

CITY OF HAZARD, KENTUCKY

FINANCIAL STATEMENTS AND REPORT OF AUDIT

For the Year Ended June 30, 2023

CITY OF HAZARD
FINANCIAL STATEMENTS AND REPORT OF AUDIT
For the Year Ended June 30, 2023

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, 2023

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 - 78
Combining Balance Sheet – Nonmajor Special Revenue Funds	79 - 81
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds.....	82 - 84
Combining Balance Sheet – Nonmajor Capital Projects	85
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects	86
Combining Statement of Net Position – Nonmajor Proprietary Funds....	87 - 90
Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Proprietary Funds	91 - 92
Combining Statement of Cash Flows – Nonmajor Proprietary Funds.....	93 - 94
Combining Statement of Net Position – All Fiduciary Type Funds	95 - 96
Combining Statement of Changes in Net Position – Trust Funds	97
Comparative Statement of Net Position – Water Fund.....	98 – 99

CITY OF HAZARD

FINANCIAL STATEMENTS AND REPORT OF AUDIT

For the Year Ended June 30, 2023

TABLE OF CONTENTS

ITEM

Pages

Comparative Statement of Revenues, Expenses and Changes in Net Position – Water Fund	100
Comparative Statement of Net Position – Sewer Fund.....	101 - 102
Comparative Statement of Revenues, Expenses and Changes in Net Position – Sewer Fund	103
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>	104 - 105
Summary Schedule of Prior Audit Findings	106
Schedule of Findings and Questioned Costs.....	107 - 108
Schedule of Expenditure of Federal Awards	109 - 110
Independent Auditor’s Report on Compliance for each Major Program and on Internal Control Over Compliance required by Uniform Guidance	111 - 113
APPENDIX A	
Certification of Compliance	

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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, 2023, 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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of 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.

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, pension and OPEB supplemental reporting and budgetary comparison information as listed in the table of contents 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 and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2024, 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

January 29, 2024

CITY OF HAZARDMANAGEMENT'S DISCUSSION AND ANALYSISFor the Year Ended June 30, 2023

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, 2023. 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 \$8,432,158 of which \$7,389,647 is considered restricted. The ending cash balance, including investments and fiduciary funds, for the City was \$10,594,554 of which \$8,782,001 is considered restricted.
- Long-term debt decreased by \$547,368, consisting of general fund long-term debt principal of \$83,738 and proprietary fund debt principal of \$463,630. The City increased debt by utilizing a line of credit with Whitaker Bank for flood cleanup and repairs in the amount of \$2,464,413.
- The City recorded \$2,059,048 in governmental fixed assets and \$1,459,773 in proprietary fund fixed assets during the fiscal year. Proprietary fixed asset additions included \$970,774 in construction in progress related to ongoing water systems improvements. Governmental fixed assets include \$879,324 related to construction in progress related to the Perry County North Ambulance CDBG project.
- Infrastructure improvements to Black Gold Court include Phase I of \$2,402,907 and Phase II of \$686,762. The City anticipates FEMA grants to cover approximately \$2,688,012 of these costs.
- The City adopted GASB's 68 and 75 in a prior fiscal year and at June 30, 2023 recognize net pension liability of \$10,053,953 and a net OPEB liability of \$2,746,098 in relation to the City's participation in the County Employee's Retirement System. The net pension liability for the prior fiscal year was \$8,931,332 and the OPEB liability was \$2,682,180.
- At June 30, 2023, the City recognized net pension liability of \$3,730,084 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 \$3,946,379.
- 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	8,792	8,756
b. Sewer	3,142	3,126
c. Gas	1,673	1,690

CITY OF HAZARDMANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)For the Year Ended June 30, 2023OVERVIEW 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, 2023**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2023, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$40,800,779.

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, 2023

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

	<u>Year Ended</u>	
	<u>2023</u>	<u>2022</u>
Current Assets	\$ 8,295,723	\$ 4,554,889
Noncurrent Assets	66,195,804	64,380,857
Deferred Outflows of Resources	<u>4,855,869</u>	<u>4,262,353</u>
<u>Total Assets and Deferred Outflows of Resources</u>	<u>79,347,396</u>	<u>73,198,099</u>
Current Liabilities	5,408,824	2,315,424
Noncurrent Liabilities	29,505,324	28,781,014
Deferred Inflows of Resources	<u>3,632,469</u>	<u>4,468,711</u>
<u>Total Liabilities and Deferred Inflows of Resources</u>	<u>38,546,617</u>	<u>35,565,149</u>
Net Position		
Net Investment in Capital Assets	40,956,563	42,260,094
Restricted	8,592,073	5,335,042
Unrestricted	<u>(8,747,857)</u>	<u>(9,962,186)</u>
<u>Total Net Position</u>	<u>40,800,779</u>	<u>37,632,950</u>
<u>Total Liabilities, Deferred Inflows of Resources and Net Position</u>	<u>\$ 79,347,396</u>	<u>\$ 73,198,099</u>

CITY OF HAZARD

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

For the Year Ended June 30, 2023

- Deferred outflows of resources increased \$593,516, deferred inflows of resources decreased by \$763,918 and net pension and OPEB liability increased by \$1,186,539 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.
- Current assets increased, in part, due to increases in cash balances in funds related to COVID-19 and flooding relief and increases in FEMA grants accounts receivable.
- Current liabilities increase include \$2,464,413 due on a line of credit from Whitaker Bank.

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

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Local revenue sources	\$ 7,105,684	\$ 8,166,403	\$ 1,060,719
Intergovernmental revenues	<u>351,199</u>	<u>1,485,785</u>	<u>1,134,586</u>
<u>Total Revenues</u>	<u>7,456,883</u>	<u>9,652,188</u>	<u>2,195,305</u>
Expenditures:			
General government	1,982,889	1,583,065	399,824
Police	2,072,524	2,090,586	(18,062)
Fire	1,495,456	1,289,127	206,329
Public works	1,393,409	4,385,907	(2,992,498)
Other expenditures	359,948	3,583	356,365
Capital outlay	-	1,161,354	(1,161,354)
Debt service	<u>152,657</u>	<u>132,892</u>	<u>19,765</u>
<u>Total Expenditures</u>	<u>7,456,883</u>	<u>10,646,514</u>	<u>(3,189,631)</u>
<u>Excess of Revenues over Expenditures</u>	<u>\$ -</u>	<u>\$ (994,326)</u>	<u>\$ (994,326)</u>

- Increases in intergovernmental revenues and expenditures is largely due to spending related to flood recovery, including but not limited to repairs and maintenance, supplies, personnel, and capital outlay.
- Local revenue increased due to increased collections of taxes and licenses and permits.

CITY OF HAZARDMANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)For the Year Ended June 30, 2023

The following table presents a comparison of government-wide funds revenue and expense for fiscal years ended June 30, 2023 and 2022:

	<u>Fiscal Year Ended</u>	
	<u>2023</u>	<u>2022</u>
Revenues:		
Taxes and other local revenues	\$ 8,150,059	\$ 7,422,173
Intergovernmental revenues	8,602,900	2,136,439
Charges for services	10,569,953	8,949,408
<u>Total revenues</u>	<u>27,322,912</u>	<u>18,508,020</u>
Expenses:		
General government	1,632,204	1,409,302
Police	2,147,138	1,875,717
Fire	1,320,274	1,272,305
Public works	4,564,972	1,652,835
Highway and streets	181,857	546,730
Other expenditures	118,208	96,120
Utility services	15,211,786	10,461,999
Other proprietary expenses	828,742	757,823
<u>Total expenses</u>	<u>26,005,181</u>	<u>18,072,831</u>
<u>Change in net position</u>	<u>\$ 1,317,731</u>	<u>\$ 435,189</u>

- Increase in intergovernmental revenue includes \$5,151,546 in EKSAFE funds to provide additional financial relief in the wake of the historic flooding of July 2022.
- Increase in utility service and public works expenses are related to repairs made after July 2022 flooding.

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 2023-24 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, 2023

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Assets:			
- Current Assets -			
Cash and cash equivalents	\$ 623,123	\$ 1,189,430	\$ 1,812,553
Receivables, net of allowances:			
Taxes	50,606	-	50,606
Fees and services	-	2,207,059	2,207,059
Due from other funds	620,312	543,432	1,163,744
Other	1,475,226	1,289,108	2,764,334
Prepaid expenses	11,247	30,333	41,580
Inventories	35,025	161,109	196,134
Lease receivables	<u>6,723</u>	<u>52,990</u>	<u>59,713</u>
<u>Total current assets</u>	<u>2,822,262</u>	<u>5,473,461</u>	<u>8,295,723</u>
-Restricted Assets -			
Cash	<u>3,773,581</u>	<u>2,809,195</u>	<u>6,582,776</u>
- Noncurrent Assets -			
Lease receivables	-	52,734	52,734
Capital assets	13,942,355	101,946,482	115,888,837
Less: accumulated depreciation	<u>(7,140,929)</u>	<u>(49,187,614)</u>	<u>(56,328,543)</u>
<u>Total noncurrent assets</u>	<u>6,801,426</u>	<u>52,811,602</u>	<u>59,613,028</u>
Deferred Outflows of Resources:			
Deferred outflows - pension/OPEB resources	2,337,875	1,472,233	3,810,108
Deferred outflows - debt related	<u>79,149</u>	<u>966,612</u>	<u>1,045,761</u>
<u>Total deferred outflows of resources</u>	<u>2,417,024</u>	<u>2,438,845</u>	<u>4,855,869</u>
Total assets and deferred outflows of <u>resources</u>	<u>\$ 15,814,293</u>	<u>\$ 63,533,103</u>	<u>\$ 79,347,396</u>

See notes to financial statements.

CITY OF HAZARD

STATEMENT OF NET POSITION (CONTINUED)

June 30, 2023

	Governmental Activities	Business-type Activities	Total
Liabilities:			
- Current Liabilities -			
Accounts payable	\$ 419,147	\$ 875,229	\$ 1,294,376
Other current liabilities	580,033	583,634	1,163,667
Current portion of bond/lease obligations	1,504,418	1,446,363	2,950,781
<u>Total current liabilities</u>	<u>2,503,598</u>	<u>2,905,226</u>	<u>5,408,824</u>
- Noncurrent Liabilities -			
Noncurrent portion of bond/lease obligations	1,196,937	14,698,111	15,895,048
Net pension/OPEB liability	7,865,723	4,934,328	12,800,051
Other	-	38,152	38,152
<u>Total noncurrent liabilities</u>	<u>9,062,660</u>	<u>19,670,591</u>	<u>28,733,251</u>
- Other Liabilities -			
Deposits	-	772,073	772,073
<u>Total other liabilities</u>	<u>-</u>	<u>772,073</u>	<u>772,073</u>
<u>Total liabilities</u>	<u>11,566,258</u>	<u>23,347,890</u>	<u>34,914,148</u>
Deferred Inflows of Resources:			
Deferred inflows - pension/OPEB related	1,841,651	1,304,404	3,146,055
Deferred inflows - lease related	6,723	105,724	112,447
Deferred inflows - debt related	28,929	345,038	373,967
<u>Total deferred inflows of resources</u>	<u>1,877,303</u>	<u>1,755,166</u>	<u>3,632,469</u>
Net Position:			
Net investment in capital assets	4,126,466	36,830,097	40,956,563
Restricted	4,935,942	3,656,131	8,592,073
Unrestricted (deficit)	(6,691,676)	(2,056,181)	(8,747,857)
<u>Total net position</u>	<u>2,370,732</u>	<u>38,430,047</u>	<u>40,800,779</u>
<u>Total liabilities, deferred inflows of resources and net position</u>	<u>\$ 15,814,293</u>	<u>\$ 63,533,103</u>	<u>\$ 79,347,396</u>

See notes to financial statements.

