

CITY OF HAZARD, KENTUCKY

FINANCIAL STATEMENTS AND REPORT OF AUDIT

For the Year Ended June 30, 2022

CITY OF HAZARD
FINANCIAL STATEMENTS AND REPORT OF AUDIT
For the Year Ended June 30, 2022

TABLE OF CONTENTS

<u>ITEM</u>	<u>Pages</u>
Independent Auditor’s Report	1 - 3
Management’s Discussion and Analysis.....	4 - 8
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	9 - 10
Statement of Activities.....	11 - 12
Fund Financial Statements	
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Position – Proprietary Funds.....	17 - 20
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	21- 22
Statement of Cash Flows – Proprietary Funds.....	23 - 24
Statement of Fiduciary Net Position – Fiduciary Funds	25

CITY OF HAZARD

FINANCIAL STATEMENTS AND REPORT OF AUDIT

For the Year Ended June 30, 2022

TABLE OF CONTENTS

<u>ITEM</u>	<u>Pages</u>
Statement of Changes in Fiduciary Net Position – Trust Funds	26
Notes to Financial Statements.....	27 – 72
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	74
Schedules of Employer’s Share of Net Pension Liability and Schedules of Employer Contributions.....	75 - 76
Schedules of Employer’s Share of Net OPEB Liability	77
Combining Balance Sheet – Nonmajor Special Revenue Funds	78 - 80
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds.....	81 - 83
Combining Balance Sheet – Nonmajor Capital Projects	84
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects	85
Combining Statement of Net Position – Nonmajor Proprietary Funds....	86 - 89
Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Proprietary Funds	90 - 91
Combining Statement of Cash Flows – Nonmajor Proprietary Funds.....	92 - 93
Combining Statement of Net Position – All Fiduciary Type Funds	94 - 95
Combining Statement of Changes in Net Position – Trust Funds	96
Comparative Statement of Net Position – Water Fund.....	97 – 98

CITY OF HAZARD

FINANCIAL STATEMENTS AND REPORT OF AUDIT

For the Year Ended June 30, 2022

TABLE OF CONTENTS

ITEM

	<u>Pages</u>
Comparative Statement of Revenues, Expenses and Changes in Net Position – Water Fund	99
Comparative Statement of Net Position – Sewer Fund.....	100 - 101
Comparative Statement of Revenues, Expenses and Changes in Net Position – Sewer Fund	102
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	103 - 104
Summary Schedule of Prior Audit Findings	105
Schedule of Findings and Responses	106

APPENDIX A

Certification of Compliance

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 Audit of the Financial Statements

Opinions

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, 2022, 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.

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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hazard, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in the notes to the financial statements, during the year ended June 30, 2022, the City of Hazard, Kentucky adopted new accounting guidance, GASB No. 87 *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Hazard, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hazard, Kentucky's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–8 and 73–76 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries,

the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hazard, Kentucky's basic financial statements. The accompanying 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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 February 17, 2023, 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 City of Hazard, Kentucky's internal control over financial reporting and compliance.



Chris Gooch
Certified Public Accountant

Hazard, Kentucky

February 17, 2023

CITY OF HAZARDMANAGEMENT'S DISCUSSION AND ANALYSISFor the Year Ended June 30, 2022

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, 2022. 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 \$8,148,619 of which \$6,675,860 is considered restricted. The ending cash balance, including investments and fiduciary funds, for the City was \$8,432,158 of which \$7,389,647 is considered restricted.
- Long-term debt decreased by \$661,126, consisting of general fund long-term debt principal of \$79,105 and proprietary fund debt principal of \$582,021. No new debt was issued during the fiscal year.
- The City recorded \$823,818 in governmental fixed assets and \$1,071,795 in proprietary fund fixed assets during the fiscal year. Proprietary fixed asset additions included \$640,798 in Pavilion improvements.
- The City adopted GASB's 68 and 75 in a prior fiscal year and at June 30, 2022 recognize net pension liability of \$8,931,332 and a net OPEB liability of \$2,682,180 in relation to the City's participation in the County Employee's Retirement System. The net pension liability for the prior fiscal year was \$11,600,106 and the OPEB liability was \$3,648,306.
- At June 30, 2022, the City recognized net pension liability of \$3,946,379 in relation to the City's participation in the City of Hazard Policemen's and Firemen's Pension Fund. The net pension liability for the prior fiscal year was \$5,367,218.
- 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	8,883	8,792
b. Sewer	3,148	3,142
c. Gas	1,655	1,673

CITY OF HAZARDMANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)For the Year Ended June 30, 2022OVERVIEW 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, 2022**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2022, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$37,632,950.

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, 2022

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

	<u>Year Ended</u>	
	<u>2022</u>	<u>2021</u>
Current Assets	\$ 4,554,889	\$ 5,187,482
Noncurrent Assets	64,380,857	63,595,441
Deferred Outflows of Resources	<u>4,262,353</u>	<u>5,192,820</u>
<u>Total Assets and Deferred Outflows of Resources</u>	<u>73,198,099</u>	<u>73,975,743</u>
Current Liabilities	2,315,424	2,468,002
Noncurrent Liabilities	28,781,014	32,834,072
Deferred Inflows of Resources	<u>4,468,711</u>	<u>1,839,684</u>
<u>Total Liabilities and Deferred Inflows of Resources</u>	<u>35,565,149</u>	<u>37,141,758</u>
Net Position		
Net Investment in Capital Assets	42,260,094	41,654,369
Restricted	5,335,042	4,678,230
Unrestricted	<u>(9,962,186)</u>	<u>(9,498,614)</u>
<u>Total Net Position</u>	<u>37,632,950</u>	<u>36,833,985</u>
<u>Total Liabilities, Deferred Inflows of Resources and Net Position</u>	<u>\$ 73,198,099</u>	<u>\$ 73,975,743</u>

CITY OF HAZARDMANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)For the Year Ended June 30, 2022

- Deferred outflows of resources decreased \$901,697, deferred inflows of resources increased by \$2,463,209 and net pension and OPEB liability decreased by \$3,634,900 due to recognition of the actuarially determined liabilities related to participation in the County Employers Retirement System.
- Noncurrent assets increased due to recognition of fixed asset additions.

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

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Local revenue sources	\$ 6,525,231	\$ 7,490,176	\$ 964,945
Intergovernmental revenues	<u>518,159</u>	<u>338,209</u>	<u>(179,950)</u>
<u>Total Revenues</u>	<u>7,043,390</u>	<u>7,828,385</u>	<u>784,995</u>
Expenditures:			
General government	1,752,849	1,367,280	385,569
Police	2,013,110	1,840,311	172,799
Fire	1,312,712	1,250,789	61,923
Public works	1,262,810	1,585,323	(322,513)
Other expenditures	8,750	9,591	(841)
Capital outlay	-	823,818	(823,818)
Debt service	<u>200,000</u>	<u>127,021</u>	<u>72,979</u>
<u>Total Expenditures</u>	<u>6,550,231</u>	<u>7,004,133</u>	<u>(453,902)</u>
<u>Excess of Revenues over Expenditures</u>	<u>\$ 493,159</u>	<u>\$ 824,252</u>	<u>\$ 331,093</u>

- Increase in local revenue sources is in part due to the City amending the occupational license tax ordinance beginning January 1, 2021. The tax was changed to 1.25% for all applicable wages and net profits.
- Capital outlay includes the recognition and improvements made to the Hollon and Collins building and demolition of the old Grand Hotel.

CITY OF HAZARDMANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)For the Year Ended June 30, 2022

The following table presents a comparison of government-wide funds revenue and expense for fiscal years ended June 30, 2022 and 2021:

	<u>Fiscal Year Ended</u>	
	<u>2022</u>	<u>2021</u>
Revenues:		
Taxes and other local revenues	\$ 7,422,173	\$ 6,749,041
Intergovernmental revenues	2,136,439	1,306,499
Charges for services	<u>8,949,408</u>	<u>9,140,154</u>
<u>Total revenues</u>	<u>18,508,020</u>	<u>17,195,694</u>
Expenses:		
General government	1,409,302	1,769,375
Police	1,875,717	1,860,524
Fire	1,272,305	1,298,769
Public works	1,652,835	1,315,221
Highway and streets	546,730	323,237
Other expenditures	96,120	145,189
Utility services	10,461,999	9,447,930
Other proprietary expenses	<u>757,823</u>	<u>686,543</u>
<u>Total expenses</u>	<u>18,072,831</u>	<u>16,846,788</u>
 <u>Change in net position</u>	 <u>\$ 435,189</u>	 <u>\$ 348,906</u>

- Increase in intergovernmental revenue includes \$1,280,534 in American Rescue Plan Act (ARPA) funds to provide additional financial relief in the wake of the COVID-19 pandemic.

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 2022-23 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 HAZARD

STATEMENT OF NET POSITION

June 30, 2022

	Governmental Activities	Business-type Activities	Total
Assets:			
- Current Assets -			
Cash and cash equivalents	\$ 137,102	\$ 905,409	\$ 1,042,511
Receivables, net of allowances:			
Taxes	78,401	-	78,401
Fees and services	-	1,801,431	1,801,431
Due from other funds	571,915	527,668	1,099,583
Other	73,622	135,468	209,090
Prepaid expenses	-	39,216	39,216
Inventories	35,025	161,109	196,134
Lease receivables	39,282	49,241	88,523
<u>Total current assets</u>	<u>935,347</u>	<u>3,619,542</u>	<u>4,554,889</u>
-Restricted Assets -			
Cash	<u>2,389,331</u>	<u>2,945,711</u>	<u>5,335,042</u>
- Noncurrent Assets -			
Lease receivables	6,723	89,525	96,248
Capital assets	12,409,450	102,171,097	114,580,547
Less: accumulated depreciation	<u>(7,215,854)</u>	<u>(48,415,126)</u>	<u>(55,630,980)</u>
<u>Total noncurrent assets</u>	<u>5,200,319</u>	<u>53,845,496</u>	<u>59,045,815</u>
Deferred Outflows of Resources:			
Deferred outflows - pension/OPEB resources	1,969,368	1,218,452	3,187,820
Deferred outflows - debt related	81,282	993,251	1,074,533
<u>Total deferred outflows of resources</u>	<u>2,050,650</u>	<u>2,211,703</u>	<u>4,262,353</u>
 Total assets and deferred outflows of resources	 <u>\$ 10,575,647</u>	 <u>\$ 62,622,452</u>	 <u>\$ 73,198,099</u>

See notes to financial statements.

CITY OF HAZARD

STATEMENT OF NET POSITION (CONTINUED)

June 30, 2022

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Liabilities:			
- Current Liabilities -			
Accounts payable	\$ 95,239	\$ 390,211	\$ 485,450
Other current liabilities	744,164	567,523	1,311,687
Current portion of bond/lease obligations	<u>60,357</u>	<u>457,930</u>	<u>518,287</u>
<u>Total current liabilities</u>	<u>899,760</u>	<u>1,415,664</u>	<u>2,315,424</u>
- Noncurrent Liabilities -			
Noncurrent portion of bond/lease obligations	1,273,395	15,110,707	16,384,102
Net pension/OPEB liability	7,163,080	4,450,432	11,613,512
Other	<u>-</u>	<u>40,555</u>	<u>40,555</u>
<u>Total noncurrent liabilities</u>	<u>8,436,475</u>	<u>19,601,694</u>	<u>28,038,169</u>
- Other Liabilities -			
Deposits	<u>-</u>	<u>742,845</u>	<u>742,845</u>
<u>Total other liabilities</u>	<u>-</u>	<u>742,845</u>	<u>742,845</u>
<u>Total liabilities</u>	<u>9,336,235</u>	<u>21,760,203</u>	<u>31,096,438</u>
Deferred Inflows of Resources:			
Deferred inflows - pension/OPEB related	2,282,805	1,608,217	3,891,022
Deferred inflows - lease related	46,005	138,766	184,771
Deferred inflows - debt related	<u>30,451</u>	<u>362,467</u>	<u>392,918</u>
<u>Total deferred inflows of resources</u>	<u>2,359,261</u>	<u>2,109,450</u>	<u>4,468,711</u>
Net Position:			
Net investment in capital assets	3,859,844	38,400,250	42,260,094
Restricted	2,389,331	2,945,711	5,335,042
Unrestricted (deficit)	<u>(7,369,024)</u>	<u>(2,593,162)</u>	<u>(9,962,186)</u>
<u>Total net position</u>	<u>(1,119,849)</u>	<u>38,752,799</u>	<u>37,632,950</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 10,575,647</u>	<u>\$ 62,622,452</u>	<u>\$ 73,198,099</u>

See notes to financial statements.

11.

CITY OF HAZARD
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>
FUNCTIONS/PROGRAMS:			
- Governmental Activities -			
General government	\$ 1,409,302	\$ -	\$ 1,388,225
Police	1,875,717	-	186,099
Fire	1,272,305	-	91,154
Public works	1,652,835	-	-
Highways and streets	546,730	-	420,961
Other expenses	96,120	-	50,000
<u>Total governmental activities</u>	<u>6,853,009</u>	<u>-</u>	<u>2,136,439</u>
- Business-type Activities -			
Water utilities	6,057,387	4,884,206	-
Sewer utilities	1,720,575	1,341,095	-
Gas utilities	2,241,843	2,014,851	-
Garbage services	442,194	526,443	-
Public Improvement Corporation	64,893	-	-
Hazard Pavilion	312,174	97,226	-
Starland Building	17,037	31,500	-
The Hazard Forum	363,719	54,087	-
<u>Total business-type activities</u>	<u>11,219,822</u>	<u>8,949,408</u>	<u>-</u>
<u>Total primary government</u>	<u>\$ 18,072,831</u>	<u>\$ 8,949,408</u>	<u>\$ 2,136,439</u>

See notes to financial statements.

CITY OF HAZARD

STATEMENT OF ACTIVITIES (CONTINUED)

For the Year Ended June 30, 2022

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
	\$ (21,077)	\$ -	\$ (21,077)
	(1,689,618)	-	(1,689,618)
	(1,181,151)	-	(1,181,151)
	(1,652,835)	-	(1,652,835)
	(125,769)	-	(125,769)
	<u>(46,120)</u>	<u>-</u>	<u>(46,120)</u>
	<u>(4,716,570)</u>	<u>-</u>	<u>(4,716,570)</u>
	-	(1,173,181)	(1,173,181)
	-	(379,480)	(379,480)
	-	(226,992)	(226,992)
	-	84,249	84,249
	-	(64,893)	(64,893)
	-	(214,948)	(214,948)
	-	14,463	14,463
	<u>-</u>	<u>(309,632)</u>	<u>(309,632)</u>
	<u>-</u>	<u>(2,270,414)</u>	<u>(2,270,414)</u>
	<u>(4,716,570)</u>	<u>(2,270,414)</u>	<u>(6,986,984)</u>
General revenues:			
Taxes	2,007,131	-	2,007,131
Licenses and permits	4,949,148	-	4,949,148
Transfer in (out)	(965,417)	965,417	-
Interest income	5,288	14,261	19,549
Miscellaneous income/(loss)	<u>157,551</u>	<u>288,794</u>	<u>446,345</u>
<u>Total general revenues</u>	<u>6,153,701</u>	<u>1,268,472</u>	<u>7,422,173</u>
Change in net position	1,437,131	(1,001,942)	435,189
Net position, beginning	(2,747,980)	39,581,965	36,833,985
Contributed capital	<u>191,000</u>	<u>172,776</u>	<u>363,776</u>
Net position, ending	<u>\$ (1,119,849)</u>	<u>\$ 38,752,799</u>	<u>\$ 37,632,950</u>

See notes to financial statements.

CITY OF HAZARD

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2022

	<u>General</u>	<u>ARPA Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 137,102	\$ -	\$ -	\$ 137,102
Receivables, net of allowance for uncollectibles				
Taxes	78,401	-	-	78,401
Receivables - other	64,423	-	9,199	73,622
Due from other funds	534,143	-	37,772	571,915
Inventory of supplies, at cost	35,025	-	-	35,025
Restricted cash	86,908	1,281,353	1,021,070	2,389,331
Leases receivable	46,005	-	-	46,005
<u>Total assets</u>	<u>982,007</u>	<u>1,281,353</u>	<u>1,068,041</u>	<u>3,331,401</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES:</u>				
Accounts payable	94,064	-	1,175	95,239
Accrued wages	88,208	-	-	88,208
Due to other taxing units	23,612	-	358,991	382,603
Due to other funds	136,973	-	92,315	229,288
<u>Total liabilities</u>	<u>342,857</u>	<u>-</u>	<u>452,481</u>	<u>795,338</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>				
Deferred inflows - lease related	46,005	-	-	46,005
<u>FUND EQUITY:</u>				
<u>Fund balance:</u>				
Nonspendable - inventories	35,025	-	-	35,025
<u>Unreserved:</u>				
Unassigned	471,212	-	(12)	471,200
Restricted	86,908	1,281,353	615,572	1,983,833
<u>Total fund equity</u>	<u>593,145</u>	<u>1,281,353</u>	<u>615,560</u>	<u>2,490,058</u>
Total liabilities, deferred inflows of resources and <u>fund equity</u>	<u>\$ 982,007</u>	<u>\$ 1,281,353</u>	<u>\$ 1,068,041</u>	<u>\$ 3,331,401</u>

See notes to financial statements.

