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)For the Year Ended June 30, 2020

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>SUBRECIPIENT AMOUNT</u>	<u>PROGRAM AWARDS EXPENDED</u>
<b>U.S. Department of Commerce:</b>				
-Passed through Kentucky Department of Local Government Economic Adjustment Assistance	11.307	N/a	N/A	<u>716,475</u>
<b>U.S. Department of Housing and Urban Development:</b>				
-Passed through Kentucky Department of Local Government Community Development Block Grant	14.228	18-061	N/A	<u>545,244</u>
<b>U.S. Department of Transportation:</b>				
-Passed through Kentucky Transportation Cabinet National Priority Safety Programs	20.616	M2HVE2020-05	N/A	2,773
National Priority Safety Programs	20.616	M2HVE2019-07	N/A	<u>1,067</u>
<u>Total U.S. Department of Transportation</u>				<u>3,840</u>
<u>Total Federal Awards Expended</u>				<u>\$ 2,795,267</u>

**Note 1—Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal award activity of City of Hazard, under programs of the federal government for the year ended June 30, 2020 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). Because the schedule presents only a selected portion of the operations of the City of Hazard, it is not intended to and does not present the financial position, changes in net assets, or cash flows of City of Hazard.

**Note 2—Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance\*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. City of Hazard has not elected to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

\*Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87 Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

See independent auditor's report.



**Chris Gooch**  
Certified Public Accountant  
P.O. Box 1536  
Hazard, Kentucky 41702  
(606) 436-5700 FAX: (606) 436-5701  
chrisgooch@chrisgoochcpa.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY UNIFORM GUIDANCE

To the Honorable Mayor and City Commissioners  
City of Hazard, Kentucky

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

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

## Report on Internal Control over Compliance

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

January 21, 2021

APPENDIX A

CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
CITY OF HAZARD

For the Year Ended June 30, 2020

The City of Hazard hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by applicable Kentucky Revised Statutes.



Derrick Hall  
City Manager