11.

CITY OF HAZARD
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

		Program Revenues	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>
FUNCTIONS/PROGRAMS:			
- Governmental Activities -			
General government	\$ 1,632,204	\$ -	\$ 6,088,300
Police	2,147,138	-	168,885
Fire	1,320,274	-	126,610
Public works	4,564,972	-	1,162,361
Highways and streets	181,857	-	209,808
Other expenses	118,208	-	-
<u>Total governmental activities</u>	<u>9,964,653</u>	<u>-</u>	<u>7,755,964</u>
- Business-type Activities -			
Water utilities	9,279,299	5,807,792	-
Sewer utilities	2,804,790	1,795,630	-
Gas utilities	2,592,696	2,227,551	-
Garbage services	535,001	558,271	-
Public Improvement Corporation	58,393	-	-
Hazard Pavilion	363,351	42,251	-
Starland Building	15,618	31,473	-
The Hazard Forum	391,380	106,985	-
<u>Total business-type activities</u>	<u>16,040,528</u>	<u>10,569,953</u>	<u>-</u>
<u>Total primary government</u>	<u>\$ 26,005,181</u>	<u>\$ 10,569,953</u>	<u>\$ 7,755,964</u>

See notes to financial statements.

CITY OF HAZARD

STATEMENT OF ACTIVITIES (CONTINUED)

For the Year Ended June 30, 2023

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
\$ 4,456,096	\$ -	\$ 4,456,096
(1,978,253)	-	(1,978,253)
(1,193,664)	-	(1,193,664)
(3,402,611)	-	(3,402,611)
27,951	-	27,951
(118,208)	-	(118,208)
<u>(2,208,689)</u>	<u>-</u>	<u>(2,208,689)</u>
-	(3,471,507)	(3,471,507)
-	(1,009,160)	(1,009,160)
-	(365,145)	(365,145)
-	23,270	23,270
-	(58,393)	(58,393)
-	(321,100)	(321,100)
-	15,855	15,855
<u>-</u>	<u>(284,395)</u>	<u>(284,395)</u>
<u>-</u>	<u>(5,470,575)</u>	<u>(5,470,575)</u>
<u>(2,208,689)</u>	<u>(5,470,575)</u>	<u>(7,679,264)</u>
General revenues:		
Taxes	2,524,707	-
Licenses and permits	5,485,422	-
Transfer in (out)	(3,215,407)	3,215,407
Interest income	6,929	11,599
Miscellaneous income/(loss)	18,295	950,043
<u>Total general revenues</u>	<u>4,819,946</u>	<u>4,177,049</u>
Change in net position	2,611,257	(1,293,526)
Net position, beginning	(1,119,849)	38,752,799
Contributed capital	<u>879,324</u>	<u>970,774</u>
Net position, ending	<u>\$ 2,370,732</u>	<u>\$ 38,430,047</u>
	<u>\$ 40,800,779</u>	

See notes to financial statements.

CITY OF HAZARDBALANCE SHEET – GOVERNMENTAL FUNDSJune 30, 2023

	<u>General</u>	<u>EKSAFE</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 623,123	\$ -	\$ -	\$ 623,123
Receivables, net of allowance for uncollectibles				
Taxes	50,606	-	-	50,606
Receivables - other	1,226,784	-	248,442	1,475,226
Due from other funds	582,540	-	37,772	620,312
Inventory of supplies, at cost	35,025	-	-	35,025
Restricted cash	25,934	871,380	2,876,267	3,773,581
Prepaid expense	<u>11,247</u>	<u>-</u>	<u>-</u>	<u>11,247</u>
<u>Total assets</u>	<u>2,555,259</u>	<u>871,380</u>	<u>3,162,481</u>	<u>6,589,120</u>
 <u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES:</u>				
Accounts payable	75,524	-	343,623	419,147
Accrued wages	102,027	-	-	102,027
Due to other taxing units	23,612	-	174,521	198,133
Due to other funds	<u>136,973</u>	<u>-</u>	<u>92,315</u>	<u>229,288</u>
<u>Total liabilities</u>	<u>338,136</u>	<u>-</u>	<u>610,459</u>	<u>948,595</u>
 <u>FUND EQUITY:</u>				
<u>Fund balance:</u>				
Nonspendable	46,272	-	-	46,272
<u>Unreserved:</u>				
Unassigned	982,556	-	(6)	982,550
Restricted	<u>1,188,295</u>	<u>871,380</u>	<u>2,552,028</u>	<u>4,611,703</u>
<u>Total fund equity</u>	<u>2,217,123</u>	<u>871,380</u>	<u>2,552,022</u>	<u>5,640,525</u>
 Total liabilities, deferred inflows of resources and <u>fund equity</u>	 <u>\$ 2,555,259</u>	 <u>\$ 871,380</u>	 <u>\$ 3,162,481</u>	 <u>\$ 6,589,120</u>

See notes to financial statements.

CITY OF HAZARDRECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITIONJune 30, 2023

Total fund balance per fund financial statements	\$ 5,640,525
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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	\$ 13,942,355	
Less accumulated depreciation	<u>(7,140,929)</u>	6,801,426

Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	6,723
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Deferred outflows reported in government wide financial statements, but not in fund financial statements.

Deferred outflows - pension/OPEB related	2,337,875	
Deferred outflows - debt related	<u>79,149</u>	2,417,024

Net pension/OPEB obligations are not due and payable in the current period, and therefore, are not reported in the fund financial statements.	(7,865,723)
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Deferred inflows reported in government wide financial statements, but not in fund financial statements.

Deferred inflows - pension/OPEB related	(1,841,651)	
Deferred inflows - lease related	(6,723)	
Deferred inflows - debt related	<u>(28,929)</u>	(1,877,303)

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	(2,701,355)	
Compensated absences	<u>\$ (50,585)</u>	<u>(2,751,940)</u>

Net position for governmental activities	<u>\$ 2,370,732</u>
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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, 2023

	General	EKSAFE	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 2,516,902	\$ -	\$ -	\$ 2,516,902
Licenses and permits	5,485,422	-	-	5,485,422
Fines and forfeits	7,805	-	-	7,805
Intergovernmental revenues	1,485,785	5,151,546	1,320,555	7,957,886
Miscellaneous	156,274	-	220,081	376,355
<u>Total revenues</u>	<u>9,652,188</u>	<u>5,151,546</u>	<u>1,540,636</u>	<u>16,344,370</u>
EXPENDITURES:				
<u>Current:</u>				
General government	1,583,065	-	-	1,583,065
Police	2,090,586	-	-	2,090,586
Fire	1,289,127	-	-	1,289,127
Public works	4,385,907	-	-	4,385,907
Highways and streets	-	-	174,121	174,121
Other expenditures	3,583	4,546	110,079	118,208
Capital outlay	1,161,354	-	879,324	2,040,678
Debt service				
Principal	83,738	-	-	83,738
Interest	49,154	-	-	49,154
<u>Total expenditures</u>	<u>10,646,514</u>	<u>4,546</u>	<u>1,163,524</u>	<u>11,814,584</u>
<u>Excess of revenues over (under) expenditures</u>	<u>(994,326)</u>	<u>5,147,000</u>	<u>377,112</u>	<u>4,529,786</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	2,370,286	678,715	829,815	3,878,816
Operating transfers (out)	(1,300,486)	(4,955,948)	(564,136)	(6,820,570)
Loan proceeds	1,424,946	-	-	1,424,946
Other income	123,558	1,613	12,318	137,489
<u>Total other financing sources (uses)</u>	<u>2,618,304</u>	<u>(4,275,620)</u>	<u>277,997</u>	<u>(1,379,319)</u>
<u>Excess of revenues and other sources over (under) expenditures and other uses</u>	<u>1,623,978</u>	<u>871,380</u>	<u>655,109</u>	<u>3,150,467</u>
<u>FUND BALANCE, JULY 1</u>	<u>593,145</u>	<u>-</u>	<u>1,896,913</u>	<u>2,490,058</u>
<u>FUND BALANCE, JUNE 30</u>	<u>\$ 2,217,123</u>	<u>\$ 871,380</u>	<u>\$ 2,552,022</u>	<u>\$ 5,640,525</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, 2023

Net change in total fund balances per fund financial statements	\$ 3,150,467
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Amounts reported for governmental activities in the statement of activities differences:

Governmental funds report capital outlays as expenditures.

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

Capital outlay	\$ 1,102,463	
Depreciation	<u>(373,957)</u>	728,506

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	83,738	
Proceeds from loans	(1,424,946)	
Leases	(26,395)	
Deferred outflows and inflows	<u>\$ (605)</u>	(1,368,208)

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		(6,525)
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Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension/OPEB benefits earned net of employee contributions are reported as pension/OPEB expense.

	<u>107,017</u>
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Change in net position of governmental activities	<u>\$ 2,611,257</u>
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See notes to financial statements.

17.

CITY OF HAZARDSTATEMENT OF NET POSITION – PROPRIETARY FUNDSJune 30, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>
Assets:			
- Current Assets -			
Cash and cash equivalents	\$ 202,775	\$ 20,958	\$ 753,534
Receivables, net of allowances:			
Fees and services	1,405,664	436,280	224,320
Due from other funds	160,640	229,955	45,320
Other	1,032,870	226,795	-
Prepaid expenses	9,261	7,323	7,023
Inventories of supplies, at cost	90,647	13,038	52,409
Lease receivables	-	-	-
<u>Total current assets</u>	<u>2,901,857</u>	<u>934,349</u>	<u>1,082,606</u>
-Restricted Assets -			
Cash	<u>1,931,388</u>	<u>786,601</u>	<u>91,206</u>
- Noncurrent Assets -			
Lease receivables	-	-	-
Capital assets	61,232,113	15,969,879	9,887,581
Less: accumulated depreciation	<u>(25,549,696)</u>	<u>(10,305,597)</u>	<u>(5,002,369)</u>
<u>Total noncurrent assets</u>	<u>35,682,417</u>	<u>5,664,282</u>	<u>4,885,212</u>
Deferred Outflows of Resources:			
Deferred outflows - pension resources/OPEB	711,729	226,470	221,424
Deferred outflows - debt related	<u>734,921</u>	<u>81,765</u>	<u>127,856</u>
<u>Total deferred outflows of resources</u>	<u>1,446,650</u>	<u>308,235</u>	<u>349,280</u>
<u>Total assets and deferred outflows of resources</u>	<u>\$ 41,962,312</u>	<u>\$ 7,693,467</u>	<u>\$ 6,408,304</u>

See notes to financial statements.