CITY OF HAZARDRECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITIONJune 30, 2022

Total fund balance per fund financial statements		\$ 2,490,058
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	\$ 12,409,450	
Less accumulated depreciation	<u>(7,215,854)</u>	5,193,596
Deferred outflows reported in government wide financial statements, but not in fund financial statements.		
Deferred outflows - pension/OPEB related	1,969,368	
Deferred outflows - debt related	<u>81,282</u>	2,050,650
Net pension/OPEB obligations are not due and payable in the current period, and therefore, are not reported in the fund financial statements.		
		(7,163,080)
Deferred inflows reported in government wide financial statements, but not in fund financial statements.		
Deferred inflows - pension/OPEB related	(2,282,805)	
Deferred inflows - debt related	<u>(30,451)</u>	(2,313,256)
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	(1,333,752)	
Compensated absences	\$ <u>(44,065)</u>	<u>(1,377,817)</u>
Net position for governmental activities		\$ <u>(1,119,849)</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, 2022

	<u>General</u>	<u>ARPA Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES:</u>				
Taxes	\$ 2,007,131	\$ -	\$ -	\$ 2,007,131
Licenses and permits	4,949,148	-	-	4,949,148
Fines and forfeits	170,369	-	-	170,369
Intergovernmental revenues	338,209	1,280,534	549,858	2,168,601
Miscellaneous	363,528	-	86,866	450,394
<u>Total revenues</u>	<u>7,828,385</u>	<u>1,280,534</u>	<u>636,724</u>	<u>9,745,643</u>
<u>EXPENDITURES:</u>				
<u>Current:</u>				
General government	1,367,280	-	-	1,367,280
Police	1,840,311	-	-	1,840,311
Fire	1,250,789	-	-	1,250,789
Public works	1,585,323	-	-	1,585,323
Highways and streets	-	-	521,829	521,829
Other expenditures	9,591	-	86,529	96,120
Capital outlay	823,818	-	15,820	839,638
Debt service				
Principal	79,105	-	-	79,105
Interest	47,916	-	-	47,916
<u>Total expenditures</u>	<u>7,004,133</u>	<u>-</u>	<u>624,178</u>	<u>7,628,311</u>
<u>Excess of revenues over (under) expenditures</u>	<u>824,252</u>	<u>1,280,534</u>	<u>12,546</u>	<u>2,117,332</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in	1,084,376	-	234,516	1,318,892
Operating transfers (out)	(2,000,235)	-	(654,495)	(2,654,730)
Other income	85,251	819	1,085	87,155
<u>Total other financing sources (uses)</u>	<u>(830,608)</u>	<u>819</u>	<u>(418,894)</u>	<u>(1,248,683)</u>
<u>Excess of revenues and other sources over (under) expenditures and other uses</u>	<u>(6,356)</u>	<u>1,281,353</u>	<u>(406,348)</u>	<u>868,649</u>
<u>FUND BALANCE, JULY 1</u>	<u>599,501</u>	<u>-</u>	<u>1,021,908</u>	<u>1,621,409</u>
<u>FUND BALANCE, JUNE 30</u>	<u>\$ 593,145</u>	<u>\$ 1,281,353</u>	<u>\$ 615,560</u>	<u>\$ 2,490,058</u>

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, 2022

Net change in total fund balances per fund financial statements	\$	868,649
---	----	---------

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	\$	632,818	
Depreciation		<u>(301,821)</u>	330,997

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		79,105	
Deferred outflows and inflows	\$	<u>(610)</u>	78,495

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			(2,719)
--------------------------------	--	--	---------

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>161,709</u>
--	--	--	----------------

Change in net position of governmental activities	\$	<u><u>1,437,131</u></u>
---	----	-------------------------

See notes to financial statements.

17.

CITY OF HAZARDSTATEMENT OF NET POSITION – PROPRIETARY FUNDSJune 30, 2022

	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>
Assets:			
- Current Assets -			
Cash and cash equivalents	\$ 189,373	\$ 37,934	\$ 518,674
Receivables, net of allowances:			
Fees and services	1,090,020	383,228	202,161
Due from other funds	151,110	226,418	42,623
Other	89,979	16,046	-
Prepaid expenses	9,804	9,804	9,804
Inventories of supplies, at cost	90,647	13,038	52,409
Lease receivables	-	-	-
<u>Total current assets</u>	<u>1,620,933</u>	<u>686,468</u>	<u>825,671</u>
-Restricted Assets -			
Cash	<u>2,138,401</u>	<u>715,261</u>	<u>92,049</u>
- Noncurrent Assets -			
Lease receivables	-	-	-
Capital assets	60,267,892	16,036,989	10,040,035
Less: accumulated depreciation	<u>(24,338,730)</u>	<u>(10,160,466)</u>	<u>(4,972,287)</u>
<u>Total noncurrent assets</u>	<u>35,929,162</u>	<u>5,876,523</u>	<u>5,067,748</u>
Deferred Outflows of Resources:			
Deferred outflows - pension resources/OPEB	576,522	176,281	183,159
Deferred outflows - debt related	<u>754,831</u>	<u>84,453</u>	<u>131,301</u>
<u>Total deferred outflows of resources</u>	<u>1,331,353</u>	<u>260,734</u>	<u>314,460</u>
<u>Total assets and deferred outflows of resources</u>	<u>\$ 41,019,849</u>	<u>\$ 7,538,986</u>	<u>\$ 6,299,928</u>

See notes to financial statements.

CITY OF HAZARD

STATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)

June 30, 2022

	<u>Other</u>	<u>Totals</u>
Assets:		
- Current Assets -		
Cash and cash equivalents	\$ 159,428	\$ 905,409
Receivables, net of allowances:		
Fees and services	126,022	1,801,431
Due from other funds	107,517	527,668
Other	29,443	135,468
Prepaid expenses	9,804	39,216
Inventories of supplies, at cost	5,015	161,109
Lease receivables	<u>49,241</u>	<u>49,241</u>
<u>Total current assets</u>	<u>486,470</u>	<u>3,619,542</u>
-Restricted Assets -		
Cash	<u>-</u>	<u>2,945,711</u>
- Noncurrent Assets -		
Lease receivables	89,525	89,525
Capital assets	15,826,181	102,171,097
Less: accumulated depreciation	<u>(8,943,643)</u>	<u>(48,415,126)</u>
<u>Total noncurrent assets</u>	<u>6,972,063</u>	<u>53,845,496</u>
Deferred Outflows of Resources:		
Deferred outflows - pension resources/OPEB	282,490	1,218,452
Deferred outflows - debt related	<u>22,666</u>	<u>993,251</u>
<u>Total deferred outflows of resources</u>	<u>305,156</u>	<u>2,211,703</u>
<u>Total assets and deferred outflows of resources</u>	<u>\$ 7,763,689</u>	<u>\$ 62,622,452</u>

See notes to financial statements.

CITY OF HAZARDSTATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)June 30, 2022

	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>
Liabilities:			
- Current Liabilities -			
Accounts payable	\$ 228,672	\$ 22,585	\$ 71,575
Accrued interest payable	24,906	-	-
Accrued wages	31,346	12,229	10,446
Accrued vacation payable	11,858	4,000	6,622
Due to other funds	202,959	16,375	221,800
Current portion of long-term debt	<u>224,878</u>	<u>68,244</u>	<u>86,491</u>
<u>Total current liabilities</u>	<u>724,619</u>	<u>123,433</u>	<u>396,934</u>
- Noncurrent Liabilities -			
Notes payable	-	739,344	539,042
Due to other taxing units	32,014	-	8,541
Revenue bonds payable	10,537,553	1,075,261	1,526,280
Net pension/OPEB liability	<u>2,147,576</u>	<u>465,649</u>	<u>589,628</u>
<u>Total noncurrent liabilities</u>	<u>12,717,143</u>	<u>2,280,254</u>	<u>2,663,491</u>
- Other Liabilities -			
Deposits	<u>642,276</u>	<u>-</u>	<u>98,569</u>
<u>Total liabilities</u>	<u>14,084,038</u>	<u>2,403,687</u>	<u>3,158,994</u>
Deferred Inflows of Resources:			
Deferred inflows - pension/OPEB related	732,921	274,974	280,356
Deferred inflows - lease related	-	-	-
Deferred inflows - debt related	<u>270,033</u>	<u>34,753</u>	<u>49,190</u>
<u>Total deferred inflows of resources</u>	<u>1,002,954</u>	<u>309,727</u>	<u>329,546</u>
Net Position:			
Net investment in capital assets	25,166,731	3,993,674	2,956,236
Restricted	2,138,401	715,261	92,049
Unrestricted (deficit)	<u>(1,372,275)</u>	<u>116,637</u>	<u>(236,897)</u>
<u>Total net position</u>	<u>25,932,857</u>	<u>4,825,572</u>	<u>2,811,388</u>
<u>Total liabilities, deferred inflows of resources and net position</u>	<u>\$ 41,019,849</u>	<u>\$ 7,538,986</u>	<u>\$ 6,299,928</u>

See notes to financial statements.

CITY OF HAZARDSTATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)June 30, 2022

	<u>Other</u>	<u>Totals</u>
Liabilities:		
- Current Liabilities -		
Accounts payable	\$ 67,379	\$ 390,211
Accrued interest payable	-	24,906
Accrued wages	7,486	61,507
Accrued vacation payable	2,927	25,407
Due to other funds	14,569	455,703
Current portion of long-term debt	<u>78,317</u>	<u>457,930</u>
<u>Total current liabilities</u>	<u>170,678</u>	<u>1,415,664</u>
- Noncurrent Liabilities -		
Notes payable	429,762	1,708,148
Due to other taxing units	-	40,555
Revenue bonds payable	263,465	13,402,559
Net pension/OPEB liability	<u>1,247,579</u>	<u>4,450,432</u>
<u>Total noncurrent liabilities</u>	<u>1,940,806</u>	<u>19,601,694</u>
- Other Liabilities -		
Deposits	<u>2,000</u>	<u>742,845</u>
<u>Total liabilities</u>	<u>2,113,484</u>	<u>21,760,203</u>
Deferred Inflows of Resources:		
Deferred inflows - pension/OPEB related	319,966	1,608,217
Deferred inflows - lease related	138,766	138,766
Deferred inflows - debt related	<u>8,491</u>	<u>362,467</u>
<u>Total deferred inflows of resources</u>	<u>467,223</u>	<u>2,109,450</u>
Net Position:		
Net investment in capital assets	6,283,609	38,400,250
Restricted	-	2,945,711
Unrestricted (deficit)	<u>(1,100,627)</u>	<u>(2,593,162)</u>
<u>Total net position</u>	<u>5,182,982</u>	<u>38,752,799</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 7,763,689</u>	<u>\$ 62,622,452</u>

See notes to financial statements.

21.

CITY OF HAZARDSTATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION – PROPRIETARY FUNDSFor the Year Ended June 30, 2022

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Gas Fund</u>
Operating revenues:			
Charges for services	\$ 4,837,082	\$ 1,341,095	\$ 1,999,004
Other	47,124	-	15,847
<u>Total operating revenues</u>	<u>4,884,206</u>	<u>1,341,095</u>	<u>2,014,851</u>
Operating expenses:			
Salaries and wages	1,130,964	537,113	549,490
Contract services	1,973,066	717,778	1,415,888
Materials and supplies	1,439,765	212,050	97,552
Depreciation	1,235,145	207,407	135,180
Other operating expenses	2,912	238	880
<u>Total operating expenses</u>	<u>5,781,852</u>	<u>1,674,586</u>	<u>2,198,990</u>
<u>Operating income (loss)</u>	<u>(897,646)</u>	<u>(333,491)</u>	<u>(184,139)</u>
Non-operating revenues (expenses):			
Interest income	5,015	905	1,216
Interest expense	(275,535)	(45,989)	(42,853)
Other income/(loss)	-	-	97
<u>Total non-operating revenues (expenses)</u>	<u>(270,520)</u>	<u>(45,084)</u>	<u>(41,540)</u>
<u>Net income (loss) before operating transfers</u>	<u>(1,168,166)</u>	<u>(378,575)</u>	<u>(225,679)</u>
<u>Operating transfers in (out)</u>	<u>27,284</u>	<u>252,632</u>	<u>45,154</u>
<u>Net income (loss)</u>	<u>(1,140,882)</u>	<u>(125,943)</u>	<u>(180,525)</u>
<u>Net Position - Beginning</u>	<u>26,900,963</u>	<u>4,951,515</u>	<u>2,991,913</u>
<u>Contributed capital</u>	172,776	-	-
<u>Net Position - Ending</u>	<u>\$ 25,932,857</u>	<u>\$ 4,825,572</u>	<u>\$ 2,811,388</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, 2022

	<u>Other</u>	<u>Totals</u>
Operating revenues:		
Charges for services	\$ 708,387	\$ 8,885,568
Other	<u>869</u>	<u>63,840</u>
<u>Total operating revenues</u>	<u>709,256</u>	<u>8,949,408</u>
Operating expenses:		
Salaries and wages	308,115	2,525,682
Contract services	433,114	4,539,846
Materials and supplies	95,659	1,845,026
Depreciation	332,244	1,909,976
Other operating expenses	<u>4,289</u>	<u>8,319</u>
<u>Total operating expenses</u>	<u>1,173,421</u>	<u>10,828,849</u>
<u>Operating income (loss)</u>	<u>(464,165)</u>	<u>(1,879,441)</u>
Non-operating revenues (expenses):		
Interest income	7,125	14,261
Interest expense	(26,596)	(390,973)
Other income/(loss)	<u>294,820</u>	<u>294,917</u>
<u>Total non-operating revenues (expenses)</u>	<u>275,349</u>	<u>(81,795)</u>
<u>Net income (loss) before operating transfers</u>	(188,816)	(1,961,236)
<u>Operating transfers in (out)</u>	<u>634,224</u>	<u>959,294</u>
<u>Net income (loss)</u>	445,408	(1,001,942)
<u>Net Position - Beginning</u>	<u>4,737,574</u>	<u>39,581,965</u>
<u>Contributed capital</u>	-	172,776
<u>Net Position - Ending</u>	<u>\$ 5,182,982</u>	<u>\$ 38,752,799</u>

See notes to financial statements.

CITY OF HAZARD

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

For the Year Ended June 30, 2022

	Water <u>Fund</u>	Sewer <u>Fund</u>	Gas <u>Fund</u>
Cash flows from operating activities:			
Cash received from:			
Charges for services	\$ 5,053,916	\$ 1,371,415	\$ 2,067,184
Other operating revenue	47,124	-	15,847
Cash paid to/for:			
Employees	(1,169,257)	(560,069)	(579,369)
Supplies/contractual	(3,351,897)	(959,423)	(1,497,416)
Other operating expenses	(2,911)	(238)	(880)
<u>Net cash provided/(used) by operating activities</u>	<u>576,975</u>	<u>(148,315)</u>	<u>5,366</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(732,733)	(19,999)	(18,306)
Principal paid on notes and bonds	(210,496)	(65,728)	(128,931)
Interest paid on notes and bonds	(275,535)	(45,989)	(42,853)
Nonoperating - income/(loss)	-	-	97
Contributed capital	172,776	-	-
<u>Net cash provided (used) for capital and related financing</u>	<u>(1,045,988)</u>	<u>(131,716)</u>	<u>(189,993)</u>
Cash flows from non-capital financing activities:			
Operating transfers - in (out)	27,284	252,632	45,154
<u>Net cash provided (used) for non-capital activities</u>	<u>27,284</u>	<u>252,632</u>	<u>45,154</u>
Cash flows from investing activities:			
Interest income	5,015	905	1,216
<u>Net cash provided (used) for investing activities</u>	<u>5,015</u>	<u>905</u>	<u>1,216</u>
Net increase (decrease) in cash	(436,714)	(26,494)	(138,257)
Cash, beginning of year	2,764,488	779,689	748,980
Cash, end of year	<u>2,327,774</u>	<u>753,195</u>	<u>610,723</u>
Reconciliation of operating income (loss) to net cash provided (used) by operations:			
Operating income (loss)	(897,646)	(333,491)	(184,139)
Adjustment to reconcile operating income to cash provided (used) by operating activities:			
Depreciation	1,235,145	207,407	135,180
Changes in current assets/liabilities:			
Accounts receivable	226,355	33,786	52,377
Due from other funds	(7,390)	(3,466)	(3,592)
Other receivables	(89,979)	-	-
Prepaid expenses	(553)	(553)	(553)
Lease receivables	-	-	-
Accounts payable	54,502	(30,008)	19,627
Accrued interest payable	(571)	-	(4,035)
Accrued wages	6,781	159	(5,825)
Accrued vacation payable	2,481	(600)	(1,581)
Due to other taxing units	471	-	866
Customer deposits	87,848	-	19,395
Deferred outflows - pension/OPEB resources	158,818	75,193	77,945
Deferred outflows - debt related	19,910	2,688	3,445
Deferred inflows - pension/OPEB related	433,850	205,409	212,927
Deferred inflows - lease related	-	-	-
Deferred inflows - debt related	(12,824)	(1,722)	(2,460)
Net pension/OPEB liability	(640,223)	(303,117)	(314,211)
<u>Net cash provided (used) by operating activities</u>	<u>\$ 576,975</u>	<u>\$ (148,315)</u>	<u>\$ 5,366</u>

See notes to financial statements.

CITY OF HAZARD

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)

For the Year Ended June 30, 2022

	<u>Other</u>	<u>Totals</u>
Cash flows from operating activities:		
Cash received from:		
Charges for services	\$ 713,130	\$ 9,205,645
Other operating revenue	869	63,840
Cash paid to/for:		
Employees	(317,018)	(2,625,713)
Supplies/contractual	(618,602)	(6,427,338)
Other operating expenses	(4,289)	(8,318)
<u>Net cash provided/(used) by operating activities</u>	<u>(225,910)</u>	<u>208,116</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	(649,298)	(1,420,336)
Principal paid on notes and bonds	(176,866)	(582,021)
Interest paid on notes and bonds	(26,596)	(390,973)
Nonoperating - income/(loss)	294,820	294,917
Contributed capital	-	172,776
<u>Net cash provided (used) for capital and related financing</u>	<u>(557,940)</u>	<u>(1,925,637)</u>
Cash flows from non-capital financing activities:		
Operating transfers - in (out)	634,224	959,294
<u>Net cash provided (used) for non-capital activities</u>	<u>634,224</u>	<u>959,294</u>
Cash flows from investing activities:		
Interest income	7,125	14,261
<u>Net cash provided (used) for investing activities</u>	<u>7,125</u>	<u>14,261</u>
Net increase (decrease) in cash	(142,501)	(743,966)
Cash, beginning of year	301,929	4,595,086
Cash, end of year	<u>159,428</u>	<u>3,851,120</u>
Reconciliation of operating income (loss) to net cash provided (used) by operations:		
Operating income (loss)	(464,165)	(1,879,441)
Adjustment to reconcile operating income to cash provided (used) by operating activities:		
Depreciation	332,244	1,909,976
Changes in current assets/liabilities:		
Accounts receivable	9,786	322,304
Due from other funds	(5,043)	(19,491)
Other receivables	-	(89,979)
Prepaid expenses	(553)	(2,212)
Lease receivables	(138,766)	(138,766)
Accounts payable	(89,196)	(45,075)
Accrued interest payable	(250)	(4,856)
Accrued wages	5,546	6,661
Accrued vacation payable	426	726
Due to other taxing units	-	1,337
Customer deposits	-	107,243
Deferred outflows - pension/OPEB resources	49,681	361,637
Deferred outflows - debt related	594	26,637
Deferred inflows - pension/OPEB related	135,717	987,903
Deferred inflows - lease related	138,766	138,766
Deferred inflows - debt related	(424)	(17,430)
Net pension/OPEB liability	(200,273)	(1,457,824)
<u>Net cash provided (used) by operating activities</u>	<u>\$ (225,910)</u>	<u>\$ 208,116</u>

See notes to financial statements.

CITY OF HAZARD

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS

June 30, 2022

	<u>Trust Funds</u>	<u>Agency Funds</u>	<u>Total</u>
Assets:			
Restricted assets:			
Cash and cash equivalents	\$ 103,717	\$ 414,879	\$ 518,596
Investments	1,536,009	-	1,536,009
Lease receivables	827,599	-	827,599
Other receivables	8,805	-	8,805
Due from other funds	287	14,569	14,856
	<u>2,476,417</u>	<u>429,448</u>	<u>2,905,865</u>
<u>Total assets</u>			
Deferred Outflows of Resources:			
Deferred Outflows - pension/OPEB resources	<u>35,673</u>	<u>-</u>	<u>35,673</u>
	<u>2,512,090</u>	<u>429,448</u>	<u>2,941,538</u>
<u>Total assets and deferred outflows of resources</u>			
Liabilities:			
Due other funds	-	429,448	429,448
Net pension liability	<u>3,946,379</u>	<u>-</u>	<u>3,946,379</u>
	<u>3,946,379</u>	<u>429,448</u>	<u>4,375,827</u>
<u>Total liabilities</u>			
Deferred Inflows of Resources:			
Deferred Inflows - lease related	<u>827,599</u>	<u>-</u>	<u>827,599</u>
Net Position:			
Designated for retirement contributions	(2,372,613)	-	(2,372,613)
Designated for other purposes	<u>110,725</u>	<u>-</u>	<u>110,725</u>
	<u>(2,261,888)</u>	<u>-</u>	<u>(2,261,888)</u>
<u>Total net position</u>			
<u>Total liabilities, deferred inflows of resources, and net position</u>	<u>\$ 2,512,090</u>	<u>\$ 429,448</u>	<u>\$ 2,941,538</u>

See notes to financial statements.

CITY OF HAZARDSTATEMENT OF CHANGES IN FIDUCIARY NET
POSITION – TRUST FUNDSFor the Year Ended June 30, 2022Additions:

Contributions:

Employer

\$ 404,176Investment Income:

Rental Income

6,590

Interest Income

27,214Total investment income33,804Total additions437,980Deductions:

Benefits

405,062

Administrative expenses

-Total deductions405,062Operating transfers in (out)(27,632)Net increase/(decrease) in net position

5,286

Net Position:

Beginning of Year, restated

(2,267,174)

End of Year

\$ (2,261,888)

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTSJune 30, 2022**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, 2022**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, 2022**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, 2022**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.

ARPA Fund – This fund is used to account activity related to American Rescue Plan Act funds received by the City totaling \$1,280,534.

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 Evidence Fund, July 4th Fund, CRF Fund, Music Fest, Downtown Projects Fund, Utility Assistance 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, Trane Project Fund 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:

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022**D. Fund Types and Major Funds (continued)**

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.

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

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

E. Assets, Liabilities, and Net Position or Equity (continued)

stated at fair value on the date donated. The City generally capitalizes assets with cost of \$5,000 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.

Depreciation has been calculated on each class of depreciable property using the straight-line method. 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

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

E. Assets, Liabilities, and Net Position or Equity (continued)

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.

The following schedule reflects governmental fund balances at June 30, 2022:

	General Fund	ARPA Fund	Non-major Funds	Total
Unassigned	\$ 471,212	\$ -	\$ (12)	\$ 471,200
Nonspendable	35,025	-	-	35,025
Restricted	<u>86,908</u>	<u>1,281,353</u>	<u>615,572</u>	<u>1,983,833</u>
Total fund balances	<u>\$ 593,145</u>	<u>\$ 1,281,353</u>	<u>\$ 615,560</u>	<u>\$ 2,490,058</u>

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 Information1. **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:

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022**F. Sources of Revenue and Other General Information (continued)****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.

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.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022**F. Sources of Revenue and Other General Information (continued)****2. Leases****Lessee**

The City has a policy to recognize a lease liability and a right-to-use asset (lease asset) in the financial statements with an initial, individual value of \$5,000 or more with a lease term greater than one year. Variable payments based on future performance or usage of the underlying assets are not included in the measurement of the lease liability.

At the commencement of a lease, the lease liability is measured at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the City has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease, plus any option periods that are reasonably certain to be exercised.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise. The City monitors changes in circumstances that would require a remeasurement of a lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right-to-use along with other capital assets and lease liabilities are reported on the statement of net position.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022**F. Sources of Revenue and Other General Information (continued)****2. Leases (continued)****Lessor**

The City is a lessor for leases of buildings and land and recognizes leases receivable and deferred inflows of resources in the financial statements. The City has a policy to recognize a lease receivable in the financial statements with an initial, individual value of \$5,000 or more with a lease term greater than one year.

At the commencement of a lease, the lease receivable is measured at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease plus any option periods that are likely to be exercised.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

3. Budgets and Budgetary Accounting

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

- 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.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022**F. Sources of Revenue and Other General Information (continued)****3. Budgets and Budgetary Accounting (continued)**

- 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 PoliciesVacation

The vacation leave in 2022 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, 2022, accrued compensated absences totaled \$69,473 based on the number of days earned for each employee.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022**F. Sources of Revenue and Other General Information (continued)****5. Property Tax Calendar**

Property taxes for the fiscal year were levied in September 2021, 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, 2022**F. Sources of Revenue and Other General Information (continued)****8. Recently Issued Accounting Pronouncements**

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective and have been implemented for fiscal year 2021-2022 audit:

GASB Statement No. 87, Leases – This Statement defines a lease as a contract that conveys control of the right to use another entity’s nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. It requires recognition of certain lease assets and liabilities, for leases that were previously classified as operating leases, and establishes a single model for lease accounting. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The implementation did not require a material adjustment to restate net assets or fund balance.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. – This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or another employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

Implementation of these Statements did not have a significant effect on the City’s financial statements for the fiscal year ended June 30, 2022.

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

GASB Statement No. 91, Conduit Debt Obligations – This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022**F. Sources of Revenue and Other General Information (continued)****8. Recently Issued Accounting Pronouncements (continued)**

GASB Statement No. 96, Subscription-Based Information Technology Arrangements – This Statement defines Subscription-Based Information Technology Arrangements (SBITA) as a contract that conveys control of the right to use another party’s (a SBITA vendor’s) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. This Statement establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

GASB Statement No. 100, Accounting Changes and Error Corrections. – This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. It prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections, and requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period.

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 \$8,432,158 and the bank balance was \$8,705,776.

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).

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022**2. - Cash and Investments (continued)**

At June 30, 2022, \$1,956,740 was insured by FDIC, \$6,642,009 was collateralized with securities held by the pledging financial institution's trust department in the City's name and \$107,027 of the City's deposits were not collateralized.

At June 30, 2022, the City's deposits at 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, 2022, the balance is \$120,681.

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, 2022, the balance is \$(939,702).

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.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022**3. - Retirement Plans (continued)**

Normal Eligibility	20 years of service.
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, 2022**3. - Retirement Plans (continued)**

The City of Hazard has a total of 133 employees under the County Employee's Retirement System, (CERS) a cost sharing, multiple-employer, public employer retirement system. Funding for the non-hazardous 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 26.95% of the employees total compensation subject to contribution. The City does not fully 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. Funding for the hazardous plan is provided through a payroll withholding of 8%, except for new hires on or after September 1, 2008 with payroll withholdings of 9%, and a City's contribution of 44.33% of the employees total compensation subject to contribution.

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, 2022, the City reported the following for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2021 for the City's proportionate share of net CERS pension liability and June 30, 2022 for the City's Firemen's and Policemen's Pension Fund. At June 30, 2021 the City's proportion of the net pension liability based on contributions to CERS during fiscal year ended June 30, 2019 was .135586% for non-hazardous and .010768% 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>\$ 8,644,671</u>
City's proportionate share of the net CERS hazardous pension liability	<u>\$ 286,661</u>
City's proportionate share of the net Firemen-Police pension liability	<u>\$ 3,946,379</u>

For the year ended June 30, 2022, the City's financial statements reported pension expense of \$552,107 for CERS non-hazardous, \$32,269 for CERS hazardous and \$405,062 for the Firemen-Police pension. For the year ended June 30, 2022 the City recognized deferred outflows of resources for non-hazardous, hazardous and firemen-police of \$1,586,858, \$44,493 and \$35,673, respectively, and deferred inflows of resources for non-hazardous, hazardous and firemen-police of \$2,127,484, \$43,213 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, 2022

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:

<u>Year</u>	<u>Non-hazardous Total</u>	<u>Hazardous Total</u>	<u>Firemen-Police Total</u>
2022	\$ (218,930)	\$ (656)	\$ -
2023	(497,171)	(4,340)	-
2024	(276,570)	(5,964)	15,387
2025	(360,806)	(9,694)	9,624
2026	-	-	7,830
Thereafter	-	-	2,832
	<u>\$ (1,353,477)</u>	<u>\$ (20,654)</u>	<u>\$ 35,673</u>

	<u>Non-hazardous</u>		<u>Hazardous</u>		<u>Firemen-Police</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>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 99,267	\$ 83,902	\$ 7,905	\$ -	\$ -	\$ -
Changes of assumptions	116,022	-	3,580	-	-	-
Net difference between projected and actual earnings on pension plan investments	335,356	1,487,547	9,154	39,927	35,673	-
Changes in proportion and differences between City contributions and proportionate share of contributions	223,360	556,035	1,919	3,286	-	-
City contributions subsequent to the measurement date	812,853	-	21,935	-	-	-
Total	<u>\$ 1,586,858</u>	<u>\$ 2,127,484</u>	<u>\$ 44,493</u>	<u>\$ 43,213</u>	<u>\$ 35,673</u>	<u>\$ -</u>

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022**3. - Retirement Plans (continued)**

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, 2019 and June 30, 2022, respectively. The financial reporting actuarial valuation for CERS as of June 30, 2021, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

- Actuarial Valuation date – June 30, 2019
- Actuarial Cost method – Entry Age Normal
- Asset Valuation method – 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
- Amortization Method – Level percentage of pay
- Amortization Period – 30 years, closed
- Payroll growth rate – 2%
- Investment return – 6.25%
- Inflation – 2.30%
- Salary increases, 3.30% to 10.30%, varies by service for non-hazardous; 3.55% to 19.05%, varies by service for hazardous
- System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019

The financial reporting actuarial valuation for Firemen-Police as of June 30, 2022, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

- Valuation date – July 1, 2022
- 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 – 4.09%, 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:

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

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

	<u>Asset Class</u>	<u>Non-hazardous</u>		<u>Hazardous</u>	
		<u>Target Allocation</u>	<u>Expected Nominal Return</u>	<u>Target Allocation</u>	<u>Expected Nominal Return</u>
Growth		54.50%		68.50%	
US Equity		16.25%	5.70%	21.75%	5.70%
Non US Equity		16.25%	6.35%	21.75%	6.35%
Private Equity		7.00%	9.70%	10.00%	9.70%
Specialty Credit/High Yield		15.00%	2.80%	15.00%	2.80%
Liquidity		25.50%		11.50%	
Core Bonds		20.50%	0.00%	10.00%	0.00%
Cash		5.00%	-0.60%	1.50%	-0.60%
Diversifying Strategies		20.00%		20.00%	
Real Estate		10.00%	5.40%	10.00%	5.40%
Opportunistic		0.00%	N/a	0.00%	N/a
Real Return		10.00%	4.55%	10.00%	4.55%

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	Long-term Expected Nominal Return
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Return</u>
Cash	100.00%	4.09%

Discount Rate – The discount rate used to measure the total pension liability for CERS and Firemen-Police was 6.25% and 4.09%, 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 4.09% 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

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

3. - Retirement Plans (continued)

measurement date. The net pension liability is based on the June 30, 2021 actuarial valuations for CERS and June 30, 2022 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.

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 4.09%, 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	\$ 11,087,201	\$ 8,644,671	\$ 6,623,535
City's proportionate share of net hazardous pension liability	\$ 365,390	\$ 286,661	\$ 222,498
	<u>3.09%</u>	<u>4.09%</u>	<u>5.09%</u>
City's proportionate share of the net Firemen-Police pension liability	\$ 4,524,840	\$ 3,946,379	\$ 3,456,856

There were no payables to the pension plans at June 30, 2022.

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>.

CITY OF HAZARDNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022**4. - OPEB Plans (continued)**

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.