CITY OF HAZARDSTATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)June 30, 2023

	<u>Other</u>	<u>Totals</u>
Assets:		
- Current Assets -		
Cash and cash equivalents	\$ 212,163	\$ 1,189,430
Receivables, net of allowances:		
Fees and services	140,795	2,207,059
Due from other funds	107,517	543,432
Other	29,443	1,289,108
Prepaid expenses	6,726	30,333
Inventories of supplies, at cost	5,015	161,109
Lease receivables	<u>52,990</u>	<u>52,990</u>
<u>Total current assets</u>	<u>554,649</u>	<u>5,473,461</u>
-Restricted Assets -		
Cash	<u>-</u>	<u>2,809,195</u>
- Noncurrent Assets -		
Lease receivables	52,734	52,734
Capital assets	14,856,909	101,946,482
Less: accumulated depreciation	<u>(8,329,952)</u>	<u>(49,187,614)</u>
<u>Total noncurrent assets</u>	<u>6,579,691</u>	<u>52,811,602</u>
Deferred Outflows of Resources:		
Deferred outflows - pension resources/OPEB	312,610	1,472,233
Deferred outflows - debt related	<u>22,070</u>	<u>966,612</u>
<u>Total deferred outflows of resources</u>	<u>334,680</u>	<u>2,438,845</u>
Total assets and deferred outflows of resources	<u>\$ 7,469,020</u>	<u>\$ 63,533,103</u>

See notes to financial statements.

CITY OF HAZARD

STATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)

June 30, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>
Liabilities:			
- Current Liabilities -			
Accounts payable	\$ 610,849	\$ 104,327	\$ 106,819
Accrued interest payable	24,322	-	-
Accrued wages	36,608	16,158	11,615
Accrued vacation payable	15,854	5,672	5,328
Due to other funds	202,959	16,375	221,800
Current portion of long-term debt	<u>1,006,887</u>	<u>349,566</u>	<u>52,575</u>
<u>Total current liabilities</u>	<u>1,897,479</u>	<u>492,098</u>	<u>398,137</u>
- Noncurrent Liabilities -			
Notes payable	-	692,305	510,350
Due to other taxing units	31,800	-	6,352
Revenue bonds payable	10,291,086	1,050,580	1,503,600
Net pension/OPEB liability	<u>2,405,381</u>	<u>561,346</u>	<u>662,590</u>
<u>Total noncurrent liabilities</u>	<u>12,728,267</u>	<u>2,304,231</u>	<u>2,682,892</u>
- Other Liabilities -			
Deposits	<u>665,703</u>	-	<u>104,370</u>
<u>Total liabilities</u>	<u>15,291,449</u>	<u>2,796,329</u>	<u>3,185,399</u>
Deferred Inflows of Resources:			
Deferred inflows - pension/OPEB related	571,060	214,892	234,546
Deferred inflows - lease related	-	-	-
Deferred inflows - debt related	<u>257,209</u>	<u>33,031</u>	<u>46,731</u>
<u>Total deferred inflows of resources</u>	<u>828,269</u>	<u>247,923</u>	<u>281,277</u>
Net Position:			
Net investment in capital assets	24,384,444	3,571,831	2,818,687
Restricted	2,551,680	1,013,245	91,206
Unrestricted (deficit)	<u>(1,093,530)</u>	<u>64,139</u>	<u>31,735</u>
<u>Total net position</u>	<u>25,842,594</u>	<u>4,649,215</u>	<u>2,941,628</u>
Total liabilities, deferred inflows of <u>resources and net position</u>	<u>\$ 41,962,312</u>	<u>\$ 7,693,467</u>	<u>\$ 6,408,304</u>

See notes to financial statements.

CITY OF HAZARD

STATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)

June 30, 2023

	<u>Other</u>	<u>Totals</u>
Liabilities:		
- Current Liabilities -		
Accounts payable	\$ 53,234	\$ 875,229
Accrued interest payable	-	24,322
Accrued wages	8,990	73,371
Accrued vacation payable	3,384	30,238
Due to other funds	14,569	455,703
Current portion of long-term debt	<u>37,335</u>	<u>1,446,363</u>
<u>Total current liabilities</u>	<u>117,512</u>	<u>2,905,226</u>
- Noncurrent Liabilities -		
Notes payable	390,640	1,593,295
Due to other taxing units	-	38,152
Revenue bonds payable	259,550	13,104,816
Net pension/OPEB liability	<u>1,305,011</u>	<u>4,934,328</u>
<u>Total noncurrent liabilities</u>	<u>1,955,201</u>	<u>19,670,591</u>
- Other Liabilities -		
Deposits	<u>2,000</u>	<u>772,073</u>
<u>Total liabilities</u>	<u>2,074,713</u>	<u>23,347,890</u>
Deferred Inflows of Resources:		
Deferred inflows - pension/OPEB related	283,906	1,304,404
Deferred inflows - lease related	105,724	105,724
Deferred inflows - debt related	<u>8,067</u>	<u>345,038</u>
<u>Total deferred inflows of resources</u>	<u>397,697</u>	<u>1,755,166</u>
Net Position:		
Net investment in capital assets	6,055,135	36,830,097
Restricted	-	3,656,131
Unrestricted (deficit)	<u>(1,058,525)</u>	<u>(2,056,181)</u>
<u>Total net position</u>	<u>4,996,610</u>	<u>38,430,047</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 7,469,020</u>	<u>\$ 63,533,103</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, 2023

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Gas Fund</u>
Operating revenues:			
Charges for services	\$ 5,617,902	\$ 1,795,630	\$ 2,225,566
Other	<u>189,890</u>	<u>-</u>	<u>1,985</u>
<u>Total operating revenues</u>	<u>5,807,792</u>	<u>1,795,630</u>	<u>2,227,551</u>
Operating expenses:			
Salaries and wages	1,532,604	562,201	429,059
Contract services	2,417,326	811,394	1,809,582
Materials and supplies	3,619,055	1,148,476	146,121
Depreciation	1,368,866	221,049	170,151
Other operating expenses	<u>2,622</u>	<u>-</u>	<u>150</u>
<u>Total operating expenses</u>	<u>8,940,473</u>	<u>2,743,120</u>	<u>2,555,063</u>
<u>Operating income (loss)</u>	<u>(3,132,681)</u>	<u>(947,490)</u>	<u>(327,512)</u>
Non-operating revenues (expenses):			
Interest income	3,594	1,319	1,662
Interest expense	(338,826)	(61,670)	(37,633)
Other income/(loss)	<u>575,860</u>	<u>221,026</u>	<u>(10,071)</u>
<u>Total non-operating revenues (expenses)</u>	<u>240,628</u>	<u>160,675</u>	<u>(46,042)</u>
<u>Net income (loss) before operating transfers</u>	<u>(2,892,053)</u>	<u>(786,815)</u>	<u>(373,554)</u>
<u>Operating transfers in (out)</u>	<u>1,831,016</u>	<u>610,458</u>	<u>503,794</u>
<u>Net income (loss)</u>	<u>(1,061,037)</u>	<u>(176,357)</u>	<u>130,240</u>
<u>Net Position - Beginning</u>	<u>25,932,857</u>	<u>4,825,572</u>	<u>2,811,388</u>
<u>Contributed capital</u>	970,774	-	-
<u>Net Position - Ending</u>	<u>\$ 25,842,594</u>	<u>\$ 4,649,215</u>	<u>\$ 2,941,628</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, 2023

	<u>Other</u>	<u>Totals</u>
Operating revenues:		
Charges for services	\$ 738,687	\$ 10,377,785
Other	293	192,168
<u>Total operating revenues</u>	<u>738,980</u>	<u>10,569,953</u>
Operating expenses:		
Salaries and wages	339,577	2,863,441
Contract services	578,723	5,617,025
Materials and supplies	76,206	4,989,858
Depreciation	334,612	2,094,678
Other operating expenses	1,636	4,408
<u>Total operating expenses</u>	<u>1,330,754</u>	<u>15,569,410</u>
<u>Operating income (loss)</u>	<u>(591,774)</u>	<u>(4,999,457)</u>
Non-operating revenues (expenses):		
Interest income	5,024	11,599
Interest expense	(32,989)	(471,118)
Other income/(loss)	163,228	950,043
<u>Total non-operating revenues (expenses)</u>	<u>135,263</u>	<u>490,524</u>
<u>Net income (loss) before operating transfers</u>	<u>(456,511)</u>	<u>(4,508,933)</u>
<u>Operating transfers in (out)</u>	<u>270,139</u>	<u>3,215,407</u>
<u>Net income (loss)</u>	<u>(186,372)</u>	<u>(1,293,526)</u>
<u>Net Position - Beginning</u>	<u>5,182,982</u>	<u>38,752,799</u>
<u>Contributed capital</u>	<u>-</u>	<u>970,774</u>
<u>Net Position - Ending</u>	<u>\$ 4,996,610</u>	<u>\$ 38,430,047</u>

See notes to financial statements.

23.