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, 2022, the City of Hazard reported a liability of \$2,595,114 and \$87,066 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, 2021, 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, 2022, the City's proportion was .135554% for non-hazardous and .010768% for hazardous. The previous year proportion were .146897% and .010950%, 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>\$2,595,114</u>
City's proportionate share of the net CERS hazardous OPEB liability	<u>\$ 87,066</u>

CITY OF HAZARD

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

4. - OPEB Plans (continued)

For the year ended June 30, 2022, the City recognized OPEB expense of \$245,155 and \$10,398 for non-hazardous and hazardous, respectively. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	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	\$ 408,082	\$ 774,815	\$ 2,721	\$ 9,367
Changes of assumptions	688,014	2,413	21,834	33
Net difference between projected and actual earnings on plan investments	130,749	536,719	5,492	21,880
Changes in proportion and differences between City contributions and proportionate share of contributions	91,114	373,641	1,040	1,457
City contributions subsequent to the measurement date	200,476	-	6,947	-
Total	<u>\$ 1,518,435</u>	<u>\$ 1,687,588</u>	<u>\$ 38,034</u>	<u>\$ 32,737</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:

Year	Non-hazardous	Hazardous
	Total	Total
2022	\$ (25,067)	\$ (1,147)
2023	(86,555)	301
2024	(57,402)	(249)
2025	(200,605)	(2,113)
2026	-	1,558
Thereafter	-	-
	<u>\$ (369,629)</u>	<u>\$ (1,650)</u>

CITY OF HAZARDNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022**4. - OPEB Plans (continued)**

Actuarial assumptions – The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation date – June 30, 2019
- Actuarial Cost method – Entry Age Normal
- Asset Valuation method – 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
- Amortization Method – Level percentage of pay
- Amortization Period – 30 years, closed period at June 30, 2019
- Payroll growth rate – 2%
- Investment return – 6.25%
- Inflation – 2.30%
- Salary increases, 3.30% to 10.30%, varies by service for non-hazardous; 3.55% to 19.05%, varies by service for hazardous
- System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- Phase-in Provision-Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018
- Healthcare cost trend rates

Under 65	Initial trend starting at 6.25% at January 1, 2021 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 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 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, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 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:

CITY OF HAZARD

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

4. - OPEB Plans (continued)

	<u>Asset Class</u>	<u>Non-hazardous</u>		<u>Hazardous</u>	
		<u>Target</u>	<u>Long-term</u> <u>Expected</u> <u>Nominal</u> <u>Return</u>	<u>Target</u>	<u>Long-term</u> <u>Expected</u> <u>Nominal</u> <u>Return</u>
Growth		54.50%		68.50%	
US Equity		16.25%	5.70%	21.75%	5.70%
Non US Equity		16.25%	6.35%	21.75%	6.35%
Private Equity		7.00%	9.70%	10.00%	9.70%
Specialty Credit/High Yield		15.00%	2.80%	15.00%	2.80%
Liquidity		25.50%		11.50%	
Core Bonds		20.50%	0.00%	10.00%	0.00%
Cash		5.00%	-0.60%	1.50%	-0.60%
Diversifying Strategies		20.00%		20.00%	
Real Estate		10.00%	5.40%	10.00%	5.40%
Opportunistic		0.00%	N/a	0.00%	N/a
Real Return		10.00%	4.55%	10.00%	4.55%

Discount rate - The discount rate used to measure the total OPEB liability was 5.20% for non-hazardous and 5.05% 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 5.20% and 5.05% 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 (4.20% for non-hazardous and 4.05% hazardous) or 1-percentage-point higher (6.20% for non-hazardous and 6.05% for hazardous) than the current rate:

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

4. - OPEB Plans (continued)

	1% Decrease <u>4.20%</u>	Current Discount Rate <u>5.20%</u>	1% Increase <u>6.20%</u>
City's proportionate share of net non-hazardous OPEB liability	\$ 3,563,071	\$ 2,595,114	\$ 1,800,744
	1% Decrease <u>4.05%</u>	Current Discount Rate <u>5.05%</u>	1% Increase <u>6.05%</u>
City's proportionate share of net hazardous OPEB liability	\$ 126,229	\$ 87,066	\$ 55,600

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:

	1% <u>Decrease</u>	Current Healthcare Cost Trend Rate	1% <u>Increase</u>
City's proportionate share of net non-hazardous OPEB liability	\$ 1,868,173	\$ 2,595,114	\$ 3,472,542
	1% <u>Decrease</u>	Current Healthcare Cost Trend Rate	1% <u>Increase</u>
City's proportionate share of net hazardous OPEB liability	\$ 57,050	\$ 87,066	\$ 123,827

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

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

5 - Allowance for Uncollectible Accounts

Allowance for uncollectible accounts receivable in the various funds at June 30, 2022 is as follows:

General Fund	
Property taxes	\$ 250,926
Water Fund	
Water billing	1,017,046
Sewer Fund	
Sewer billing	180,786
Gas Fund	
Gas billing	188,627
Garbage Fund	
Garbage billing	\$ 579,349

6. - Proprietary Funds Fixed Assets

The following is a summary of property, plant and equipment of the Proprietary Funds at June 30, 2022:

	Public		Hazard				Starland	The	
	Improvement		Pavilion	Gas	Garbage	Sewer	Building	Hazard	Total
	Corp.	Water						Forum	
Land	\$ 821,026	\$ 98,897	\$ -	\$ 21,799	\$ -	\$ 16,605	\$ -	\$ -	\$ 958,327
Construction in progress	-	1,048,816	-	-	-	-	-	-	1,048,816
Buildings	2,310,673	6,818,985	1,693,596	-	-	7,336,422	203,164	7,202,552	25,565,392
Improvements other than buildings	708,286	49,867,205	726,570	8,755,539	-	8,015,145	10,585	-	68,083,330
Equipment and machinery	-	1,510,611	157,652	650,731	666,050	549,530	3,324	38,931	3,576,829
Office equipment and fixtures	-	74,286	156,796	216,318	46,800	42,045	-	-	536,245
Vehicles	66,000	849,092	-	395,648	1,014,176	77,242	-	-	2,402,158
	3,905,985	60,267,892	2,734,614	10,040,035	1,727,026	16,036,989	217,073	7,241,483	102,171,097
Accumulated Depreciation	(2,174,221)	(24,338,730)	(1,627,586)	(4,972,287)	(1,654,491)	(10,160,466)	(28,720)	(3,458,625)	(48,415,126)
Total	\$ 1,731,764	\$ 35,929,162	\$ 1,107,028	\$ 5,067,748	\$ 72,535	\$ 5,876,523	\$ 188,353	\$ 3,782,858	\$ 53,755,971

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022**6. - Proprietary Funds Fixed Assets (continued)**

Depreciation was allocated to each fund as follows:

Public Improvement Corp.	\$ 57,090
Water	1,235,145
Pavilion	62,271
Gas	135,180
Garbage	28,239
Sewer	207,407
Starland Building	6,470
Hazard Forum	178,174
<u>Total Depreciation</u>	<u>\$ 1,909,976</u>

Proprietary fund activity for the fiscal year ended June 30, 2022 was as follows:

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2022</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 958,327	\$ -	\$ -	\$ 958,327
Construction in progress	8,047,959	348,541	(7,347,684)	1,048,816
Total capital assets not being depreciated	9,006,286	348,541	(7,347,684)	2,007,143
<u>Capital assets being depreciated:</u>				
Buildings	25,251,624	313,768	-	25,565,392
Improvements other than buildings	60,241,565	7,841,765	-	68,083,330
Equipment and machinery	3,417,436	159,393	-	3,576,829
Office equipment and fixtures	536,245	-	-	536,245
Vehicles	2,297,605	104,553	-	2,402,158
Total capital assets being depreciated	91,744,475	8,419,479	-	100,163,954

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022**6. - Proprietary Funds Fixed Assets (continued)**

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2022</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(17,659,440)	(399,223)	-	(18,058,663)
Improvements other than buildings	(23,429,676)	(1,316,350)	-	(24,746,026)
Equipment and machinery	(2,720,372)	(116,346)	-	(2,836,718)
Office equipment and fixtures	(571,433)	(17,813)	-	(589,246)
Vehicles	(2,124,229)	(60,244)	-	(2,184,473)
Total accumulated depreciation	(46,505,150)	(1,909,976)	-	(48,415,126)
<u>Total capital assets being depreciated, net:</u>	<u>45,239,325</u>	<u>6,509,503</u>	<u>-</u>	<u>51,748,828</u>
<u>Total proprietary fund fixed assets</u>	<u>\$ 54,245,611</u>	<u>\$ 6,858,044</u>	<u>\$ (7,347,684)</u>	<u>\$ 53,755,971</u>

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

Trane Energy Efficient Project	\$7,257,759
--------------------------------	-------------

7. - Governmental Fixed Assets

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

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2022</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 1,089,330	\$ -	\$ -	\$ 1,089,330
Construction in progress	913,937	-	(913,937)	-
Total capital assets not being depreciated	2,003,267	-	(913,937)	1,089,330

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

7. - Governmental Fixed Assets (continued)

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2022</u>
<u>Capital assets being depreciated:</u>				
Buildings	2,889,625	337,850	-	3,227,475
Improvements other than buildings	1,657,783	1,231,797	-	2,889,580
Equipment and machinery	1,050,657	29,155	-	1,079,812
Office equipment and fixtures	389,100	-	-	389,100
Vehicles	<u>3,595,200</u>	<u>138,953</u>	<u>-</u>	<u>3,734,153</u>
Total capital assets being depreciated	9,582,365	1,737,755	-	11,320,120
<u>Less accumulated depreciation for:</u>				
Buildings	(2,093,901)	(55,172)	-	(2,149,073)
Improvements other than buildings	(620,903)	(44,194)	-	(665,097)
Equipment and machinery	(726,604)	(71,789)	-	(798,393)
Office equipment and fixtures	(355,087)	(6,401)	-	(361,488)
Vehicles	<u>(3,117,538)</u>	<u>(124,265)</u>	<u>-</u>	<u>(3,241,803)</u>
Total accumulated depreciation	(6,914,033)	(301,821)	-	(7,215,854)
<u>Total capital assets being depreciated, net:</u>	<u>2,668,332</u>	<u>1,435,934</u>	<u>-</u>	<u>4,104,266</u>
<u>Total governmental fund fixed assets</u>	<u>\$ 4,671,599</u>	<u>\$ 1,435,934</u>	<u>\$ (913,937)</u>	<u>\$ 5,193,596</u>

Depreciation expense was allocated to each function as follows:

General government	\$ 61,400
Police	86,156
Fire	58,557
Public works	74,218
Highway and streets	<u>21,490</u>
<u>Total Depreciation</u>	<u>\$ 301,821</u>

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

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, 2022:

	Balance			Balance	
	June 30, 2021	Additions	Deductions	June 30, 2022	Current
Governmental activities:					
General obligation bonds	\$ 964,897	\$ -	\$ (9,137)	\$ 955,760	\$ 10,920
Notes from direct borrowing	447,960	-	(69,968)	377,992	49,437
Total	<u>1,412,857</u>	<u>-</u>	<u>(79,105)</u>	<u>1,333,752</u>	<u>60,357</u>
Proprietary-type activities:					
General obligation bonds	13,918,243	-	(248,104)	13,670,139	267,580
Notes from direct borrowing	2,232,415	-	(333,917)	1,898,498	190,350
Total	<u>16,150,658</u>	<u>-</u>	<u>(582,021)</u>	<u>15,568,637</u>	<u>457,930</u>
Total	<u>\$ 17,563,515</u>	<u>\$ -</u>	<u>\$ (661,126)</u>	<u>\$ 16,902,389</u>	<u>\$ 518,287</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			
	Bonds		Notes from direct borrowing		Bonds		Notes from direct borrowing	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 10,920	\$ 31,140	\$ 73,786	\$ 9,808	\$ 267,580	\$ 407,297	\$ 190,350	\$ 39,569
2024	14,040	30,785	65,432	7,681	297,744	400,071	109,152	34,655
2025	17,160	30,329	41,555	5,963	330,824	391,894	111,512	32,237
2026	21,320	29,771	40,228	4,989	370,780	382,692	113,946	29,747
2027	25,740	29,078	41,222	3,990	412,144	372,225	116,455	27,182
2028 - 32	191,360	130,207	115,769	5,683	2,677,575	1,658,080	622,772	101,069
2033 - 37	322,140	91,194	-	-	3,934,595	1,182,306	510,304	31,333
2038 - 42	353,080	2,954	-	-	4,095,020	258,242	124,007	1,959
2043 - 47	-	-	-	-	704,178	109,397	-	-
2048 - 52	-	-	-	-	478,000	37,284	-	-
2053	-	-	-	-	101,699	1,099	-	-
Total	<u>\$ 955,760</u>	<u>\$ 375,459</u>	<u>\$ 377,992</u>	<u>\$ 38,114</u>	<u>\$ 13,670,139</u>	<u>\$ 5,200,587</u>	<u>\$ 1,898,498</u>	<u>\$ 297,751</u>

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

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.

In November 2020, the City issued \$9,285,000 in general obligation bonds with an interest rate of 3%. These bonds were issued to finance energy conservation improvements to City facilities.

Total interest expense for year ended June 30, 2022 was \$390,973 and \$47,916 for proprietary funds and governmental funds, respectively.

The following is a summary of notes and bond payable transactions for the year ended June 30, 2022 by fund:

Description	Collateral	Rate	Balance			Current	
			6/30/21	Additions	Reductions	6/30/22	Portion
- General Fund -							
Peoples Bank and Trust	Revenues	Variable	\$ 276,554	\$ -	\$ (24,323)	\$ 252,231	\$ 27,422
KY Bond Corporation	Revenues	3.00%	964,897	-	(9,137)	955,760	10,920
Kansas State Bank	Vehicles	4.73%	81,406	-	(25,645)	55,761	2,015
Housing Development Alliance	Real estate	0.00%	90,000	-	(20,000)	70,000	20,000
<u>Sub-total</u>			<u>1,412,857</u>	<u>-</u>	<u>(79,105)</u>	<u>1,333,752</u>	<u>60,357</u>

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

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

<u>Description</u>	<u>Collateral</u>	<u>Rate</u>	<u>Balance</u> <u>6/30/21</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/22</u>	<u>Current</u> <u>Portion</u>
- Water Fund -							
KY Bond Corporation	Revenue	3.00%	5,733,716	-	(54,296)	5,679,420	64,890
Series 2014A	Revenue	2.125%	2,031,500	-	(45,000)	1,986,500	46,000
Series 2014B	Revenue	2.375%	351,700	-	(7,300)	344,400	7,500
KY Bond Corporation	Revenue	Variable	<u>2,856,011</u>	<u>-</u>	<u>(103,900)</u>	<u>2,752,111</u>	<u>106,488</u>
<u>Sub-total</u>			<u>10,972,927</u>	<u>-</u>	<u>(210,496)</u>	<u>10,762,431</u>	<u>224,878</u>
- Sewer Fund -							
Kentucky Infrastructure Authority	Revenue	1.75%	830,999	-	(45,428)	785,571	46,227
KY Bond Corporation	Revenue	Variable	366,072	-	(13,184)	352,888	13,512
KY Bond Corporation	Revenue	3.00%	<u>751,506</u>	<u>-</u>	<u>(7,116)</u>	<u>744,390</u>	<u>8,505</u>
<u>Sub-total</u>			<u>1,948,577</u>	<u>-</u>	<u>(65,728)</u>	<u>1,882,849</u>	<u>68,244</u>
- Public Improvement Corporation -							
Peoples Bank and Trust	Revenues	4.75%	<u>172,207</u>	<u>-</u>	<u>(129,018)</u>	<u>43,189</u>	<u>43,189</u>
- Forum Fund -							
	Real Estate/ Rent						
Community Trust Bank	Revenues	Variable	344,074	-	(36,523)	307,551	24,273
KY Bond Corporation	Revenue	3.00%	<u>176,279</u>	<u>-</u>	<u>(1,669)</u>	<u>174,610</u>	<u>1,995</u>
<u>Sub-total</u>			<u>520,353</u>	<u>-</u>	<u>(38,192)</u>	<u>482,161</u>	<u>26,268</u>
- Starland Building -							
Whitaker Bank	Real Estate	3.95%	<u>163,071</u>	<u>-</u>	<u>(8,777)</u>	<u>154,294</u>	<u>7,810</u>
- Hazard Pavilion -							
KY Bond Corporation	Revenues	3.00%	<u>92,779</u>	<u>-</u>	<u>(879)</u>	<u>91,900</u>	<u>1,050</u>
- Gas Fund -							
Peoples Bank and Trust	Revenues	3.25%	126,064	-	(85,763)	40,301	40,301
Kentucky Infrastructure Authority	Revenues	0.50%	596,000	-	(28,408)	567,592	28,550
Kentucky Bond Corporation	Revenues	3.00%	<u>1,558,680</u>	<u>-</u>	<u>(14,760)</u>	<u>1,543,920</u>	<u>17,640</u>
<u>Sub-total</u>			<u>2,280,744</u>	<u>-</u>	<u>(128,931)</u>	<u>2,151,813</u>	<u>86,491</u>
<u>Total</u>			<u>\$ 17,563,515</u>	<u>\$ -</u>	<u>\$ (661,126)</u>	<u>\$ 16,902,389</u>	<u>\$ 518,287</u>

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

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

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, leaving a balance of \$252,231 at June 30, 2022.

9. - Leases Receivable and Lease-Related Deferred Inflows of Resources

The City leases various types of property including land and buildings. Leases receivable consist of agreements with other entities for the "right-to-use" the underlying assets at various locations owned by the City. The remaining terms of the agreements range from 2 to 60 years. The interest rates used calculated the net present value of the lease receivable ranged from 1% to 4%.

For the fiscal year ended June 30, 2022, the City recognized \$97,095 in lease revenue and \$17,796 in interest revenue, and the outstanding net present value of the lease receivable amount is \$1,012,369.