CITY OF HAZARD

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

For the Year Ended June 30, 2023

	Water <u>Fund</u>	Sewer <u>Fund</u>	Gas <u>Fund</u>
Cash flows from operating activities:			
Cash received from:			
Charges for services	\$ 5,380,664	\$ 1,758,473	\$ 2,221,593
Other operating revenue	189,890	-	1,985
Cash paid to/for:			
Employees	(1,562,609)	(571,174)	(440,297)
Supplies/contractual	(6,654,773)	(2,104,862)	(1,921,578)
Other operating expenses	<u>(2,622)</u>	<u>-</u>	<u>(150)</u>
<u>Net cash provided/(used) by operating activities</u>	<u>(2,649,450)</u>	<u>(917,563)</u>	<u>(138,447)</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(1,122,121)	(8,808)	-
Principal paid on notes and bonds	(224,878)	(68,243)	(86,490)
Proceeds from long term debt	760,420	277,845	1,202
Interest paid on notes and bonds	(338,826)	(61,670)	(37,633)
Nonoperating - income/(loss)	575,860	221,026	(10,071)
Contributed capital	<u>970,774</u>	<u>-</u>	<u>-</u>
<u>Net cash provided (used) for capital and related financing</u>	<u>621,229</u>	<u>360,150</u>	<u>(132,992)</u>
Cash flows from non-capital financing activities:			
Operating transfers - in (out)	<u>1,831,016</u>	<u>610,458</u>	<u>503,794</u>
<u>Net cash provided (used) for non-capital activities</u>	<u>1,831,016</u>	<u>610,458</u>	<u>503,794</u>
Cash flows from investing activities:			
Interest income	<u>3,594</u>	<u>1,319</u>	<u>1,662</u>
<u>Net cash provided (used) for investing activities</u>	<u>3,594</u>	<u>1,319</u>	<u>1,662</u>
Net increase (decrease) in cash	(193,611)	54,364	234,017
Cash, beginning of year	<u>2,327,774</u>	<u>753,195</u>	<u>610,723</u>
Cash, end of year	<u>2,134,163</u>	<u>807,559</u>	<u>844,740</u>
Reconciliation of operating income (loss) to net cash provided (used) by operations:			
Operating income (loss)	(3,132,681)	(947,490)	(327,512)
Adjustment to reconcile operating income to cash provided (used) by operating activities:			
Depreciation	1,368,866	221,049	170,151
Changes in current assets/liabilities:			
Accounts receivable	(315,644)	(53,052)	(22,159)
Due from other funds	(9,530)	(3,537)	(2,697)
Other receivables	(565,313)	(210,749)	-
Prepaid expenses	543	2,481	2,781
Lease receivables	-	-	-
Accounts payable	4,599	81,742	47,629
Accrued interest payable	(584)	-	-
Accrued wages	5,262	3,929	1,169
Accrued vacation payable	3,996	1,672	(1,294)
Due to other taxing units	(214)	-	(2,189)
Customer deposits	23,427	-	5,801
Deferred outflows - pension/OPEB resources	(135,207)	(50,189)	(38,265)
Deferred outflows - debt related	19,910	2,688	3,445
Deferred inflows - pension/OPEB related	(161,861)	(60,082)	(45,810)
Deferred inflows - lease related	-	-	-
Deferred inflows - debt related	(12,824)	(1,722)	(2,459)
Net pension/OPEB liability	<u>257,805</u>	<u>95,697</u>	<u>72,962</u>
<u>Net cash provided (used) by operating activities</u>	<u>\$ (2,649,450)</u>	<u>\$ (917,563)</u>	<u>\$ (138,447)</u>

See notes to financial statements.

CITY OF HAZARD

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)

For the Year Ended June 30, 2023

	<u>Other</u>	<u>Totals</u>
Cash flows from operating activities :		
Cash received from:		
Charges for services	\$ 723,914	\$ 10,084,644
Other operating revenue	293	192,168
Cash paid to/for:		
Employees	(346,364)	(2,920,444)
Supplies/contractual	(655,490)	(11,336,703)
Other operating expenses	<u>(1,636)</u>	<u>(4,408)</u>
<u>Net cash provided/(used) by operating activities</u>	<u>(279,283)</u>	<u>(3,984,743)</u>
Cash flows from capital and related financing activities :		
Purchases of capital assets	(9,849)	(1,140,778)
Principal paid on notes and bonds	(84,019)	(463,630)
Proceeds from long term debt	-	1,039,467
Interest paid on notes and bonds	(32,989)	(471,118)
Nonoperating - income/(loss)	183,712	970,527
Contributed capital	-	970,774
<u>Net cash provided (used) for capital and related financing</u>	<u>56,855</u>	<u>905,242</u>
Cash flows from non-capital financing activities :		
Operating transfers - in (out)	<u>270,139</u>	<u>3,215,407</u>
<u>Net cash provided (used) for non-capital activities</u>	<u>270,139</u>	<u>3,215,407</u>
Cash flows from investing activities :		
Interest income	<u>5,024</u>	<u>11,599</u>
<u>Net cash provided (used) for investing activities</u>	<u>5,024</u>	<u>11,599</u>
Net increase (decrease) in cash	52,735	147,505
Cash, beginning of year	<u>159,428</u>	<u>3,851,120</u>
Cash, end of year	<u>212,163</u>	<u>3,998,625</u>
Reconciliation of operating income (loss) to net cash provided (used) by operations :		
Operating income (loss)	(591,774)	(4,999,457)
Adjustment to reconcile operating income to cash provided (used) by operating activities:		
Depreciation	334,612	2,094,678
Changes in current assets/liabilities:		
Accounts receivable	(14,773)	(405,628)
Due from other funds	-	(15,764)
Other receivables	-	(776,062)
Prepaid expenses	3,078	8,883
Lease receivables	49,241	49,241
Accounts payable	(3,811)	130,159
Accrued interest payable	-	(584)
Accrued wages	1,504	11,864
Accrued vacation payable	457	4,831
Due to other taxing units	-	(2,403)
Customer deposits	-	29,228
Deferred outflows - pension/OPEB resources	(30,120)	(253,781)
Deferred outflows - debt related	596	26,639
Deferred inflows - pension/OPEB related	(36,060)	(303,813)
Deferred inflows - lease related	(49,241)	(49,241)
Deferred inflows - debt related	(424)	(17,429)
Net pension/OPEB liability	<u>57,432</u>	<u>483,896</u>
<u>Net cash provided (used) by operating activities</u>	<u>\$ (279,283)</u>	<u>\$ (3,984,743)</u>

See notes to financial statements.

CITY OF HAZARDSTATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDSJune 30, 2023

	<u>Trust Funds</u>	<u>Agency Funds</u>	<u>Total</u>
Assets:			
Restricted assets:			
Cash and cash equivalents	\$ 154,040	\$ 479,040	\$ 633,080
Investments	1,566,145	-	1,566,145
Lease receivables	817,001	-	817,001
Other receivables	10,084	-	10,084
Due from other funds	<u>287</u>	<u>14,569</u>	<u>14,856</u>
<u>Total assets</u>	<u>2,547,557</u>	<u>493,609</u>	<u>3,041,166</u>
Deferred Outflows of Resources:			
Deferred Outflows - pension/OPEB resources	<u>45,974</u>	<u>-</u>	<u>45,974</u>
<u>Total assets and deferred outflows of resources</u>	<u>2,593,531</u>	<u>493,609</u>	<u>3,087,140</u>
Liabilities:			
Due other funds	-	493,609	493,609
Net pension liability	<u>3,730,084</u>	<u>-</u>	<u>3,730,084</u>
<u>Total liabilities</u>	<u>3,730,084</u>	<u>493,609</u>	<u>4,223,693</u>
Deferred Inflows of Resources:			
Deferred Inflows - lease related	<u>817,001</u>	<u>-</u>	<u>817,001</u>
Net Position:			
Designated for retirement contributions (deficit)	(2,080,773)	-	(2,080,773)
Designated for other purposes	<u>127,219</u>	<u>-</u>	<u>127,219</u>
<u>Total net position</u>	<u>(1,953,554)</u>	<u>-</u>	<u>(1,953,554)</u>
<u>Total liabilities, deferred inflows of resources, and net position</u>	<u>\$ 2,593,531</u>	<u>\$ 493,609</u>	<u>\$ 3,087,140</u>

See notes to financial statements.

CITY OF HAZARDSTATEMENT OF CHANGES IN FIDUCIARY NET
POSITION – TRUST FUNDSFor the Year Ended June 30, 2023Additions:

Contributions:

Employer \$ 405,062Investment Income:

Rental Income 7,436

Interest Income 40,547Total investment income 47,983Total additions 453,045Deductions:Benefits 144,711Total deductions 144,711Operating transfers in (out) -Net increase/(decrease) in net position 308,334

Net Position:

Beginning of Year (2,261,888)End of Year \$ (1,953,554)

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTSJune 30, 2023**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.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2023**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, 2023**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, 2023**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.

EKSAFE Fund – This fund is used to account activity related to EKSAFE funds received by the City totaling \$5,151,546.

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 & Firemen Special Revenue Fund, Fund, July 4th Fund, ARPA Fund, CRF Fund, Music Fest, Downtown Projects Fund, Utility Assistance Fund, Opioid Settlement, FEMA Projects, East KY Leadership, Flood Disaster Benevolence, 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 Fund, USDA Farmers Market Fund, Allais Redevelopment Project, Trane Project Fund and Perry Co North Ambulance.

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, 2023**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, 2023

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, 2023

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, 2023:

	General		Non-major	
	<u>Fund</u>	<u>EKSAFE</u>	<u>Funds</u>	<u>Total</u>
Unassigned	\$ 982,556	\$ -	\$ (6)	\$ 982,550
Nonspendable	46,272	-	-	46,272
Restricted	<u>1,188,295</u>	<u>871,380</u>	<u>2,552,028</u>	<u>4,611,703</u>
Total fund balances	<u>\$ 2,217,123</u>	<u>\$ 871,380</u>	<u>\$ 2,552,022</u>	<u>\$ 5,640,525</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 Information

1. Revenues

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

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2023**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, 2023**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, 2023**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. Subscription Based Technology Arrangements

The City recognizes a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The City recognizes individual qualifying subscription liabilities which meet the criteria for recognition and is considered material to its financial statement presentation.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2023**F. Sources of Revenue and Other General Information (continued)****3. Subscription Based Technology Arrangements (continued)**

At the commencement of a subscription, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

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

- The City uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription 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 its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability. Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position. Based on management's assessment of materiality and criteria for recognition, the City did not have any subscription-based technology arrangements meeting criteria for recognition.

4. 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, 2023**F. Sources of Revenue and Other General Information (continued)****4. 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.

5. Leave PoliciesVacation

The vacation leave in 2023 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, 2023, accrued compensated absences totaled \$80,823 based on the number of days earned for each employee.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2023**F. Sources of Revenue and Other General Information (continued)****6. Property Tax Calendar**

Property taxes for the fiscal year were levied in September 2022, 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.

7. 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.

8. 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, 2023**F. Sources of Revenue and Other General Information (continued)****9. Recently Issued Accounting Pronouncements**

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective and have been implemented for fiscal year ended June 30, 2023 audit:

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.

Implementation of this Statement did not have a significant effect on the City’s financial statements for the fiscal year ended June 30, 2023.

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

Implementation Guide No. 2021-1—Amendments to Previously Issued Guidance, Question 7.9.8, regarding capitalization policies for a group of assets which exceeds the City’s established threshold, for example computers and furniture, effective for reporting periods beginning after June 15, 2023.

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. This pronouncement is effective for reporting periods beginning after June 15, 2023.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2023**F. Sources of Revenue and Other General Information (continued)****9. Recently Issued Accounting Pronouncements (continued)**

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

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 \$10,594,554 and the bank balance was \$11,352,502.

Custodial credit risk is the risk that in event of bank failure the deposits may not be returned or that the City may not recover collateral securities. The City requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC).