Governmental Activities

A summary of changes in lease receivable for the governmental activities for the year ended June 30, 2022 is as follows:

	<u>Balance</u> <u>June 30, 2021</u>		<u>Additions</u>		<u>Deductions</u>		<u>Balance</u> <u>June 30, 2022</u>		<u>Current</u>
	\$ 82,974		\$ -		\$ (36,969)		\$ 46,005		\$ 39,282

At June 30, 2022, the required payments for these leases, including interest, are:

	NPV leases receivables	Interest	Total lease payments
2023	\$ 39,282	\$ 1,127	\$ 40,409
2024	<u>6,723</u>	<u>34</u>	<u>6,757</u>
Total	\$ 46,005	\$ 1,161	\$ 47,166

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 20229. - Leases Receivable and Lease-Related Deferred Inflows of Resources (continued)**Proprietary Activities**

A summary of changes in lease receivable for the proprietary activities for the year ended June 30, 2022 is as follows:

<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Current</u>
\$ 188,399	\$ -	\$ (49,633)	\$ 138,766	\$ 49,241

At June 30, 2022, the required payments for these leases, including interest, are:

	NPV leases receivables	Interest	Total lease payments
2023	\$ 49,241	\$ 4,759	\$ 54,000
2024	43,872	2,928	46,800
2025	<u>45,653</u>	<u>1,147</u>	<u>46,800</u>
Total	\$ 138,766	\$ 8,834	\$ 147,600

Fiduciary Activities

A summary of changes in lease receivable for the fiduciary activities for the year ended June 30, 2022 is as follows:

<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Current</u>
\$ 838,091	\$ -	\$ (10,493)	\$ 827,598	\$ 10,598

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022**9. - Leases Receivable and Lease-Related Deferred Inflows of Resources (continued)**

At June 30, 2022, the required payments for these leases, including interest, are:

	NPV leases receivables	Interest	Total lease payments
2023	\$ 10,598	\$ 8,276	\$ 18,874
2024	10,704	8,170	18,874
2025	10,811	8,063	18,874
2026	10,919	7,955	18,874
2027	11,028	7,846	18,874
2028-2032	56,818	37,552	94,370
2033-2037	59,716	34,654	94,370
2038-2042	62,763	31,607	94,370
2043-2047	65,964	28,406	94,370
2048-2052	69,329	25,041	94,370
2053-2057	72,865	21,505	94,370
2058-2062	76,582	17,788	94,370
2063-2067	80,489	13,881	94,370
2068-2072	84,594	9,776	94,370
2073-2077	88,910	5,460	94,370
2078-2080	<u>55,508</u>	<u>1,114</u>	<u>56,622</u>
Total	\$ 827,598	\$ 267,094	\$ 1,094,692

10. - Deferred Inflows and Outflows of Resources

Deferred outflows of resources at June 30, 2022 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Deferred Outflows related to debt	\$ 81,282	\$ 993,251
GASB Statement No. 68 Pension Deferred Outflow	1,057,085	574,267
GASB Statement No. 75 OPEB Deferred Outflow	<u>912,283</u>	<u>644,185</u>
Total	<u>\$ 2,050,650</u>	<u>\$ 2,211,703</u>

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022**10. – Deferred Inflows and Outflows of Resources (continued)**

Deferred inflows of resources at June 30, 2022 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Deferred Inflows related to debt	\$ 30,451	\$ 362,467
GASB Statement No. 68 Pension Deferred Inflow	1,303,642	867,053
GASB Statement No. 75 OPEB Deferred Inflow	979,163	741,164
GASB Statement No. 87 Leases Deferred Inflow	46,005	138,766
Total	<u>\$ 2,359,261</u>	<u>\$ 2,109,450</u>

11. – Cash and Investments - Restricted Funds

Certain assets of the City of Hazard are restricted at June 30, 2022 for customers' deposits and debt service. These assets consist of cash and short-term investments restricted as follows:

Water Fund	\$ 2,138,401
Gas Fund	92,049
Sewer Fund	<u>715,261</u>
Total	<u>\$ 2,945,711</u>

12. - Cash Flow Statement

For purpose of the cash flow statement cash at June 30, 2022 is as follows:

<u>Proprietary Funds</u>	
Cash - unrestricted	\$ 905,409
<u>Restricted</u>	
Cash	<u>2,945,711</u>
	<u>\$ 3,851,120</u>

13. - 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.

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

14. - **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	\$	(254,583)
Water Fund		(897,646)
Gas Fund		(184,139)
Sewer Fund		(333,491)
Forum Fund		(253,263)
Public Improvement Corporation		(59,512)
Fire-Police Pension Fund		(405,062)
Mayor and Commissioners Special Recreation		(1,797)
Municipal Road Aid		(224,074)
Police Memorial Fund		(1,525)
Music Fest		(3,908)
Trane Project Fund	\$	(320)

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

As of June 30, 2022, the following funds had a deficit in fund balance or retained earnings.

Garbage Fund	\$	(257,479)
Fire-Police Pension Fund		(2,372,613)
Police Evidence Fund		(6)
USDA Farmers Market Fund	\$	(6)

16. - **Interfund Assets/Liabilities**

Due from/to other funds balances at June 30, 2022 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	\$ -	\$ 80,403
Due to/from Water Fund	-	39,413
Due to/from Gas Fund	-	12,554
Due to/from Garbage Fund	-	2,430
Due to/from Pavilion Fund	-	4,676
Due to/from Sewer Fund	-	11,970
<u>Total Payroll Fund</u>	-	<u>151,446</u>
Disbursement Fund -		
Due to/from General Fund	-	140,362
Due to/from Gas Fund	-	30,069
Due to/from Water Fund	-	95,322
Due to/from Fire-Police Pension Fund	-	287
Due to/from Forum Fund	-	411
Due to/from Garbage Fund	14,521	-
Due to/from Pavilion Fund	48	-
Due to/from Sewer Fund	-	11,489
Due to/from Road Aid Fund	-	62
<u>Total Disbursement Fund</u>	<u>14,569</u>	<u>278,002</u>

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

16. - Interfund Assets/Liabilities (continued)

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund -		
Due to/from Disbursement Fund	140,362	-
Due to/from Road Aid Fund	-	36,973
Due to/from Gas Fund	221,800	-
Due to/from Garbage Fund	-	100,000
Due to/from USDA Farmers Market Fund	91,578	-
Due to/from Payroll Fund	<u>80,403</u>	<u>-</u>
<u>Total General Fund</u>	<u>534,143</u>	<u>136,973</u>
Gas Fund -		
Due to/from Payroll Fund	12,554	-
Due to/from Disbursement Fund	30,069	-
Due to/from General Fund	-	221,800
<u>Total Gas Fund</u>	<u>42,623</u>	<u>221,800</u>
Pavilion Fund -		
Due to/from Disbursement Fund	-	48
Due to/from Payroll Fund	<u>4,676</u>	<u>-</u>
<u>Total Pavilion Fund</u>	<u>4,676</u>	<u>48</u>
Sewer Fund -		
Due to/from Payroll Fund	11,970	-
Due to/from Disbursement Fund	11,489	-
Due to/from Water Fund	<u>202,959</u>	<u>16,375</u>
<u>Total Sewer Fund</u>	<u>226,418</u>	<u>16,375</u>
Garbage Fund -		
Due to/from Disbursement Fund	-	14,521
Due to/from Payroll Fund	2,430	-
Due to/from General Fund	<u>100,000</u>	<u>-</u>
<u>Total Garbage Fund</u>	<u>102,430</u>	<u>14,521</u>
Water Fund -		
Due to/from Disbursement Fund	95,322	-
Due to/from Sewer Fund	16,375	202,959
Due to/from Payroll Fund	<u>39,413</u>	<u>-</u>
<u>Total Water Fund</u>	<u>151,110</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>

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

16. - **Interfund Assets/Liabilities (continued)**

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
USDA Farmers Market Fund -		
Due to/from General Fund	-	91,578
<u>Total USDA Farmers Market Fund</u>	-	91,578
Road Aid Fund -		
Due to/from Asset Forfeiture Fund	-	737
Due to/from General Fund	36,973	-
Due to/from Disbursement Fund	62	-
<u>Total Road Aid Fund</u>	37,035	737
Asset Forfeiture Fund -		
Due to/from Road Aid Fund	737	-
<u>Total Asset Forfeiture Fund</u>	737	-
Fire-Police Pension Fund -		
Due to/from Disbursement Fund	287	-
<u>Total F&P Pension Fund</u>	287	-
<u>Total</u>	<u>\$ 1,114,439</u>	<u>\$ 1,114,439</u>

17. - **Interfund Operating Transfers**

Individual Fund operating transfers for fiscal year 2022, were as follows:

<u>Fund</u>	<u>Transfer Out</u>	<u>Transfer In</u>
General Fund -		
Transfer to/from Fire and Police Pension Fund	\$ 370,421	\$ -
Transfer to/from Garbage Fund	135,000	452,162
Transfer to/from Gas Fund	12,000	39,500
Transfer to/from Pavilion Fund	837,903	-
Transfer to/from Forum	36,500	-
Transfer to/from Payroll Fund	25,131	25,131
Transfer to/from Disbursement Fund	9,178	9,178
Transfer to/from Sewer Fund	181,500	-

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

17. - Interfund Operating Transfers (continued)

<u>Fund</u>	<u>Transfer Out</u>	<u>Transfer In</u>
Transfer to/from Water Fund	16,650	-
Transfer to/from CRF Fund	-	159,991
Transfer to/from Allais Redevelopment Fund	1,686	257,560
Transfer to/from Fire Department Equipment Fund	-	5,695
Transfer to/from Fire Dept Fund	10,000	3,881
Transfer to/from Road Aid Fund	48,000	-
Transfer to/from LGEA Coal and Mineral Severance	-	16,446
Transfer to/from July 4th Fund	-	15,598
Transfer to/from Downtown Projects Fund	50,000	98,384
Transfer to/from Trane Project	3,688	-
Transfer to/from Music Fest	3,423	850
Transfer to/from Public Improvement Corp Fund	259,155	-
<u>Total General Fund</u>	<u>2,000,235</u>	<u>1,084,376</u>
Special Revenue -		
Road Aid Fund		
Transfer to/from General Fund	-	48,000
Transfer to/from LGEA Coal and Mineral Severance	-	88,533
LGEA Coal and Mineral Severance		
Transfer to/from General Fund	16,446	-
Transfer to/from Road Aid Fund	88,533	-
July 4th Fund		
Transfer to/from General Fund	15,598	-
Music Fest		
Transfer to/from July 4th Fund	850	3,423
CRF Fund		
Transfer to/from General Fund	159,991	-
Transfer to/from Pavilion	1,143	-
Transfer to/from Water Fund	3,133	-
Transfer to/from Sewer Fund	1,143	-
Transfer to/from Forum	1,143	-
Transfer to/from Gas Fund	995	-
Downtown Projects Fund		
Transfer to/from General Fund	98,384	50,000
<u>Total Special Revenue Funds</u>	<u>387,359</u>	<u>189,956</u>

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

17. - Interfund Operating Transfers (continued)

Fund	Transfer Out	Transfer In
Capital Projects -		
Fire Department Equipment Fund		
Transfer to/from General Fund	5,695	-
Fire Dept Fund		
Transfer to/from General Fund	3,881	10,000
Trane Project		
Transfer to/from General Fund	-	3,688
Transfer to/from Water Fund	-	20,131
Transfer to/from Gas Fund	-	5,472
Transfer to/from Pavilion Fund	-	326
Transfer to/from Sewer Fund	-	2,638
Transfer to/from Forum	-	619
Allais Redevelopment Fund		
Transfer to/from General Fund	257,560	1,686
<u>Total Capital Projects</u>	<u>267,136</u>	<u>44,560</u>
Fiduciary Fund Type -		
Fire and Police Pension Fund		
Transfer to/from General Fund	-	370,421
Transfer to/from Garbage Fund	-	33,755
Jacklot Hollow Development Trust		
Transfer to/from Water Fund	27,632	-
Disbursement Fund		
Transfer to/from General Fund	9,178	9,178
Payroll Fund		
Transfer to/from General Fund	25,131	25,131
Transfer to/from Water Fund	7,390	7,390
Transfer to/from Gas Fund	3,593	3,593
Transfer to/from Sewer Fund	3,466	3,466
<u>Total Fiduciary Funds</u>	<u>76,390</u>	<u>452,934</u>
Proprietary Funds -		
Sewer Fund		
Transfer to/from General Fund	-	181,500
Transfer to/from Garbage Fund	-	72,627
Transfer to/from Payroll Fund	3,466	3,466
Transfer to/from Trane Project	2,638	-
Transfer to/from CRF Fund	-	1,143
Water Fund		
Transfer to/from General Fund	-	16,650
Transfer to/from Payroll Fund	7,390	7,390
Transfer to/from CRF Fund	-	3,133
Transfer to/from Trane Project	20,131	-
Transfer to/from Jacklot Hollow Development Trust	-	27,632
Garbage Fund		
Transfer to/from General Fund	452,162	135,000
Transfer to/from Fire and Police Pension Fund	33,755	-
Transfer to/from Pavilion	6,500	-
Transfer to/from Sewer Fund	72,627	-

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 202217. - Interfund Operating Transfers (continued)

<u>Fund</u>	<u>Transfer Out</u>	<u>Transfer In</u>
Public Improvement Corp Fund		
Transfer to/from General Fund	-	259,155
Transfer to/from Forum	44,953	-
Transfer to/from Gas Fund	77,131	-
Pavilion Fund		
Transfer to/from General Fund	-	837,903
Transfer to/from Garbage Fund		6,500
Transfer to/from Trane Project	326	-
Transfer to/from CRF Fund	-	1,143
Forum		
Transfer to/from General Fund	-	36,500
Transfer to/from CRF Fund	-	1,143
Transfer to/from Trane Project	619	-
Transfer to/from Public Improvement Corp Fund	-	44,953
Gas fund		
Transfer to/from General Fund	39,500	12,000
Transfer to/from Payroll Fund	3,593	3,593
Transfer to/from Trane Project	5,472	-
Transfer to/from CRF Fund	-	995
Transfer to/from Public Improvement Corp Fund	-	77,131
<u>Total Proprietary Funds</u>	<u>770,263</u>	<u>1,729,557</u>
<u>Total All Funds</u>	<u>\$ 3,501,383</u>	<u>\$ 3,501,383</u>

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

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022**18. - 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, 2022	\$ 2,909	The Forum
Commonwealth of Kentucky AML	June 30, 2025	\$ 3,900	The Forum
American National Red Cross	March 31, 2023	\$ 800	The Forum
Childrens House Montessori	Monthly	\$ 2,250	Starland Building
		2% of adjusted	
Drinkard Development, LLC	6/30/2080	base rents	Black Gold Plaza
KCTCS Kentucky Fire Commission	June 30, 2023	\$ 3,184	65 Gorman Hollow Road

19. - 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, 2022 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.

20. - 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.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2022**21. – 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 extended for an additional five years, 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.

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 based on the audited financial statements.

The Governor of Kentucky announced September 6, 2022, funding totaling \$8,893,200 to construct a new water treatment plant. In the announcement, funding sources include \$5M from federal Economic Development Assistance; \$2M from Community Development Block Grant funding; \$1M from Abandoned Mine Lands program and \$893,200 from the Appalachian Regional Commission.

22. – 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.

In July 2022, the City was directly impacted by historic flooding in Eastern Kentucky, and declared a federal disaster area, causing loss of life and extensive physical damages to residences, businesses and infrastructure. While the long-term financial impact for the City cannot be reasonably estimated, management anticipates monitoring and preparing amendments to future budget projections reflecting any changes in revenues or expenditures as a result of the flooding.

23. – Restatement of Fund Balance

Beginning net position for the Fire-Police Pension Fund was increased by \$1,419,605 due to changes in the actuarial valuation assumptions of the net pension liability of the Fire-Police Pension plan.

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, 2022

	General Fund			
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Budget		
REVENUES:				
Taxes	\$ 1,748,556	\$ 1,748,556	\$ 2,007,131	\$ 258,575
Licenses and permits	4,311,559	4,311,559	4,949,148	637,589
Charges for services	-	-	-	-
Fines and forfeits	148,421	148,421	170,369	21,948
Intergovernmental revenues	480,939	518,159	338,209	(179,950)
Miscellaneous revenues	316,695	316,695	363,528	46,833
<u>Total revenues</u>	<u>7,006,170</u>	<u>7,043,390</u>	<u>7,828,385</u>	<u>784,995</u>
EXPENDITURES:				
<u>Current:</u>				
General government	1,752,849	1,752,849	1,367,280	385,569
Police department	2,013,110	2,013,110	1,840,311	172,799
Fire department	1,312,712	1,312,712	1,250,789	61,923
Public works department	1,262,810	1,262,810	1,585,323	(322,513)
Other expenditures	8,750	8,750	9,591	(841)
Capital outlay	-	-	823,818	(823,818)
Debt service				
Principal	200,000	200,000	79,105	120,895
Interest	-	-	47,916	(47,916)
<u>Total expenditures</u>	<u>6,550,231</u>	<u>6,550,231</u>	<u>7,004,133</u>	<u>(453,902)</u>
<u>Excess of revenues over (under) expenditures</u>	<u>455,939</u>	<u>493,159</u>	<u>824,252</u>	<u>331,093</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	1,084,376	1,084,376
Operating transfers (out)	-	-	(2,000,235)	(2,000,235)
Other income	-	-	85,251	85,251
<u>Total other financing sources (uses)</u>	<u>-</u>	<u>-</u>	<u>(830,608)</u>	<u>(830,608)</u>
<u>Excess of revenues and other sources over (under) expenditures and other uses</u>	<u>455,939</u>	<u>493,159</u>	<u>(6,356)</u>	<u>(499,515)</u>
FUND BALANCE, JULY 1	<u>-</u>	<u>-</u>	<u>599,501</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 593,145</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, 2022

	Employer's Proportionate Share of Net Pension Liability									2019		
	2022			2021			2020					
	<u>CERS</u> <u>Nonhazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>Fire-Police</u> <u>Pension Fund</u>	<u>CERS</u> <u>Nonhazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>Fire-Police</u> <u>Pension Fund</u>	<u>CERS</u> <u>Nonhazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>Fire-Police</u> <u>Pension Fund</u>	<u>CERS</u> <u>Nonhazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>Fire-Police</u> <u>Pension Fund</u>
Employer's proportion of the net pension liability	0.135586%	0.010768%	100.00%	0.146936%	0.010953%	100.00%	0.137590%	0.010910%	100.00%	0.144256%	0.010544%	100.00%
Employer's proportionate share of the net pension liability	8,644,671	286,661	3,946,379	11,269,870	330,236	5,367,218	9,676,766	301,366	5,572,552	8,785,630	255,002	5,396,868
Employer's covered employee payroll	3,760,034	65,152	-	3,570,505	64,390	-	3,798,308	63,994	-	3,501,884	62,135	-
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	230%	440%	N/a	316%	513%	N/a	255%	471%	N/a	251%	410%	N/a
Plan fiduciary net position as a percentage of the total pension liability	57.33%	52.26%	28.04%	47.81%	44.11%	22.07%	50.45%	46.63%	21.25%	53.54%	49.26%	21.43%