At June 30, 2023, \$2,016,233 was insured by FDIC, \$9,221,474 was collateralized with securities held by the pledging financial institution's trust department in the City's name and \$114,795 of the City's deposits were not collateralized.

At June 30, 2023, 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, 2023, the balance is \$(252,873).

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2023**2. - Cash and Investments (continued)**

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, 2023, the balance is \$(1,271,137).

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

3. - Retirement Plans

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

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

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

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2023**3. - Retirement Plans (continued)**

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.

The City of Hazard has a total of 119 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 26.79% 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 49.59% 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, 2023, the City reported the following for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2022 for the City's proportionate share of net CERS pension liability and June 30, 2023 for the City's Firemen's and Policemen's Pension Fund. At June 30, 2022 the City's proportion of the net pension liability based on contributions to CERS during fiscal year ended June 30, 2022 was .134855% for non-hazardous and .010004% for hazardous. The City's proportionate share was 100% for the Firemen's and Policemen's Pension Fund.

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

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

City's proportionate share of the net CERS non-hazardous pension liability	<u>\$ 9,748,685</u>
City's proportionate share of the net CERS hazardous pension liability	<u>\$ 305,268</u>
City's proportionate share of the net Firemen-Police pension liability	<u>\$ 3,730,084</u>

For the year ended June 30, 2023, the City's financial statements reported pension expense of \$679,381 for CERS non-hazardous, \$22,941 for CERS hazardous and \$144,711 for the Firemen-Police pension. For the year ended June 30, 2023 the City recognized deferred outflows of resources for non-hazardous, hazardous and firemen-police of \$2,313,036, \$75,996 and \$45,974, respectively, and deferred inflows of resources for non-hazardous, hazardous and firemen-police of \$1,443,723, \$45,178 and \$0, respectively. These contributions will be recognized as a reduction of the net pension liability in subsequent fiscal years.

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>
2023	\$ (248,959)	\$ (500)	\$ -
2024	(25,425)	(2,027)	-
2025	(81,922)	(5,462)	16,046
2026	276,939	6,194	14,252
2027	-	-	9,254
Thereafter	<u>-</u>	<u>-</u>	<u>6,422</u>
	<u>\$ (79,367)</u>	<u>\$ (1,795)</u>	<u>\$ 45,974</u>

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

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

	Non-hazardous		Hazardous		Firemen-Police	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,423	\$ 86,816	\$ 8,753	\$ -	\$ -	\$ -
Changes of assumptions	-	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	1,326,504	1,076,583	34,052	27,002	45,974	-
Changes in proportion and differences between City contributions and proportionate share of contributions	27,429	280,324	578	18,176	-	-
City contributions subsequent to the measurement date	948,680	-	32,613	-	-	-
Total	\$ 2,313,036	\$ 1,443,723	\$ 75,996	\$ 45,178	\$ 45,974	\$ -

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, 2020 and June 30, 2023, respectively. The financial reporting actuarial valuation for CERS as of June 30, 2022, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

- Actuarial Valuation date – June 30, 2020
- 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

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2023**3. - Retirement Plans (continued)**

The financial reporting actuarial valuation for Firemen-Police as of June 30, 2023, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

- Valuation date – June 30, 2023
- 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 – 4.13%, 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:

<u>Asset Class</u>	<u>Non-hazardous & Hazardous</u>	
	<u>Target Allocation</u>	<u>Long-term Expected Nominal Return</u>
Growth	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	20.00%	
Core Bonds	10.00%	0.28%
Spececialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%

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:

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

3. - Retirement Plans (continued)

Firemen-Police	Target	Long-term Expected Nominal Return
<u>Asset Class</u>	<u>Allocation</u>	<u>Return</u>
Cash Equivalents	100.00%	4.13%

Discount Rate – The discount rate used to measure the total pension liability for CERS and Firemen-Police was 6.25% and 4.13%, 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 4.13% for Firemen-Police. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Deferred inflows and outflows and pension expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability is based on the June 30, 2022 actuarial valuations for CERS and June 30, 2023 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 4.13%, as well as the City's share, if calculated using a rate 1% higher and 1% lower:

	1% Decrease <u>5.25%</u>	Current Discount Rate <u>6.25%</u>	1% Increase <u>7.25%</u>
City's proportionate share of net non-hazardous pension liability	\$ 12,184,648	\$ 9,748,685	\$ 7,733,943
City's proportionate share of net hazardous pension liability	380,261	305,268	244,190
	<u>3.13%</u>	<u>4.13%</u>	<u>5.13%</u>
City's proportionate share of the net Firemen-Police pension liability	\$ 4,275,263	\$ 3,730,084	\$ 3,266,812

There were no payables to the pension plans at June 30, 2023.

CITY OF HAZARDNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023**4. - OPEB Plans****General Information about the OPEB Plan**

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

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

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

Medical Insurance Plan

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

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, 2023, the City of Hazard reported a liability of \$2,660,928 and \$85,170 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, 2022, 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

CITY OF HAZARDNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023**4. - OPEB Plans (continued)**

OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the City's proportion was .134832% for non-hazardous and .009999% for hazardous. The previous year proportion were .135554% and .010768%, 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>\$ 2,660,928</u>
City's proportionate share of the net CERS hazardous OPEB liability	<u>\$ 85,170</u>

For the year ended June 30, 2023, the City recognized OPEB expense of \$309,581 and \$9,642 for non-hazardous and hazardous, respectively. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Non-hazardous</u>		<u>Hazardous</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	\$ 267,845	\$ 610,213	\$ 1,882	\$ 5,044
Changes of assumptions	420,844	346,773	14,217	14,655
Net difference between projected and actual earnings on plan investments	495,492	387,492	17,805	14,697
Changes in proportion and differences between City contributions and proportionate share of contributions	60,123	271,647	266	6,633
City contributions subsequent to the measurement date	137,437	-	5,165	-
Total	<u>\$ 1,381,741</u>	<u>\$ 1,616,125</u>	<u>\$ 39,335</u>	<u>\$ 41,029</u>

CITY OF HAZARD

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

4. - OPEB Plans (continued)

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:

<u>Year</u>	<u>Non-hazardous Total</u>	<u>Hazardous Total</u>
2023	\$ (98,753)	\$ (421)
2024	(69,561)	(950)
2025	(211,972)	(2,682)
2026	8,464	730
2027	-	(3,535)
Thereafter	-	-
	<u>\$ (371,822)</u>	<u>\$ (6,858)</u>

Actuarial assumptions – The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation date – June 30, 2020
- 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.
- Healthcare cost trend rates

Under 65	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Ages 65 and Older	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 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, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2022 valuation.

CITY OF HAZARD

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

4. - OPEB Plans (continued)

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:

<u>Asset Class</u>	<u>Non-hazardous & Hazardous</u>	
	<u>Target Allocation</u>	<u>Long-term Expected Nominal Return</u>
Growth	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	20.00%	
Core Bonds	10.00%	0.28%
Speecialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%

Discount rate - The discount rate used to measure the total OPEB liability was 5.70% for non-hazardous and 5.61% 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 5.70% and 5.61% 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 (4.70% for non-hazardous and 4.61% hazardous) or 1-percentage-point higher (6.70% for non-hazardous and 6.61% for hazardous) than the current rate:

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 20234. - OPEB Plans (continued)

	<u>1%</u> <u>Decrease</u> <u>4.70%</u>	<u>Current</u> <u>Discount Rate</u> <u>5.70%</u>	<u>1%</u> <u>Increase</u> <u>6.70%</u>
City's proportionate share of net non-hazardous OPEB liability	\$ 3,557,236	\$ 2,660,928	\$ 1,919,979
	<u>1%</u> <u>Decrease</u> <u>4.61%</u>	<u>Current</u> <u>Discount Rate</u> <u>5.61%</u>	<u>1%</u> <u>Increase</u> <u>6.61%</u>
City's proportionate share of net hazardous OPEB liability	\$ 118,341	\$ 85,170	\$ 58,229

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

	<u>1%</u> <u>Decrease</u>	<u>Current Healthcare</u> <u>Cost Trend Rate</u>	<u>1%</u> <u>Increase</u>
City's proportionate share of net non-hazardous OPEB liability	\$ 1,978,341	\$ 2,660,928	\$ 3,480,586
	<u>1%</u> <u>Decrease</u>	<u>Current Healthcare</u> <u>Cost Trend Rate</u>	<u>1%</u> <u>Increase</u>
City's proportionate share of net hazardous OPEB liability	\$ 59,473	\$ 85,170	\$ 116,493

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 HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2023**5 - Allowance for Uncollectible Accounts**

Allowance for uncollectible accounts receivable in the various funds at June 30, 2023 is as follows:

General Fund	
Property taxes	\$ 138,127
Water Fund	
Water billing	1,169,967
Sewer Fund	
Sewer billing	188,807
Gas Fund	
Gas billing	186,707
Garbage Fund	
Garbage billing	\$ 627,391

6. - Proprietary Funds Fixed Assets

The following is a summary of property, plant and equipment of the Proprietary Funds at June 30, 2023:

	Public		Hazard				The		
	Improvement						Starland	Hazard	Total
	Corp.	Water	Pavilion	Gas	Garbage	Sewer	Building	Forum	
Land	\$ 821,026	\$ 90,197	\$ -	\$ 19,624	\$ -	\$ 16,605	\$ -	\$ -	\$ 947,452
Construction in progress	-	1,926,387	-	-	-	-	-	-	1,926,387
Buildings	2,310,673	6,816,147	1,693,596	-	-	7,336,422	203,164	7,038,660	25,398,662
Improvements other than buildings	708,286	49,955,806	726,570	8,755,539	-	8,015,145	12,500	163,892	68,337,738
Equipment and machinery	-	1,523,856	121,530	568,018	604,929	509,382	-	22,597	3,350,312
Office equipment and fixtures	-	25,603	123,994	158,077	46,800	26,269	-	-	380,743
Vehicles	66,000	894,117	-	386,323	192,692	66,056	-	-	1,605,188
	<u>3,905,985</u>	<u>61,232,113</u>	<u>2,665,690</u>	<u>9,887,581</u>	<u>844,421</u>	<u>15,969,879</u>	<u>215,664</u>	<u>7,225,149</u>	<u>101,946,482</u>
Accumulated Depreciation	<u>(2,231,311)</u>	<u>(25,549,696)</u>	<u>(1,640,084)</u>	<u>(5,002,369)</u>	<u>(810,419)</u>	<u>(10,305,597)</u>	<u>(30,045)</u>	<u>(3,618,093)</u>	<u>(49,187,614)</u>
<u>Total</u>	<u>\$ 1,674,674</u>	<u>\$ 35,682,417</u>	<u>\$ 1,025,606</u>	<u>\$ 4,885,212</u>	<u>\$ 34,002</u>	<u>\$ 5,664,282</u>	<u>\$ 185,619</u>	<u>\$ 3,607,056</u>	<u>\$ 52,758,868</u>