	Employer's Contributions									2019		
	2022			2021			2020					
	<u>CERS</u> <u>Nonhazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>Fire-Police</u> <u>Pension Fund</u>	<u>CERS</u> <u>Nonhazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>Fire-Police</u> <u>Pension Fund</u>	<u>CERS</u> <u>Nonhazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>Fire-Police</u> <u>Pension Fund</u>	<u>CERS</u> <u>Nonhazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>Fire-Police</u> <u>Pension Fund</u>
Contractually required contribution	668,399	19,356	423,352	726,406	19,237	455,389	562,933	15,453	445,238	517,715	13,040	473,851
Contributions in relation to the contractually required contribution	668,399	19,356	404,177	726,406	19,237	389,324	562,933	15,453	434,010	517,715	13,040	453,161
Contribution deficiency (excess)	-	-	19,175	-	-	66,065	-	-	11,228	-	-	20,690
City's covered employee payroll	3,760,034	65,152	-	3,570,505	64,390	-	3,798,308	63,994	-	3,501,884	62,135	-
Contributions as a percentage of covered employee payroll	17.78%	29.71%	N/a	20.34%	29.88%	N/a	14.82%	24.15%	N/a	14.78%	20.99%	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 CONTRIBUTIONS (CONTINUED)For the Year Ended June 30, 2022

	Employer's Proportionate Share of Net Pension Liability									2015		
	2018			2017			2016					
	CERS	CERS	Fire-Police	CERS	CERS	Fire-Police	CERS	CERS	Fire-Police	CERS	CERS	Fire-Police
	<u>Nonhazardous</u>	<u>Hazardous</u>	<u>Pension Fund</u>	<u>Nonhazardous</u>	<u>Hazardous</u>	<u>Pension Fund</u>	<u>Nonhazardous</u>	<u>Hazardous</u>	<u>Pension Fund</u>	<u>Nonhazardous</u>	<u>Hazardous</u>	<u>Pension Fund</u>
Employer's proportion of the net pension liability	0.163860%	0.010020%	100.00%	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	9,591,230	224,175	4,602,159	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	3,584,162	58,738	-	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	268%	382%	N/a	216%	324%	N/a	192%	310%	N/a	121%	359%	N/a
Plan fiduciary net position as a percentage of the total pension liability	53.32%	49.78%	21.11%	55.50%	53.95%	23.20%	59.97%	57.52%	23.20%	66.80%	63.46%	23.20%

	Employer's Contributions									2015		
	2018			2017			2016					
	CERS	CERS	Fire-Police	CERS	CERS	Fire-Police	CERS	CERS	Fire-Police	CERS	CERS	Fire-Police
	<u>Nonhazardous</u>	<u>Hazardous</u>	<u>Pension Fund</u>	<u>Nonhazardous</u>	<u>Hazardous</u>	<u>Pension Fund</u>	<u>Nonhazardous</u>	<u>Hazardous</u>	<u>Pension Fund</u>	<u>Nonhazardous</u>	<u>Hazardous</u>	<u>Pension Fund</u>
Contractually required contribution	556,546	11,941	473,851	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	556,546	11,941	494,269	494,600	10,929	456,087	564,747	11,555	463,334	432,000	15,000	474,306
Contribution deficiency (excess)	-	-	(20,418)	6,938	40	17,764	2,071	222	10,517	-	-	(455)
City's covered employee payroll	3,584,162	58,738	-	4,020,479	55,002	-	4,244,921	53,943	-	4,456,896	55,741	-
Contributions as a percentage of covered employee payroll	15.53%	20.33%	N/a	12.30%	19.87%	N/a	13.30%	21.42%	N/a	9.69%	26.91%	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 OPEB LIABILITYFor the Year Ended June 30, 2022

	Employer's Proportionate Share of Net OPEB Liability									
	2022		2021		2020		2019		2018	
	<u>CERS</u> <u>Non-hazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>CERS</u> <u>Non-hazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>CERS</u> <u>Non-hazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>CERS</u> <u>Non-hazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>CERS</u> <u>Non-hazardous</u>	<u>CERS</u> <u>Hazardous</u>
Employer's proportion of the net OPEB liability	0.135554%	0.010768%	0.146897%	0.010950%	0.137640%	0.010908%	0.144254%	0.010545%	0.163860%	0.010020%
Employer's proportionate share of the net OPEB liability	2,595,114	87,066	3,547,116	101,190	2,315,043	80,704	2,561,201	75,182	3,294,146	82,832
Employer's covered employee payroll	3,760,034	65,152	3,570,505	64,390	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	69%	134%	99%	157%	61%	126%	73%	121%	92%	141%
Plan fiduciary net position as a percentage of the total pension liability	62.91%	66.81%	51.67%	58.84%	60.44%	64.44%	57.62%	64.24%	52.39%	58.99%

	Employer's Contributions									
	2022		2021		2020		2019		2018	
	<u>CERS</u> <u>Non-hazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>CERS</u> <u>Non-hazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>CERS</u> <u>Non-hazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>CERS</u> <u>Non-hazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>CERS</u> <u>Non-hazardous</u>	<u>CERS</u> <u>Hazardous</u>
Contractually required contribution	164,849	6,130	179,158	6,092	182,667	6,506	168,047	5,492	188,707	5,143
Contributions in relation to the contractually required contribution	164,849	6,130	179,158	6,092	182,667	6,506	168,047	5,492	188,707	5,143
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
City's covered employee payroll	3,760,034	65,152	3,570,505	64,390	3,798,308	63,994	3,501,884	62,135	3,584,162	58,738
Contributions as a percentage of covered employee payroll	4.38%	9.41%	5.02%	9.46%	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 – OTHER GOVERNMENTAL FUNDSNONMAJOR SPECIAL REVENUE FUNDSJune 30, 2022

	Mayor and Commissioners Special Recreation	Asset Forfeiture Fund	Municipal Road Aid	LGEA Coal and Mineral Severance	Utility Assistance Program
<u>ASSETS</u>					
Cash	\$ 1,907	\$ 378,558	\$ 1,451	\$ 252,438	\$ -
Receivables - other	-	-	9,199	-	-
Due from other funds	-	737	37,035	-	-
<u>Total assets</u>	<u>1,907</u>	<u>379,295</u>	<u>47,685</u>	<u>252,438</u>	<u>-</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities:</u>					
Accounts payable	-	-	1,175	-	-
Due to other taxing units	-	353,215	-	-	-
Due to other funds	-	-	737	-	-
<u>Total liabilities</u>	<u>-</u>	<u>353,215</u>	<u>1,912</u>	<u>-</u>	<u>-</u>
<u>Fund balances:</u>					
Unassigned	-	-	-	-	-
Restricted	1,907	26,080	45,773	252,438	-
<u>Total fund balance</u>	<u>1,907</u>	<u>26,080</u>	<u>45,773</u>	<u>252,438</u>	<u>-</u>
<u>Total liabilities and fund balances</u>	<u>\$ 1,907</u>	<u>\$ 379,295</u>	<u>\$ 47,685</u>	<u>\$ 252,438</u>	<u>\$ -</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING BALANCE SHEET – OTHER GOVERNMENTAL FUNDSNONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)June 30, 2022

	<u>Police Report Fund</u>	<u>Hazard Flood Inundation Mapping Project</u>	<u>Police Memorial Fund</u>	<u>Police Evidence Fund</u>
<u>ASSETS</u>				
Cash	\$ 9,358	\$ 4,460	\$ 4,705	\$ 5,770
Receivables - other	-	-	-	-
Due from other funds	-	-	-	-
<u>Total assets</u>	<u>9,358</u>	<u>4,460</u>	<u>4,705</u>	<u>5,770</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities:</u>				
Accounts payable	-	-	-	-
Due to other taxing units	-	-	-	5,776
Due to other funds	-	-	-	-
<u>Total liabilities</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,776</u>
 <u>Fund balances:</u>				
Unassigned	-	-	-	(6)
Restricted	9,358	4,460	4,705	-
<u>Total fund balance</u>	<u>9,358</u>	<u>4,460</u>	<u>4,705</u>	<u>(6)</u>
 <u>Total liabilities and fund balances</u>	 <u>\$ 9,358</u>	 <u>\$ 4,460</u>	 <u>\$ 4,705</u>	 <u>\$ 5,770</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING BALANCE SHEET – OTHER GOVERNMENTAL FUNDSNONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)June 30, 2022

	<u>July 4th</u>	<u>CRF</u>	<u>Music</u>	<u>Downtown</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Fest</u>	<u>Projects</u>	<u>Total</u>
				<u>Fund</u>	
<u>ASSETS</u>					
Cash	\$ 24,001	\$ 76,221	\$ 2,565	\$ 24,527	\$ 785,961
Receivables - other	-	-	-	-	9,199
Due from other funds	-	-	-	-	37,772
<u>Total assets</u>	<u>24,001</u>	<u>76,221</u>	<u>2,565</u>	<u>24,527</u>	<u>832,932</u>
 <u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities:</u>					
Accounts payable	-	-	-	-	1,175
Due to other taxing units	-	-	-	-	358,991
Due to other funds	-	-	-	-	737
<u>Total liabilities</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>360,903</u>
 <u>Fund balances:</u>					
Unassigned	-	-	-	-	(6)
Restricted	<u>24,001</u>	<u>76,221</u>	<u>2,565</u>	<u>24,527</u>	<u>472,035</u>
<u>Total fund balance</u>	<u>24,001</u>	<u>76,221</u>	<u>2,565</u>	<u>24,527</u>	<u>472,029</u>
 <u>Total liabilities and fund balances</u>	 <u>\$ 24,001</u>	 <u>\$ 76,221</u>	 <u>\$ 2,565</u>	 <u>\$ 24,527</u>	 <u>\$ 832,932</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS
NONMAJOR SPECIAL REVENUE FUNDSFor the Year Ended June 30, 2022

	Mayor and Commissioners Special Recreation	Asset Forfeiture Fund	Municipal Road Aid	LGEA Coal and Mineral Severance	Utility Assistance Program
<u>REVENUES:</u>					
Intergovernmental	\$ -	\$ 677	\$ 297,755	\$ 123,206	\$ 50,000
Other revenues	1,103	-	-	-	-
<u>Total revenues</u>	<u>1,103</u>	<u>677</u>	<u>297,755</u>	<u>123,206</u>	<u>50,000</u>
<u>EXPENDITURES:</u>					
Highway and streets	-	-	521,829	-	-
Other expenditures	2,900	-	-	11	50,000
<u>Total expenditures</u>	<u>2,900</u>	<u>-</u>	<u>521,829</u>	<u>11</u>	<u>50,000</u>
Excess of revenues <u>(over) under expenditures</u>	<u>(1,797)</u>	<u>677</u>	<u>(224,074)</u>	<u>123,195</u>	<u>-</u>
<u>OTHER FINANCING SOURCES (USES):</u>					
Other transfers in	-	-	136,533	-	-
Other transfers (out)	-	-	-	(104,979)	-
Other income	4	-	196	288	-
<u>Total other financial sources (uses)</u>	<u>4</u>	<u>-</u>	<u>136,729</u>	<u>(104,691)</u>	<u>-</u>
Excess of revenues and other sources <u>over (under) expenditures and other sources</u>	<u>(1,793)</u>	<u>677</u>	<u>(87,345)</u>	<u>18,504</u>	<u>-</u>
<u>FUND BALANCE - JULY 1</u>	<u>3,700</u>	<u>25,403</u>	<u>133,118</u>	<u>233,934</u>	<u>-</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 1,907</u>	<u>\$ 26,080</u>	<u>\$ 45,773</u>	<u>\$ 252,438</u>	<u>\$ -</u>

See independent auditor's report.

CITY OF HAZARD

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

For the Year Ended June 30, 2022

	Police Report Fund	Hazard Flood Inundation Mapping Project	Police Memorial Fund	Police Evidence Fund
<u>REVENUES:</u>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Other revenues	3,477	-	6,000	-
<u>Total revenues</u>	<u>3,477</u>	<u>-</u>	<u>6,000</u>	<u>-</u>
<u>EXPENDITURES:</u>				
Highway and streets	-	-	-	-
Other expenditures	-	-	7,525	-
<u>Total expenditures</u>	<u>-</u>	<u>-</u>	<u>7,525</u>	<u>-</u>
Excess of revenues (over) under expenditures	<u>3,477</u>	<u>-</u>	<u>(1,525)</u>	<u>-</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Other transfers in	-	-	-	-
Other transfers (out)	-	-	-	-
Other income	-	6	-	-
<u>Total other financial sources (uses)</u>	<u>-</u>	<u>6</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other sources	3,477	6	(1,525)	-
<u>FUND BALANCE - JULY 1</u>	<u>5,881</u>	<u>4,454</u>	<u>6,230</u>	<u>(6)</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 9,358</u>	<u>\$ 4,460</u>	<u>\$ 4,705</u>	<u>\$ (6)</u>

See independent auditor's report.

CITY OF HAZARD

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

For the Year Ended June 30, 2022

	July 4th	CRF	Music	Downtown Projects	
	<u>Fund</u>	<u>Fund</u>	<u>Fest</u>	<u>Fund</u>	<u>Total</u>
<u>REVENUES:</u>					
Intergovernmental	\$ -	\$ 37,220	\$ -	\$ -	\$ 508,858
Other revenues	<u>24,601</u>	<u>-</u>	<u>22,185</u>	<u>29,500</u>	<u>86,866</u>
<u>Total revenues</u>	<u>24,601</u>	<u>37,220</u>	<u>22,185</u>	<u>29,500</u>	<u>595,724</u>
<u>EXPENDITURES:</u>					
Highway and streets	-	-	-	-	521,829
Other expenditures	<u>-</u>	<u>-</u>	<u>26,093</u>	<u>-</u>	<u>86,529</u>
<u>Total expenditures</u>	<u>-</u>	<u>-</u>	<u>26,093</u>	<u>-</u>	<u>608,358</u>
Excess of revenues <u>(over) under expenditures</u>	<u>24,601</u>	<u>37,220</u>	<u>(3,908)</u>	<u>29,500</u>	<u>(12,634)</u>
<u>OTHER FINANCING SOURCES (USES):</u>					
Other transfers in	-	-	3,423	50,000	189,956
Other transfers (out)	<u>(15,598)</u>	<u>(167,548)</u>	<u>(850)</u>	<u>(98,384)</u>	<u>(387,359)</u>
Other income	<u>-</u>	<u>550</u>	<u>-</u>	<u>23</u>	<u>1,067</u>
<u>Total other financial sources (uses)</u>	<u>(15,598)</u>	<u>(166,998)</u>	<u>2,573</u>	<u>(48,361)</u>	<u>(196,336)</u>
Excess of revenues and other sources <u>over (under) expenditures and other sources</u>	9,003	(129,778)	(1,335)	(18,861)	(208,970)
<u>FUND BALANCE - JULY 1</u>	<u>14,998</u>	<u>205,999</u>	<u>3,900</u>	<u>43,388</u>	<u>680,999</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 24,001</u>	<u>\$ 76,221</u>	<u>\$ 2,565</u>	<u>\$ 24,527</u>	<u>\$ 472,029</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING BALANCE SHEET – OTHER GOVERNMENTAL FUNDS
NONMAJOR CAPITAL PROJECTSJune 30, 2022

	Fire Department Equipment Fund	FEMA Grant Fund	Fire Dept Fund	USDA Farmers Market Fund	Trane Project Fund	Allais Redevelopment Project	Totals
<u>ASSETS</u>							
Cash	\$ 49,588	\$ 31,637	\$ 29,701	\$ 91,572	\$ 32,611	\$ -	\$ 235,109
Grants receivable	-	-	-	-	-	-	-
<u>Total assets</u>	<u>49,588</u>	<u>31,637</u>	<u>29,701</u>	<u>91,572</u>	<u>32,611</u>	<u>-</u>	<u>235,109</u>
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities:</u>							
Accounts payable	-	-	-	-	-	-	-
Due to other funds	-	-	-	91,578	-	-	91,578
<u>Total liabilities</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,578</u>	<u>-</u>	<u>-</u>	<u>91,578</u>
<u>Fund Equity</u>							
<u>Fund balance:</u>							
Unassigned	-	-	-	(6)	-	-	(6)
Restricted	49,588	31,637	29,701	-	32,611	-	143,537
<u>Total fund equity</u>	<u>49,588</u>	<u>31,637</u>	<u>29,701</u>	<u>(6)</u>	<u>32,611</u>	<u>-</u>	<u>143,531</u>
<u>Total liabilities and fund equity</u>	<u>\$ 49,588</u>	<u>\$ 31,637</u>	<u>\$ 29,701</u>	<u>\$ 91,572</u>	<u>\$ 32,611</u>	<u>\$ -</u>	<u>\$ 235,109</u>

See independent auditor's report.