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2023**6. - Proprietary Funds Fixed Assets (continued)**

Depreciation was allocated to each fund as follows:

Public Improvement Corp.	\$ 57,090
Water	1,368,866
Pavilion	71,087
Gas	170,151
Garbage	18,050
Sewer	221,049
Starland Building	5,612
Hazard Forum	182,773
<u>Total Depreciation</u>	<u>\$ 2,094,678</u>

Proprietary fund activity for the fiscal year ended June 30, 2023 was as follows:

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2023</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 958,327	\$ -	\$ (10,875)	\$ 947,452
Construction in progress	1,048,816	970,774	(93,203)	1,926,387
Total capital assets not being depreciated	2,007,143	970,774	(104,078)	2,873,839
<u>Capital assets being depreciated:</u>				
Buildings	25,565,392	-	(166,730)	25,398,662
Improvements other than buildings	68,083,330	269,595	(15,187)	68,337,738
Equipment and machinery	3,576,829	150,560	(377,077)	3,350,312
Office equipment and fixtures	536,245	-	(155,502)	380,743
Vehicles	2,402,158	68,844	(865,814)	1,605,188
Total capital assets being depreciated	\$ 100,163,954	\$ 488,999	\$ (1,580,310)	\$ 99,072,643

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

6. - **Proprietary Funds Fixed Assets (continued)**

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2023</u>
<u>Less accumulated depreciation for:</u>				
Buildings	\$ (18,058,663)	\$ (396,055)	\$ 1,389	\$ (18,453,329)
Improvements other than buildings	(24,746,026)	(1,512,986)	4,025	(26,254,987)
Equipment and machinery	(2,836,718)	(103,278)	324,402	(2,615,594)
Office equipment and fixtures	(589,246)	(12,813)	155,244	(446,815)
Vehicles	(2,184,473)	(69,546)	837,130	(1,416,889)
Total accumulated depreciation	(48,415,126)	(2,094,678)	1,322,190	(49,187,614)
<u>Total capital assets being depreciated, net:</u>	<u>51,748,828</u>	<u>(1,605,679)</u>	<u>(258,120)</u>	<u>49,885,029</u>
<u>Total proprietary fund fixed assets</u>	<u>\$ 53,755,971</u>	<u>\$ (634,905)</u>	<u>\$ (362,198)</u>	<u>\$ 52,758,868</u>

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

Buckhorn WTP/KY15-7 Interconnect	\$631,507
HCTC Tie In	\$ 41,897
Perry County Waterlines 2023 Bipartisan	\$120,510
Emergency Tank Replacement	\$159,210

7. - **Governmental Fixed Assets**

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

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2023</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 1,089,330	\$ -	\$ (2,921)	\$ 1,086,409
Construction in progress	-	879,324	-	879,324
Total capital assets not being depreciated	\$ 1,089,330	\$ 879,324	\$ (2,921)	\$ 1,965,733

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2023**7. - Governmental Fixed Assets (continued)**

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2023</u>
<u>Capital assets being depreciated:</u>				
Buildings	\$ 3,227,475	\$ -	\$ (19,264)	\$ 3,208,211
Improvements other than buildings	2,889,580	737,140	(19,580)	3,607,140
Equipment and machinery	1,079,812	140,983	(247,454)	973,341
Office equipment and fixtures	389,100	-	(77,017)	312,083
Right to use assets	-	32,467	-	32,467
Vehicles	3,734,153	269,134	(159,907)	3,843,380
Total capital assets being depreciated	<u>11,320,120</u>	<u>1,179,724</u>	<u>(523,222)</u>	<u>11,976,622</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(2,149,073)	(47,281)	19,265	(2,177,089)
Improvements other than buildings	(665,097)	(97,556)	17,578	(745,075)
Equipment and machinery	(798,393)	(64,979)	214,220	(649,152)
Office equipment and fixtures	(361,488)	(5,000)	70,963	(295,525)
Right to use assets	-	(6,493)	-	(6,493)
Vehicles	(3,241,803)	(152,648)	126,856	(3,267,595)
Total accumulated depreciation	<u>(7,215,854)</u>	<u>(373,957)</u>	<u>448,882</u>	<u>(7,140,929)</u>
<u>Total capital assets being depreciated, net:</u>	<u>4,104,266</u>	<u>805,767</u>	<u>(74,340)</u>	<u>4,835,693</u>
<u>Total governmental fund fixed assets</u>	<u>\$ 5,193,596</u>	<u>\$ 1,685,091</u>	<u>\$ (77,261)</u>	<u>\$ 6,801,426</u>

Depreciation expense was allocated to each function as follows:

General government	\$ 62,166
Police	82,097
Fire	50,624
Public works	172,233
Highway and streets	6,837
<u>Total Depreciation</u>	<u>\$ 373,957</u>

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

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, 2023:

	Balance			Balance	
	June 30, 2022	Additions	Deductions	June 30, 2023	Current
Governmental activities:					
General obligation bonds	\$ 955,760	\$ -	\$ (10,920)	\$ 944,840	\$ 14,040
Notes from direct borrowing	377,992	1,424,946	(72,818)	1,730,120	1,490,378
Total	<u>1,333,752</u>	<u>1,424,946</u>	<u>(83,738)</u>	<u>2,674,960</u>	<u>1,504,418</u>
Proprietary-type activities:					
General obligation bonds	13,670,139	-	(267,579)	13,402,560	297,744
Notes from direct borrowing	1,898,498	1,039,467	(196,051)	2,741,914	1,148,619
Total	<u>15,568,637</u>	<u>1,039,467</u>	<u>(463,630)</u>	<u>16,144,474</u>	<u>1,446,363</u>
Total	<u>\$ 16,902,389</u>	<u>\$ 2,464,413</u>	<u>\$ (547,368)</u>	<u>\$ 18,819,434</u>	<u>\$ 2,950,781</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		Bonds		Notes from	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 14,040	\$ 28,345	\$ 1,490,378	\$ 50,287	\$ 297,744	\$ 379,049	\$ 1,148,619	\$ 65,700
2025	17,160	27,924	41,555	5,963	330,824	371,174	111,512	32,237
2026	21,320	27,409	40,228	4,989	370,780	362,341	113,946	29,747
2027	25,740	26,770	41,222	3,990	412,144	352,333	116,455	27,182
2028	29,380	25,997	42,254	2,962	449,704	341,106	119,044	24,532
2029 - 33	213,720	114,091	74,483	2,721	2,894,731	1,495,556	608,549	84,595
2034 - 38	352,560	74,155	-	-	4,226,558	1,007,026	430,552	24,270
2039 - 43	270,920	16,770	-	-	3,295,162	349,484	93,237	1,144
2044 - 48	-	-	-	-	636,613	90,634	-	-
2049 - 53	-	-	-	-	488,300	26,834	-	-
Total	<u>\$ 944,840</u>	<u>\$ 341,461</u>	<u>\$ 1,730,120</u>	<u>\$ 70,912</u>	<u>\$ 13,402,560</u>	<u>\$ 4,775,537</u>	<u>\$ 2,741,914</u>	<u>\$ 289,407</u>

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

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, 2023 was \$471,118 and \$49,154 for proprietary funds and governmental funds, respectively.

The following is a summary of notes and bond payable transactions for the year ended June 30, 2023 by fund:

Description	Collateral	Rate	Balance			Balance		Current Portion
			June 30, 2022	Additions	Reductions	June 30, 2023		
- General Fund -								
Peoples Bank and Trust	Revenues	Variable	\$ 252,231	\$ -	\$ (26,454)	\$ 225,777	\$ 28,328	
KY Bond Corporation	Revenues	3.00%	955,760	-	(10,920)	944,840	14,040	
Kansas State Bank	Vehicles	4.73%	55,761	-	(26,364)	29,397	27,104	
Whitaker Bank	Revenues	2.99%	-	1,074,946	-	1,074,946	1,074,946	
Whitaker Bank	Revenues	2.99%	-	350,000	-	350,000	350,000	
Housing Development Alliance	Real estate	0.00%	70,000	-	(20,000)	50,000	10,000	
<u>Sub-total</u>			<u>1,333,752</u>	<u>1,424,946</u>	<u>(83,738)</u>	<u>2,674,960</u>	<u>1,504,418</u>	

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

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

Description	Collateral	Rate	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Current Portion
- Water Fund -							
KY Bond Corporation	Revenue	3.00%	5,679,420	-	(64,890)	5,614,530	83,430
Series 2014A	Revenue	2.125%	1,986,500	-	(46,000)	1,940,500	47,000
Series 2014B	Revenue	2.375%	344,400	-	(7,500)	336,900	7,700
Whitaker Bank	Revenues	2.99%	-	646,007	-	646,007	646,007
Whitaker Bank	Revenues	2.99%	-	114,413	-	114,413	114,413
KY Bond Corporation	Revenue	Variable	2,752,111	-	(106,488)	2,645,623	108,337
<u>Sub-total</u>			<u>10,762,431</u>	<u>760,420</u>	<u>(224,878)</u>	<u>11,297,973</u>	<u>1,006,887</u>
- Sewer Fund -							
Kentucky Infrastructure Authority	Revenue	1.75%	785,571	-	(46,227)	739,344	47,039
Whitaker Bank	Revenue	2.99%	-	277,845	-	277,845	277,845
KY Bond Corporation	Revenue	Variable	352,888	-	(13,511)	339,377	13,747
KY Bond Corporation	Revenue	3.00%	744,390	-	(8,505)	735,885	10,935
<u>Sub-total</u>			<u>1,882,849</u>	<u>277,845</u>	<u>(68,243)</u>	<u>2,092,451</u>	<u>349,566</u>
- Public Improvement Corporation -							
Peoples Bank and Trust	Revenues	4.75%	43,189	-	(43,189)	-	-
- Forum Fund -							
	Real Estate/ Rent						
Community Trust Bank	Revenues	Variable	307,551	-	(29,413)	278,138	25,296
KY Bond Corporation	Revenue	3.00%	174,610	-	(1,995)	172,615	2,565
<u>Sub-total</u>			<u>482,161</u>	<u>-</u>	<u>(31,408)</u>	<u>450,753</u>	<u>27,861</u>
- Starland Building -							
Whitaker Bank	Real Estate	3.95%	154,294	-	(8,372)	145,922	8,124
- Hazard Pavilion -							
KY Bond Corporation	Revenues	3.00%	91,900	-	(1,050)	90,850	1,350
- Gas Fund -							
Peoples Bank and Trust	Revenues	3.25%	40,301	-	(40,301)	-	-
Whitaker Bank	Revenues	2.99%	-	1,202	-	1,202	1,202
Kentucky Infrastructure Authority	Revenues	0.50%	567,592	-	(28,549)	539,043	28,693
Kentucky Bond Corporation	Revenues	3.00%	1,543,920	-	(17,640)	1,526,280	22,680
<u>Sub-total</u>			<u>2,151,813</u>	<u>1,202</u>	<u>(86,490)</u>	<u>2,066,525</u>	<u>52,575</u>
<u>Total</u>			<u>\$ 16,902,389</u>	<u>\$ 2,464,413</u>	<u>\$ (547,368)</u>	<u>\$ 18,819,434</u>	<u>\$ 2,950,781</u>

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2023**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 \$225,777 at June 30, 2023.

In November 2022, the City entered into a line of credit with Whitaker Bank. At June 30, 2023, the balance of the line of credit was \$2,464,413 and was used to finance cleanup and repairs related to the July 2022 flooding, in anticipation of receipt of FEMA and other possible grant funding.

9. - Leases Receivable/Payable 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%. Leases payable consist of a sixty-month copier lease beginning July 2022 with a net present value at commencement of \$32,467.

For the fiscal year ended June 30, 2023, the City recognized \$99,120 in lease revenue and \$14,162 in interest revenue, and the outstanding net present value of the lease receivable amount is \$913,249.

Governmental Activities

A summary of changes in lease receivable for the governmental activities for the year ended June 30, 2023 is as follows:

	<u>Balance</u> <u>June 30, 2022</u>		<u>Additions</u>		<u>Deductions</u>		<u>Balance</u> <u>June 30, 2023</u>		<u>Current</u>
\$	46,005	\$	-	\$	(39,282)	\$	6,723	\$	6,723

At June 30, 2023, the required payments for these leases, including interest, are:

	NPV leases receivables	Interest	Total lease payments
2024	\$ 6,723	\$ 34	\$ 6,757
Total	\$ 6,723	\$ 34	\$ 6,757

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

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

A summary of changes in lease payable for the governmental activities for the year ended June 30, 2023 is as follows:

	<u>Balance</u> <u>June 30, 2022</u>		<u>Additions</u>		<u>Deductions</u>		<u>Balance</u> <u>June 30, 2023</u>		<u>Current</u>
\$	-	\$	32,467	\$	(6,072)	\$	26,395	\$	6,209

At June 30, 2023, the required payments for these leases, including interest, are:

	NPV leases		Total lease
	receivables	Interest	payments
2024	\$ 6,209	\$ 943	\$ 7,152
2025	6,462	690	18,874
2026	6,725	427	18,874
2027	<u>6,999</u>	<u>153</u>	<u>18,874</u>
Total	\$ 26,395	\$ 2,213	\$ 63,774

Proprietary Activities

A summary of changes in lease receivable for the proprietary activities for the year ended June 30, 2023 is as follows:

	<u>Balance</u> <u>June 30, 2022</u>		<u>Additions</u>		<u>Deductions</u>		<u>Balance</u> <u>June 30, 2023</u>		<u>Current</u>
\$	138,766	\$	-	\$	(49,241)	\$	89,525	\$	43,872

At June 30, 2023, the required payments for these leases, including interest, are:

	NPV leases		Total lease
	receivables	Interest	payments
2024	\$ 43,872	\$ 2,928	\$ 46,800
2025	<u>45,653</u>	<u>1,147</u>	<u>46,800</u>
Total	\$ 89,525	\$ 4,075	\$ 93,600

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

9. - Leases Receivable and Lease-Related Deferred Inflows of Resources (continued)**Fiduciary Activities**

A summary of changes in lease receivable for the fiduciary activities for the year ended June 30, 2023 is as follows:

<u>Balance</u>				<u>Balance</u>	
<u>June 30, 2022</u>	<u>Additions</u>	<u>Deductions</u>		<u>June 30, 2023</u>	<u>Current</u>
\$ 827,598	\$ -	\$ (10,597)		\$ 817,001	\$ 10,704

At June 30, 2023, the required payments for these leases, including interest, are:

	NPV leases receivables	Interest	Total lease payments
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	11,139	7,735	18,874
2029-2033	57,387	36,983	94,370
2034-2038	60,314	34,056	94,370
2039-2043	63,391	30,979	94,370
2044-2048	66,624	27,746	94,370
2049-2053	70,022	24,348	94,370
2054-2058	73,594	20,776	94,370
2059-2063	77,348	17,022	94,370
2064-2068	81,294	13,076	94,370
2069-2073	85,440	8,930	94,370
2074-2078	89,799	4,571	94,370
2079-2080	<u>37,187</u>	<u>561</u>	<u>37,748</u>
Total	\$ 817,001	\$ 258,817	\$ 1,075,818

10. - Deferred Inflows and Outflows of Resources

Deferred outflows of resources at June 30, 2023 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Deferred Outflows related to debt	\$ 79,149	\$ 966,612
GASB Statement No. 68 Pension Deferred Outflow	1,505,767	883,265
GASB Statement No. 75 OPEB Deferred Outflow	<u>832,108</u>	<u>588,968</u>
Total	<u>\$ 2,417,024</u>	<u>\$ 2,438,845</u>

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

10. – **Deferred Inflows and Outflows of Resources (continued)**

Deferred inflows of resources at June 30, 2023 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Deferred Inflows related to debt	\$ 28,929	\$ 345,038
GASB Statement No. 68 Pension Deferred Inflow	899,899	589,002
GASB Statement No. 75 OPEB Deferred Inflow	941,752	715,402
GASB Statement No. 87 Leases Deferred Inflow	<u>6,723</u>	<u>105,724</u>
Total	<u>\$ 1,877,303</u>	<u>\$ 1,755,166</u>

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

Certain assets of the City of Hazard are restricted at June 30, 2023 for customers' deposits and debt service. These assets consist of cash and short-term investments restricted as follows:

Water Fund	\$ 1,931,388
Gas Fund	91,206
Sewer Fund	<u>786,601</u>
Total	<u>\$ 2,809,195</u>

12. - **Cash Flow Statement**

For purpose of the cash flow statement cash at June 30, 2023 is as follows:

<u>Proprietary Funds</u>	
Cash - unrestricted	\$ 1,189,430
<u>Restricted</u>	
Cash	<u>2,809,195</u>
	<u>\$ 3,998,625</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, 2023

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	\$ (317,208)
Water Fund	(3,132,681)
Gas Fund	(327,512)
Sewer Fund	(947,490)
Forum Fund	(261,459)
Public Improvement Corporation	(57,980)
Fire-Police Pension Fund	(144,711)
Mayor and Commissioners Special Recreation	(1,047)
Music Fest	(12,493)
General Fund	(994,326)
Utility Assistance Program	(7,131)
CRF Fund	(27)
Downtown Projects Fund	\$ (1,000)

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

As of June 30, 2023, the following funds had a deficit in fund balance or retained earnings.

Garbage Fund	\$ (222,783)
Fire-Police Pension Fund	(2,080,773)
USDA Farmers Market Fund	\$ (6)

16. - **Interfund Assets/Liabilities**

Due from/to other funds balances at June 30, 2023 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	\$ -	\$ 106,375
Due to/from Water Fund	-	48,943
Due to/from Gas Fund	-	15,251
Due to/from Garbage Fund	-	2,430
Due to/from Pavilion Fund	-	4,676
Due to/from Sewer Fund	-	15,507
<u>Total Payroll Fund</u>	<u>\$ -</u>	<u>\$ 193,182</u>

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

16. - Interfund Assets/Liabilities (continued)

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Disbursement Fund -		
Due to/from General Fund	\$ -	\$ 162,787
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	-	<u>62</u>
<u>Total Disbursement Fund</u>	<u>14,569</u>	<u>300,427</u>
General Fund -		
Due to/from Disbursement Fund	162,787	-
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>106,375</u>	-
<u>Total General Fund</u>	<u>582,540</u>	<u>136,973</u>
Gas Fund -		
Due to/from Payroll Fund	15,251	-
Due to/from Disbursement Fund	30,069	-
Due to/from General Fund	-	<u>221,800</u>
<u>Total Gas Fund</u>	<u>45,320</u>	<u>221,800</u>
Pavilion Fund -		
Due to/from Disbursement Fund	-	48
Due to/from Payroll Fund	<u>4,676</u>	-
<u>Total Pavilion Fund</u>	<u>4,676</u>	<u>48</u>
Sewer Fund -		
Due to/from Payroll Fund	15,507	-
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>\$ 229,955</u>	<u>\$ 16,375</u>

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

16. - Interfund Assets/Liabilities (continued)

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Garbage Fund -		
Due to/from Disbursement Fund	\$ -	\$ 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>48,943</u>	<u>-</u>
<u>Total Water Fund</u>	<u>160,640</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>
USDA Farmers Market Fund -		
Due to/from General Fund	<u>-</u>	<u>91,578</u>
<u>Total USDA Farmers Market Fund</u>	<u>-</u>	<u>91,578</u>
Road Aid Fund -		
Due to/from Asset Forfeiture Fund	-	737
Due to/from General Fund	36,973	-
Due to/from Disbursement Fund	<u>62</u>	<u>-</u>
<u>Total Road Aid Fund</u>	<u>37,035</u>	<u>737</u>
Asset Forfeiture Fund -		
Due to/from Road Aid Fund	<u>737</u>	<u>-</u>
<u>Total Asset Forfeiture Fund</u>	<u>737</u>	<u>-</u>
Fire-Police Pension Fund -		
Due to/from Disbursement Fund	<u>287</u>	<u>-</u>
<u>Total F&P Pension Fund</u>	<u>287</u>	<u>-</u>
<u>Total</u>	<u>\$ 1,178,600</u>	<u>\$ 1,178,600</u>

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

17. - Interfund Operating Transfers

Individual Fund operating transfers for fiscal year 2023, were as follows:

Fund	Transfer Out	Transfer In
General Fund -		
Transfer to/from Fire and Police Pension Fund	\$ 405,062	\$ -
Transfer to/from Garbage Fund	12,000	7,000
Transfer to/from Gas Fund	52,000	-
Transfer to/from Pavilion Fund	186,712	-
Transfer to/from Forum	57,500	-
Transfer to/from Payroll Fund	25,972	25,972
Transfer to/from Disbursement Fund	22,425	22,425
Transfer to/from Sewer Fund	65,000	-
Transfer to/from Water Fund	216,000	-
Transfer to/from CRF Fund	-	76,199
Transfer to/from Allais Redevelopment Fund	-	16,000
Transfer to/from Asset Forfeiture	-	8,886
Transfer to/from Fire Dept Fund	-	57,041
Transfer to/from ARPA	-	121,296
Transfer to/from FEMA Projects	-	143,097
Transfer to/from July 4th Fund	-	24,927
Transfer to/from Downtown Projects Fund	100,000	94,400
Transfer to/from EKSAFE	-	1,773,043
Transfer to/from Music Fest	10,310	-
Transfer to/from Police & Firemen Special Revenue	17,000	-
Transfer to/from Public Improvement Corp Fund	130,505	-
<u>Total General Fund</u>	<u>1,300,486</u>	<u>2,370,286</u>
Special Revenue -		
Road Aid Fund		
Transfer to/from EKYSAFE	-	1,500
Transfer to/from LGEA Coal and Mineral Severance	-	14,026
Mayor and Commissioners Special Recreation		
Transfer to/from Music Fest	1,500	1,500
LGEA Coal and Mineral Severance		
Transfer to/from Road Aid Fund	14,026	-
ARPA Fund		
Transfer to/from General Fund	121,296	-
July 4th Fund		
Transfer to/from General Fund	24,927	-
Transfer to/from Music Fest	2,375	-
Music Fest		
Transfer to/from General Fund	-	10,310
Transfer to/from Mayor and Commissioners Special Recreation	1,500	1,500
Transfer to/from July 4th Fund	-	2,375
Police & Firemen Special Revenue Fund		
Transfer to/from General Fund	-	17,000
Transfer to/from Asset Forfeiture Fund	2,889	-
Asset Forfeiture Fund		
Transfer to/from Police & Firemen Special Revenue Fund	-	2,889
Transfer to/from General Fund	\$ 8,886	\$ -