CITY OF HAZARD

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS
NONMAJOR CAPITAL PROJECTS

For the Year Ended June 30, 2022

	Fire Department Equipment Fund	FEMA Grant Fund	Fire Dept Fund	USDA Farmers Market Fund	Trane Project Fund	Allais Redevelopment Project	Totals
<u>REVENUES:</u>							
Intergovernmental revenues	\$ 16,000	\$ -	\$ 5,000	\$ -	\$ -	\$ 20,000	\$ 41,000
Other revenues	-	-	-	-	-	-	-
<u>Total revenues</u>	<u>16,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>41,000</u>
<u>EXPENDITURES:</u>							
Capital outlay	-	-	-	-	320	15,500	15,820
Excess of revenues over (under) expenditures	<u>16,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>(320)</u>	<u>4,500</u>	<u>25,180</u>
<u>OTHER FINANCING SOURCES (USES)</u>							
Operating transfers in (out)	(5,695)	-	6,119	-	32,874	(255,874)	(222,576)
Proceeds from issuance of debt	-	-	-	-	-	-	-
Other income (loss)	-	-	-	(6)	24	-	18
<u>Total other financing sources (uses)</u>	<u>(5,695)</u>	<u>-</u>	<u>6,119</u>	<u>(6)</u>	<u>32,898</u>	<u>(255,874)</u>	<u>(222,558)</u>
Excess of revenues and other sources over (under) expenditures and other uses	10,305	-	11,119	(6)	32,578	(251,374)	(197,378)
<u>FUND BALANCE, JULY 1</u>	<u>39,283</u>	<u>31,637</u>	<u>18,582</u>	<u>-</u>	<u>33</u>	<u>251,374</u>	<u>340,909</u>
<u>FUND BALANCE, JUNE 30</u>	<u>\$ 49,588</u>	<u>\$ 31,637</u>	<u>\$ 29,701</u>	<u>\$ (6)</u>	<u>\$ 32,611</u>	<u>\$ -</u>	<u>\$ 143,531</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING STATEMENT OF NET POSITION – NONMAJOR PROPRIETARY FUNDSJune 30, 2022

	<u>Public Improvement Corporation</u>	<u>The Hazard Forum</u>	<u>Hazard Pavilion</u>
Assets:			
- Current Assets -			
Cash and cash equivalents	\$ 679	\$ -	\$ 54
Receivables, net of allowances:			
Fees and services	-	-	-
Due from other funds	-	411	4,676
Other	-	-	-
Prepaid expenses	-	-	-
Inventories of supplies, at cost	-	-	3,932
Lease receivables	-	49,241	-
<u>Total current assets</u>	<u>679</u>	<u>49,652</u>	<u>8,662</u>
-Restricted Assets -			
Cash	-	-	-
- Noncurrent Assets -			
Lease receivables	-	89,525	-
Capital assets	3,905,985	7,241,483	2,734,614
Less: accumulated depreciation	<u>(2,174,221)</u>	<u>(3,458,625)</u>	<u>(1,627,586)</u>
<u>Total noncurrent assets</u>	<u>1,731,764</u>	<u>3,872,383</u>	<u>1,107,028</u>
Deferred Outflows of Resources:			
Deferred outflows - pension/OPEB resources	-	-	133,172
Deferred outflows - debt related	-	14,850	7,816
<u>Total deferred outflows of resources</u>	<u>-</u>	<u>14,850</u>	<u>140,988</u>
 Total assets and deferred outflows of resources	 <u>\$ 1,732,443</u>	 <u>\$ 3,936,885</u>	 <u>\$ 1,256,678</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING STATEMENT OF NET POSITION – NONMAJOR PROPRIETARY FUNDS
(CONTINUED)June 30, 2022

	<u>Garbage</u>	<u>Starland Building</u>	<u>Totals</u>
Assets:			
- Current Assets -			
Cash and cash equivalents	\$ 104,167	\$ 54,528	\$ 159,428
Receivables, net of allowances:			
Fees and services	126,022	-	126,022
Due from other funds	102,430	-	107,517
Other	29,443	-	29,443
Prepaid expenses	9,804	-	9,804
Inventories of supplies, at cost	1,083	-	5,015
Lease receivables	-	-	49,241
<u>Total current assets</u>	<u>372,949</u>	<u>54,528</u>	<u>486,470</u>
-Restricted Assets -			
Cash	-	-	-
- Noncurrent Assets -			
Lease receivables	-	-	89,525
Capital assets	1,727,026	217,073	15,826,181
Less: accumulated depreciation	<u>(1,654,491)</u>	<u>(28,720)</u>	<u>(8,943,643)</u>
<u>Total noncurrent assets</u>	<u>72,535</u>	<u>188,353</u>	<u>6,972,063</u>
Deferred Outflows of Resources:			
Deferred outflows - pension/OPEB resources	149,318	-	282,490
Deferred outflows - debt related	-	-	22,666
<u>Total deferred outflows of resources</u>	<u>149,318</u>	<u>-</u>	<u>305,156</u>
 Total assets and deferred outflows of <u>resources</u>	 <u>\$ 594,802</u>	 <u>\$ 242,881</u>	 <u>\$ 7,763,689</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING STATEMENT OF NET POSITION – NONMAJOR PROPRIETARY FUNDS
(CONTINUED)June 30, 2022

	Public Improvement <u>Corporation</u>	The Hazard <u>Forum</u>	Hazard <u>Pavilion</u>
Liabilities:			
- Current Liabilities -			
Accounts payable	\$ -	\$ 10,274	\$ 2,501
Accrued interest payable	-	-	-
Accrued wages	-	-	6,200
Accrued vacation payable	-	-	1,080
Due to other funds	-	-	48
Current portion of long-term debt	<u>43,189</u>	<u>26,268</u>	<u>1,050</u>
<u>Total current liabilities</u>	<u>43,189</u>	<u>36,542</u>	<u>10,879</u>
- Noncurrent Liabilities -			
Notes payable	-	283,278	-
Due to other taxing units	-	-	-
Revenue bonds payable	-	172,615	90,850
Net pension/OPEB liability	-	-	<u>597,499</u>
<u>Total noncurrent liabilities</u>	<u>-</u>	<u>455,893</u>	<u>688,349</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>43,189</u>	<u>492,435</u>	<u>699,228</u>
Deferred Inflows of Resources:			
Deferred inflows - pension/OPEB related	-	-	190,023
Deferred inflows - lease related	-	138,766	-
Deferred inflows - debt related	<u>-</u>	<u>5,563</u>	<u>2,928</u>
Total deferred inflows of resources	<u>-</u>	<u>144,329</u>	<u>192,951</u>
Net Position:			
Net investment in capital assets	1,688,575	3,473,312	1,015,128
Restricted	-	-	-
Unrestricted (deficit)	<u>679</u>	<u>(173,191)</u>	<u>(650,629)</u>
<u>Total net position</u>	<u>1,689,254</u>	<u>3,300,121</u>	<u>364,499</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,732,443</u>	<u>\$ 3,936,885</u>	<u>\$ 1,256,678</u>

See independent auditor's report.

CITY OF HAZARD

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

June 30, 2022

	<u>Garbage</u>	<u>Starland Building</u>	<u>Totals</u>
Liabilities:			
- Current Liabilities -			
Accounts payable	\$ 54,604	\$ -	\$ 67,379
Accrued interest payable	-	-	-
Accrued wages	1,286	-	7,486
Accrued vacation payable	1,847	-	2,927
Due to other funds	14,521	-	14,569
Current portion of long-term debt	-	7,810	78,317
<u>Total current liabilities</u>	<u>72,258</u>	<u>7,810</u>	<u>170,678</u>
- Noncurrent Liabilities -			
Notes payable	-	146,484	429,762
Due to other taxing units	-	-	-
Revenue bonds payable	-	-	263,465
Net pension/OPEB liability	650,080	-	1,247,579
<u>Total noncurrent liabilities</u>	<u>650,080</u>	<u>146,484</u>	<u>1,940,806</u>
- Other Liabilities -			
Deposits	-	2,000	2,000
<u>Total other liabilities</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>
<u>Total liabilities</u>	<u>722,338</u>	<u>156,294</u>	<u>2,113,484</u>
Deferred Inflows of Resources:			
Deferred inflows - pension/OPEB related	129,943	-	319,966
Deferred inflows - lease related	-	-	138,766
Deferred inflows - debt related	-	-	8,491
<u>Total deferred inflows of resources</u>	<u>129,943</u>	<u>-</u>	<u>467,223</u>
Net Position:			
Net investment in capital assets	72,535	34,059	6,283,609
Restricted	-	-	-
Unrestricted (deficit)	(330,014)	52,528	(1,100,627)
<u>Total net position</u>	<u>(257,479)</u>	<u>86,587</u>	<u>5,182,982</u>
Total liabilities, deferred inflows of <u>resources</u> <u>and net position</u>	<u>\$ 594,802</u>	<u>\$ 242,881</u>	<u>\$ 7,763,689</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION – NONMAJOR PROPRIETARY FUNDSFor the Year Ended June 30, 2022

	Public Improvement <u>Corporation</u>	The Hazard <u>Forum</u>	Hazard <u>Pavilion</u>
Operating revenues:			
Charges for services	\$ -	\$ 97,226	\$ 54,087
Other	-	-	-
<u>Total operating revenues</u>	<u>-</u>	<u>97,226</u>	<u>54,087</u>
Operating expenses:			
Salaries and wages	-	-	191,095
Contract services	2,422	130,861	12,375
Materials and supplies	-	41,454	42,704
Depreciation	57,090	178,174	62,271
Other operating expenses	-	-	225
<u>Total operating expenses</u>	<u>59,512</u>	<u>350,489</u>	<u>308,670</u>
<u>Operating income (loss)</u>	<u>(59,512)</u>	<u>(253,263)</u>	<u>(254,583)</u>
Non-operating revenues (expenses):			
Interest income	-	6,786	-
Interest expense	(5,381)	(13,230)	(3,504)
Other income/(loss)	-	-	-
<u>Total non-operating revenues (expenses)</u>	<u>(5,381)</u>	<u>(6,444)</u>	<u>(3,504)</u>
<u>Net income (loss) before operating transfer</u>	<u>(64,893)</u>	<u>(259,707)</u>	<u>(258,087)</u>
<u>Operating transfers in (out)</u>	<u>137,071</u>	<u>81,977</u>	<u>845,220</u>
<u>Net income (loss)</u>	<u>72,178</u>	<u>(177,730)</u>	<u>587,133</u>
<u>Net Position - Beginning</u>	<u>1,617,076</u>	<u>3,477,851</u>	<u>(222,634)</u>
<u>Contributed capital</u>	-	-	-
<u>Net Position - Ending</u>	<u>\$ 1,689,254</u>	<u>\$ 3,300,121</u>	<u>\$ 364,499</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, 2022

	<u>Garbage</u>	<u>Starland Building</u>	<u>Totals</u>
Operating revenues:			
Charges for services	\$ 525,574	\$ 31,500	\$ 708,387
Other	<u>869</u>	<u>-</u>	<u>869</u>
<u>Total operating revenues</u>	<u>526,443</u>	<u>31,500</u>	<u>709,256</u>
Operating expenses:			
Salaries and wages	117,020	-	308,115
Contract services	287,456	-	433,114
Materials and supplies	5,706	5,795	95,659
Depreciation	28,239	6,470	332,244
Other operating expenses	<u>3,773</u>	<u>291</u>	<u>4,289</u>
<u>Total operating expenses</u>	<u>442,194</u>	<u>12,556</u>	<u>1,173,421</u>
<u>Operating income (loss)</u>	<u>84,249</u>	<u>18,944</u>	<u>(464,165)</u>
Non-operating revenues (expenses):			
Interest income	279	60	7,125
Interest expense	-	(4,481)	(26,596)
Other income/(loss)	<u>294,252</u>	<u>568</u>	<u>294,820</u>
<u>Total non-operating revenues (expenses)</u>	<u>294,531</u>	<u>(3,853)</u>	<u>275,349</u>
<u>Net income (loss) before operating transfer</u>	<u>378,780</u>	<u>15,091</u>	<u>(188,816)</u>
<u>Operating transfers in (out)</u>	<u>(430,044)</u>	<u>-</u>	<u>634,224</u>
<u>Net income (loss)</u>	<u>(51,264)</u>	<u>15,091</u>	<u>445,408</u>
<u>Net Position - Beginning</u>	<u>(206,215)</u>	<u>71,496</u>	<u>4,737,574</u>
<u>Contributed capital</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Net Position - Ending</u>	<u>\$ (257,479)</u>	<u>\$ 86,587</u>	<u>\$ 5,182,982</u>

See independent auditor's report.

CITY OF HAZARD

COMBINING STATEMENT OF CASH FLOWS –
NONMAJOR PROPRIETARY FUNDS

For the Year Ended June 30, 2022

	<u>Public Improvement Corporation</u>	<u>The Hazard Forum</u>	<u>Hazard Pavilion</u>
Cash flows from operating activities:			
Cash received from:			
Charges for services	\$ -	\$ 97,226	\$ 54,087
Other operating revenue	-	-	-
Cash paid to/for:			
Employees	-	-	(194,192)
Supplies/contractual	(2,672)	(167,936)	(55,377)
Other operating expenses	-	-	(225)
<u>Net cash provided/(used) by operating activities</u>	<u>(2,672)</u>	<u>(70,710)</u>	<u>(195,707)</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	-	-	(649,298)
Principal paid on notes and bonds	(129,018)	(38,192)	(879)
Interest paid on notes and bonds	(5,381)	(13,230)	(3,504)
Nonoperating - income	-	-	-
<u>Net cash provided (used) for capital and related financing</u>	<u>(134,399)</u>	<u>(51,422)</u>	<u>(653,681)</u>
Cash flows from non-capital financing activities:			
Operating transfers - in (out)	<u>137,071</u>	<u>81,977</u>	<u>845,220</u>
Cash flows from investing activities:			
Interest income	-	6,786	-
<u>Net cash provided (used) for investing activities</u>	<u>-</u>	<u>6,786</u>	<u>-</u>
Net increase (decrease) in cash	-	(33,369)	(4,168)
Cash, beginning of year	<u>679</u>	<u>33,369</u>	<u>4,222</u>
Cash, end of year	<u>679</u>	<u>-</u>	<u>54</u>
Reconciliation of operating income (loss) to net cash provided (used) by operations:			
Operating income (loss)	(59,512)	(253,263)	(254,583)
Adjustment to reconcile operating income to cash provided (used) by operating activities:			
Depreciation	57,090	178,174	62,271
Changes in current assets/liabilities:			
Accounts receivable	-	-	-
Due from other funds	-	-	-
Other receivables	-	-	-
Prepaid expenses	-	-	-
Inventory	-	-	-
Leases receivable	-	(138,766)	-
Accounts payable	-	4,268	(357)
Accrued interest payable	(250)	-	-
Accrued wages	-	-	6,200
Accrued vacation payable	-	-	120
Due to other funds	-	-	-
Due to other taxing units	-	-	-
Customer deposits	-	-	-
Deferred outflows - pension/OPEB resources	-	-	31,452
Deferred outflows - debt related	-	389	205
Deferred inflows - pension/OPEB related	-	-	85,919
Deferred inflows - lease related	-	138,766	-
Deferred inflows - debt related	-	(278)	(146)
Net pension/OPEB liability	-	-	(126,788)
<u>Net cash provided (used) by operating activities</u>	<u>\$ (2,672)</u>	<u>\$ (70,710)</u>	<u>\$ (195,707)</u>

See independent auditor's report.

CITY OF HAZARD

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

For the Year Ended June 30, 2022

	<u>Garbage</u>	<u>Starland Building</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from:			
Charges for services	\$ 530,317	\$ 31,500	\$ 713,130
Other operating revenue	869	-	869
Cash paid to/for:			
Employees	(122,826)	-	(317,018)
Supplies/contractual	(384,779)	(7,838)	(618,602)
Other operating expenses	(3,773)	(291)	(4,289)
<u>Net cash provided/(used) by operating activities</u>	<u>19,808</u>	<u>23,371</u>	<u>(225,910)</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	-	-	(649,298)
Principal paid on notes and bonds	-	(8,777)	(176,866)
Interest paid on notes and bonds	-	(4,481)	(26,596)
Nonoperating - income	294,252	568	294,820
<u>Net cash provided (used) for capital and related financir</u>	<u>294,252</u>	<u>(12,690)</u>	<u>(557,940)</u>
Cash flows from non-capital financing activities:			
Operating transfers - in (out)	(430,044)	-	634,224
Cash flows from investing activities:			
Interest income	279	60	7,125
<u>Net cash provided (used) for investing activities</u>	<u>279</u>	<u>60</u>	<u>7,125</u>
Net increase (decrease) in cash	(115,705)	10,741	(142,501)
Cash, beginning of year	219,872	43,787	301,929
Cash, end of year	104,167	54,528	159,428
Reconciliation of operating income (loss) to net cash provided (used) by operations:			
Operating income (loss)	84,249	18,944	(464,165)
Adjustment to reconcile operating income to cash provided (used) by operating activities:			
Depreciation	28,239	6,470	332,244
Changes in current assets/liabilities:			
Accounts receivable	9,786	-	9,786
Due from other funds	(5,043)	-	(5,043)
Other receivables	-	-	-
Prepaid expenses	(553)	-	(553)
Inventory	-	-	-
Leases receivable	-	-	(138,766)
Accounts payable	(91,064)	(2,043)	(89,196)
Accrued interest payable	-	-	(250)
Accrued wages	(654)	-	5,546
Accrued vacation payable	306	-	426
Due to other funds	-	-	-
Due to other taxing units	-	-	-
Customer deposits	-	-	-
Deferred outflows - pension/OPEB resources	18,229	-	49,681
Deferred outflows - debt related	-	-	594
Deferred inflows - pension/OPEB related	49,798	-	135,717
Deferred inflows - lease related	-	-	138,766
Deferred inflows - debt related	-	-	(424)
Net pension/OPEB liability	(73,485)	-	(200,273)
<u>Net cash provided (used) by operating activities</u>	<u>\$ 19,808</u>	<u>\$ 23,371</u>	<u>\$ (225,910)</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING STATEMENT OF NET POSITION – ALL FIDUCIARY TYPE FUNDSJune 30, 2022

	<u>Fire-Police Pension Fund</u>	<u>Jacklot Hollow Development Trust</u>
Assets:		
Restricted Assets:		
Cash and cash equivalents	\$ 1,232	\$ 102,485
Investments	1,536,009	-
Lease receivables	827,599	-
Other receivables	565	8,240
Due from other funds	287	-
<u>Total assets</u>	<u>2,365,692</u>	<u>110,725</u>
Deferred Outflows of Resources:		
Deferred outflows - pension/OPEB resources	<u>35,673</u>	<u>-</u>
<u>Total assets and deferred outflows of resources</u>	<u>2,401,365</u>	<u>110,725</u>
Liabilities:		
Due to other funds	-	-
Net pension liability	<u>3,946,379</u>	<u>-</u>
<u>Total liabilities</u>	<u>3,946,379</u>	<u>-</u>
Deferred Inflows of Resources:		
Deferred inflows - lease related	<u>827,599</u>	<u>-</u>
Net Position:		
Designated for employee retirement	(2,372,613)	-
Designated for a specific purpose	<u>-</u>	<u>110,725</u>
<u>Total net position</u>	<u>(2,372,613)</u>	<u>110,725</u>
<u>Total liabilities, deferred inflows of resources and net position</u>	<u>\$ 2,401,365</u>	<u>\$ 110,725</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING STATEMENT OF NET POSITION – ALL FIDUCIARY TYPE FUNDS (CONTINUED)June 30, 2022

	<u>Disbursement Fund</u>	<u>Payroll Fund</u>	<u>Totals</u>
Assets:			
Restricted Assets:			
Cash and cash equivalents	\$ 263,433	\$ 151,446	\$ 518,596
Investments	-	-	1,536,009
Lease receivables	-	-	827,599
Other receivables	-	-	8,805
Due from other funds	<u>14,569</u>	<u>-</u>	<u>14,856</u>
<u>Total assets</u>	<u>278,002</u>	<u>151,446</u>	<u>2,905,865</u>
Deferred Outflows of Resources:			
Deferred outflows - pension/OPEB resources	<u>-</u>	<u>-</u>	<u>35,673</u>
<u>Total assets and deferred outflows of resources</u>	<u>278,002</u>	<u>151,446</u>	<u>2,941,538</u>
Liabilities:			
Due to other funds	278,002	151,446	429,448
Net pension liability	<u>-</u>	<u>-</u>	<u>3,946,379</u>
<u>Total liabilities</u>	<u>278,002</u>	<u>151,446</u>	<u>4,375,827</u>
Deferred Outflows of Resources:			
Deferred outflows - pension/OPEB resources	<u>-</u>	<u>-</u>	<u>827,599</u>
Net Position:			
Designated for employee retirement	-	-	(2,372,613)
Designated for a specific purpose	<u>-</u>	<u>-</u>	<u>110,725</u>
<u>Total net position</u>	<u>-</u>	<u>-</u>	<u>(2,261,888)</u>
	<u>\$ 278,002</u>	<u>\$ 151,446</u>	<u>\$ 2,941,538</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING STATEMENT OF CHANGES IN NET POSITION –
TRUST FUNDSFor the Year Ended June 30, 2022

	<u>Fire-Police Pension Fund</u>	<u>Jacklot Hollow Development Trust</u>	<u>Total</u>
<u>OPERATING REVENUES:</u>			
Miscellaneous	\$ -	\$ 6,590	\$ 6,590
<u>Total operating revenues</u>	<u>-</u>	<u>6,590</u>	<u>6,590</u>
<u>OPERATING EXPENSES:</u>			
Pension	405,062	-	405,062
Administrative expenses	-	-	-
<u>Total operating expenses</u>	<u>405,062</u>	<u>-</u>	<u>405,062</u>
<u>Operating income (loss)</u>	<u>(405,062)</u>	<u>6,590</u>	<u>(398,472)</u>
<u>NON-OPERATING REVENUES (EXPENSES):</u>			
Interest income	18,974	8,240	27,214
Transfers in (out)	404,176	(27,632)	376,544
<u>Total non-operating revenues (expenses)</u>	<u>423,150</u>	<u>(19,392)</u>	<u>403,758</u>
<u>Net income (loss)</u>	<u>18,088</u>	<u>(12,802)</u>	<u>5,286</u>
<u>NET POSITION - JULY 1, restated</u>	<u>(2,390,701)</u>	<u>123,527</u>	<u>(2,267,174)</u>
<u>NET POSITION - JUNE 30</u>	<u>\$ (2,372,613)</u>	<u>\$ 110,725</u>	<u>\$ (2,261,888)</u>

See independent auditor's report.

CITY OF HAZARDCOMPARATIVE STATEMENT OF NET POSITION -
WATER FUNDJune 30, 2022 and 2021

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Assets:		
- Current Assets -		
Cash and cash equivalents	\$ 189,373	\$ 374,780
Receivables, net of allowances:		
Fees and services	1,090,020	1,316,375
Due from other funds	151,110	143,720
Other	89,979	-
Prepaid expenses	9,804	9,251
Inventories of supplies, at cost	<u>90,647</u>	<u>90,647</u>
<u>Total current assets</u>	<u>1,620,933</u>	<u>1,934,773</u>
-Restricted Assets -		
Cash	<u>2,138,401</u>	<u>2,389,708</u>
- Noncurrent Assets -		
Capital assets	60,267,892	59,535,159
Less: accumulated depreciation	<u>(24,338,730)</u>	<u>(23,103,584)</u>
<u>Total noncurrent assets</u>	<u>35,929,162</u>	<u>36,431,575</u>
Deferred Outflows of Resources:		
Deferred outflows - pension resources/OPEB	576,522	735,340
Deferred outflows - debt related	<u>754,831</u>	<u>774,741</u>
<u>Total deferred outflows of resources</u>	<u>1,331,353</u>	<u>1,510,081</u>
<u>Total assets and deferred outflows of resources</u>	<u>\$ 41,019,849</u>	<u>\$ 42,266,137</u>

See independent auditor's report.

CITY OF HAZARD

COMPARATIVE STATEMENT OF NET POSITION -
WATER FUND (CONTINUED)

June 30, 2022 and 2021

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Liabilities:		
- Current Liabilities -		
Accounts payable	\$ 228,672	\$ 174,170
Accrued interest payable	24,906	25,478
Accrued wages	31,346	24,565
Accrued vacation payable	11,858	9,377
Due to other funds	202,959	202,959
Current portion of long-term debt	224,878	210,496
<u>Total current liabilities</u>	<u>724,619</u>	<u>647,045</u>
- Noncurrent Liabilities -		
Due to other taxing units	32,014	31,543
Revenue bonds payable	10,537,553	10,762,431
Net pension/OPEB liability	2,147,576	2,787,799
<u>Total noncurrent liabilities</u>	<u>12,717,143</u>	<u>13,581,773</u>
- Other Liabilities -		
Deposits	642,276	554,428
<u>Total liabilities</u>	<u>14,084,038</u>	<u>14,783,246</u>
Deferred Inflows of Resources:		
Deferred inflows - pension/OPEB related	732,921	299,071
Deferred inflows - debt related	270,033	282,857
<u>Total deferred inflows of resources</u>	<u>1,002,954</u>	<u>581,928</u>
Net Position:		
Net investment in capital assets	25,166,731	25,458,648
Restricted	2,138,401	2,389,708
Unrestricted (deficit)	(1,372,275)	(947,393)
<u>Total net position</u>	<u>25,932,857</u>	<u>26,900,963</u>
Total liabilities, deferred inflows of resources and <u>net position</u>	<u>\$ 41,019,849</u>	<u>\$ 42,266,137</u>

See independent auditor's report.

CITY OF HAZARD

COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION - WATER FUND

For the Years Ended June 30, 2022 and 2021

	<u>Year Ended</u>	
	<u>2022</u>	<u>2021</u>
Operating revenues:		
Charges for services	\$ 4,837,082	\$ 5,079,627
Other	<u>47,124</u>	<u>55,373</u>
<u>Total operating revenues</u>	<u>4,884,206</u>	<u>5,135,000</u>
Operating expenses:		
Salaries and wages	1,130,964	1,253,290
Contract services	1,973,066	1,401,784
Materials and supplies	1,439,765	976,583
Depreciation	1,235,145	1,196,271
Other operating expenses	<u>2,912</u>	<u>4,181</u>
<u>Total operating expenses</u>	<u>5,781,852</u>	<u>4,832,109</u>
<u>Operating income (loss)</u>	<u>(897,646)</u>	<u>302,891</u>
Non-operating revenues (expenses):		
Interest income	5,015	6,138
Interest expense	(275,535)	(181,140)
Other income/(loss)	<u>-</u>	<u>-</u>
<u>Total non-operating revenues (expenses)</u>	<u>(270,520)</u>	<u>(175,002)</u>
<u>Net income (loss) before operating transfers</u>	<u>(1,168,166)</u>	<u>127,889</u>
<u>Operating transfers in (out)</u>	<u>27,284</u>	<u>59,489</u>
<u>Net income (loss)</u>	<u>(1,140,882)</u>	<u>187,378</u>
<u>Net Position - Beginning</u>	<u>26,900,963</u>	<u>26,661,480</u>
<u>Contributed capital</u>	172,776	52,105
<u>Net Position - Ending</u>	<u>\$ 25,932,857</u>	<u>\$ 26,900,963</u>

See independent auditor's report.

CITY OF HAZARDCOMPARATIVE STATEMENT OF NET POSITION -
SEWER FUNDJune 30, 2022 and 2021

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Assets:		
- Current Assets -		
Cash and cash equivalents	\$ 37,934	\$ 49,913
Receivables, net of allowances:		
Fees and services	383,228	417,014
Due from other funds	226,418	222,952
Other	16,046	16,046
Prepaid expenses	9,804	9,251
Inventories of supplies, at cost	<u>13,038</u>	<u>13,038</u>
<u>Total current assets</u>	<u>686,468</u>	<u>728,214</u>
-Restricted Assets -		
Cash	<u>715,261</u>	<u>729,776</u>
- Noncurrent Assets -		
Capital assets	16,036,989	16,016,990
Less: accumulated depreciation	<u>(10,160,466)</u>	<u>(9,953,059)</u>
<u>Total noncurrent assets</u>	<u>5,876,523</u>	<u>6,063,931</u>
Deferred Outflows of Resources:		
Deferred outflows - pension resources/OPEB	176,281	251,474
Deferred outflows - debt related	<u>84,453</u>	<u>87,141</u>
<u>Total deferred outflows of resources</u>	<u>260,734</u>	<u>338,615</u>
<u>Total assets and deferred outflows of resources</u>	<u>\$ 7,538,986</u>	<u>\$ 7,860,536</u>

See independent auditor's report.

CITY OF HAZARD

COMPARATIVE STATEMENT OF NET POSITION -
SEWER FUND (CONTINUED)

June 30, 2022 and 2021

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Liabilities:		
- Current Liabilities -		
Accounts payable	\$ 22,585	\$ 52,593
Accrued wages	12,229	12,070
Accrued vacation payable	4,000	4,600
Due to other funds	16,375	16,375
Current portion of long-term debt	68,244	65,728
<u>Total current liabilities</u>	<u>123,433</u>	<u>151,366</u>
- Noncurrent Liabilities -		
Notes payable	739,344	785,571
Revenue bonds payable	1,075,261	1,097,278
Net pension/OPEB liability	465,649	768,766
<u>Total noncurrent liabilities</u>	<u>2,280,254</u>	<u>2,651,615</u>
<u>Total liabilities</u>	<u>2,403,687</u>	<u>2,802,981</u>
Deferred Inflows of Resources:		
Deferred inflows - pension/OPEB related	274,974	69,565
Deferred inflows - debt related	34,753	36,475
<u>Total deferred inflows of resources</u>	<u>309,727</u>	<u>106,040</u>
Net Position:		
Net investment in capital assets	3,993,674	4,115,353
Restricted	715,261	729,776
Unrestricted (deficit)	116,637	106,386
<u>Total net position</u>	<u>4,825,572</u>	<u>4,951,515</u>
<u>Total liabilities, deferred inflows of resources and net position</u>	<u>\$ 7,538,986</u>	<u>\$ 7,860,536</u>

See independent auditor's report.

CITY OF HAZARD

COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION - SEWER FUND

For the Years Ended June 30, 2022 and 2021

	Year Ended	
	<u>2022</u>	<u>2021</u>
Operating revenues:		
Charges for services	\$ 1,341,095	\$ 1,343,470
<u>Total operating revenues</u>	<u>1,341,095</u>	<u>1,343,470</u>
Operating expenses:		
Salaries and wages	537,113	535,759
Contract services	717,778	750,960
Materials and supplies	212,050	207,360
Depreciation	207,407	520,873
Other operating expenses	238	679
<u>Total operating expenses</u>	<u>1,674,586</u>	<u>2,015,631</u>
<u>Operating income (loss)</u>	<u>(333,491)</u>	<u>(672,161)</u>
Non-operating revenues (expenses):		
Interest income	905	1,283
Interest expense	(45,989)	(26,962)
<u>Total non-operating revenues (expenses)</u>	<u>(45,084)</u>	<u>(25,679)</u>
<u>Net income (loss) before operating transfers</u>	<u>(378,575)</u>	<u>(697,840)</u>
<u>Operating transfers in (out)</u>	<u>252,632</u>	<u>272,828</u>
<u>Net income (loss)</u>	<u>(125,943)</u>	<u>(425,012)</u>
<u>Net Position - Beginning</u>	<u>4,951,515</u>	<u>5,376,527</u>
Contributed Capital	-	-
<u>Net Position - Ending</u>	<u>\$ 4,825,572</u>	<u>\$ 4,951,515</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 City of Hazard, Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City of Hazard, Kentucky's basic financial statements and have issued our report thereon dated February 17, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Hazard, Kentucky's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Hazard, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Hazard, Kentucky's Response to Findings

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

Purpose of This Report

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



Chris Gooch
Certified Public Accountant

Hazard, Kentucky

February 17, 2023

CITY OF HAZARDSUMMARY SCHEDULE OF PRIOR AUDIT FINDINGSJune 30, 2022**2021-001**

Condition:	Fund financial statements presented from the City's accounting system required several significant adjustments related to reconciliation and reclassification. In addition, City management is not providing budgetary comparison to actual results by fund to its legislative body on a periodic basis.
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. Quarterly budgetary comparisons should be presented for each fund for which an annual budget has been adopted.
Cause:	Management has not implemented review and reconciliation procedures for transactions entered and potential adjustments for periodic and end of year financial reporting. Because of this, management is unable to provide timely budget to actual comparisons.
Effect:	Annual financial reporting information presented for audit required significant adjustments to assure financial statements were fairly stated. In addition, assessments of operating results may be limited without review of budgeted to actual comparisons.
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 and reported.
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, and has hired additional personnel in order to mitigate and eliminate this deficiency.

CITY OF HAZARDSCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)June 30, 2022- FINDINGS RELATED TO THE FINANCIAL STATEMENTS -**2022-001**

Condition:	Fund financial statements presented from the City's accounting system required several significant adjustments related to reconciliation and reclassification. In addition, City management is not providing budgetary comparison to actual results by fund to its legislative body on a periodic basis.
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. Quarterly budgetary comparisons should be presented for each fund for which an annual budget has been adopted.
Cause:	Management has not implemented review and reconciliation procedures for transactions entered and potential adjustments for periodic and end of year financial reporting. Because of this, management is unable to provide timely budget to actual comparisons.
Effect:	Annual financial reporting information presented for audit required significant adjustments to assure financial statements were fairly stated. In addition, assessments of operating results may be limited without review of budgeted to actual comparisons.
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 and reported.
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, and has hired additional personnel in order to mitigate and eliminate this deficiency.

APPENDIX A

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

CITY OF HAZARD

For the Year Ended June 30, 2022

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.

A handwritten signature in black ink, appearing to read 'TE', with a stylized flourish at the end.

Tony Eversole
City Manager