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

17. - Interfund Operating Transfers (continued)

<u>Fund</u>	<u>Transfer Out</u>	<u>Transfer In</u>
FEMA Projects		
Transfer to/from General Fund	\$ 143,097	\$ -
Transfer to/from EKSAFE	678,715	678,715
CRF Fund		
Transfer to/from General Fund	76,199	-
EKSAFE		
Transfer to/from General Fund	1,773,043	-
Transfer to/from Water Fund	1,501,716	-
Transfer to/from Gas Fund	538,734	-
Transfer to/from Pavilion Fund	69,381	-
Transfer to/from Sewer Fund	290,958	-
Transfer to/from Garbage Fund	56,926	-
Transfer to/from Road Aid Fund	1,500	-
Transfer to/from Starland Building	4,485	-
Transfer to/from FEMA Projects	678,715	678,715
Transfer to/from Forum	40,490	-
Downtown Projects Fund		
Transfer to/from General Fund	94,400	100,000
<u>Total Special Revenue Funds</u>	<u>6,125,758</u>	<u>1,508,530</u>
Capital Projects -		
Fire Department Fund		
Transfer to/from General Fund	57,041	-
Allais Redevelopment Fund		
Transfer to/from General Fund	16,000	-
<u>Total Capital Projects</u>	<u>73,041</u>	<u>-</u>
Fiduciary Fund Type -		
Fire and Police Pension Fund		
Transfer to/from General Fund	-	405,062
Disbursement Fund		
Transfer to/from General Fund	22,425	22,425
Payroll Fund		
Transfer to/from General Fund	25,972	25,972
Transfer to/from Water Fund	9,529	9,529
Transfer to/from Gas Fund	2,697	2,697
Transfer to/from Sewer Fund	3,537	3,537
<u>Total Fiduciary Funds</u>	<u>\$ 64,160</u>	<u>\$ 469,222</u>

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

17. - Interfund Operating Transfers (continued)

Fund	Transfer Out	Transfer In
Proprietary Funds -		
Sewer Fund		
Transfer to/from General Fund	\$ -	\$ 65,000
Transfer to/from Garbage Fund	-	91,500
Transfer to/from Payroll Fund	3,537	3,537
Transfer to/from Water Fund	-	115,000
Transfer to/from Gas Fund	-	48,000
Transfer to/from EKSAFE	-	290,958
Water Fund		
Transfer to/from General Fund	-	216,000
Transfer to/from Payroll Fund	9,529	9,529
Transfer to/from Garbage Fund	-	148,300
Transfer to/from Gas Fund	-	80,000
Transfer to/from Sewer Fund	115,000	-
Transfer to/from EKSAFE	-	1,501,716
Garbage Fund		
Transfer to/from General Fund	7,000	12,000
Transfer to/from Water Fund	148,300	-
Transfer to/from Pavilion	-	3,702
Transfer to/from EKSAFE	-	56,926
Transfer to/from Sewer Fund	91,500	-
Public Improvement Corp Fund		
Transfer to/from General Fund	-	130,505
Transfer to/from Forum	44,953	-
Transfer to/from Gas Fund	41,060	-
Pavilion Fund		
Transfer to/from General Fund	-	186,712
Transfer to/from Garbage Fund	3,702	-
Transfer to/from EKSAFE	-	69,381
Forum		
Transfer to/from General Fund	-	57,500
Transfer to/from EKSAFE	-	40,490
Transfer to/from Public Improvement Corp Fund	-	44,953
Starland Building		
Transfer to/from EKSAFE	-	4,485
Gas fund		
Transfer to/from General Fund	-	52,000
Transfer to/from Payroll Fund	2,697	2,697
Transfer to/from Water Fund	80,000	-
Transfer to/from Sewer Fund	48,000	-
Transfer to/from EKSAFE	-	538,734
Transfer to/from Public Improvement Corp Fund	-	41,060
<u>Total Proprietary Funds</u>	<u>595,278</u>	<u>3,810,685</u>
<u>Total All Funds</u>	<u>\$ 8,158,723</u>	<u>\$ 8,158,723</u>

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2023**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, 2023	\$ 2,909	The Forum
Commonwealth of Kentucky AML	June 30, 2025	\$ 3,900	The Forum
American National Red Cross	March 31, 2025	\$ 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	Monthly	\$ 3,184	65 Gorman Hollow Road
Read Spotted Newt	Monthly	\$ 350	221 Memorial Drive
Ready Set Play	April 30, 2024	\$ 500	486 Main Street
Hazard Coffee Company	July 6, 2024	\$ 500	486 Main Street

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, 2023 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, 2023**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.

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, 2023

	General Fund			
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Budget		
REVENUES:				
Taxes	\$ 2,198,006	\$ 2,198,006	\$ 2,516,902	\$ 318,896
Licenses and permits	4,790,410	4,790,410	5,485,422	695,012
Charges for services	-	-	-	-
Fines and forfeits	6,816	6,816	7,805	989
Intergovernmental revenues	351,199	351,199	1,485,785	1,134,586
Miscellaneous revenues	110,452	110,452	156,274	45,822
<u>Total revenues</u>	<u>7,456,883</u>	<u>7,456,883</u>	<u>9,652,188</u>	<u>2,195,305</u>
EXPENDITURES:				
Current:				
General government	1,982,889	1,982,889	1,583,065	399,824
Police department	2,072,524	2,072,524	2,090,586	(18,062)
Fire department	1,495,456	1,495,456	1,289,127	206,329
Public works department	1,393,409	1,393,409	4,385,907	(2,992,498)
Other expenditures	359,948	359,948	3,583	356,365
Capital outlay	-	-	1,161,354	(1,161,354)
Debt service				
Principal	152,657	152,657	83,738	68,919
Interest	-	-	49,154	(49,154)
<u>Total expenditures</u>	<u>7,456,883</u>	<u>7,456,883</u>	<u>10,646,514</u>	<u>(3,189,631)</u>
Excess of revenues over (under) expenditures	-	-	(994,326)	(994,326)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	2,370,286	2,370,286
Operating transfers (out)	-	-	(1,300,486)	(1,300,486)
Loan proceeds	-	-	1,424,946	1,424,946
Other income	-	-	123,558	123,558
<u>Total other financing sources (uses)</u>	<u>-</u>	<u>-</u>	<u>2,618,304</u>	<u>2,618,304</u>
Excess of revenues and other sources over (under) expenditures and other uses	-	-	1,623,978	1,623,978
<u>FUND BALANCE, JULY 1</u>	<u>-</u>	<u>-</u>	<u>593,145</u>	<u>-</u>
<u>FUND BALANCE, JUNE 30</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,217,123</u>	<u>\$ -</u>

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

CITY OF HAZARD

**SCHEDULES OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
AND SCHEDULES OF EMPLOYER CONTRIBUTIONS**

For the Year Ended June 30, 2023

	Employer's Proportionate Share of Net Pension Liability														
	2023			2022			2021			2020			2019		
	CERS Nonhazardous	CERS Hazardous	Fire-Police Pension Fund	CERS Nonhazardous	CERS Hazardous	Fire-Police Pension Fund	CERS Nonhazardous	CERS Hazardous	Fire-Police Pension Fund	CERS Nonhazardous	CERS Hazardous	Fire-Police Pension Fund	CERS Nonhazardous	CERS Hazardous	Fire-Police Pension Fund
Employer's proportion of the net pension liability	0.134855%	0.010004%	100.00%	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	9,748,685	305,268	3,730,084	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	4,054,174	76,180	-	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	240%	401%	N/a	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	52.42%	47.11%	30.06%	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														
	2023			2022			2021			2020			2019		
	CERS Nonhazardous	CERS Hazardous	Fire-Police Pension Fund	CERS Nonhazardous	CERS Hazardous	Fire-Police Pension Fund	CERS Nonhazardous	CERS Hazardous	Fire-Police Pension Fund	CERS Nonhazardous	CERS Hazardous	Fire-Police Pension Fund	CERS Nonhazardous	CERS Hazardous	Fire-Police Pension Fund
	CERS Nonhazardous	CERS Hazardous	Fire-Police Pension Fund	CERS Nonhazardous	CERS Hazardous	Fire-Police Pension Fund	CERS Nonhazardous	CERS Hazardous	Fire-Police Pension Fund	CERS Nonhazardous	CERS Hazardous	Fire-Police Pension Fund	CERS Nonhazardous	CERS Hazardous	Fire-Police Pension Fund
Contractually required contribution	849,475	23,194	357,179	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	849,475	23,194	405,062	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)	-	-	(47,883)	-	-	19,175	-	-	66,065	-	-	11,228	-	-	20,690
City's covered employee payroll	4,054,174	76,180	-	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	20.95%	30.45%	N/a	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 HAZARD

**SCHEDULES OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
AND SCHEDULES OF EMPLOYER CONTRIBUTIONS (CONTINUED)**

For the Year Ended June 30, 2023

	Employer's Proportionate Share of Net Pension Liability											
	2018			2017			2016			2015		
	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											
	2018			2017			2016			2015		
	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, 2023

	Employer's Proportionate Share of Net OPEB Liability					
	2023		2022		2021	
	<u>CERS Non-hazardous</u>	<u>CERS Hazardous</u>	<u>CERS Non-hazardous</u>	<u>CERS Hazardous</u>	<u>CERS Non-hazardous</u>	<u>CERS Hazardous</u>
Employer's proportion of the net OPEB liability	0.134832%	0.009999%	0.135554%	0.010768%	0.146897%	0.010950%
Employer's proportionate share of the net OPEB liability	2,660,928	85,170	2,595,114	87,066	3,547,116	101,190
Employer's covered employee payroll	4,054,174	76,180	3,760,034	65,152	3,570,505	64,390
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	66%	112%	69%	134%	99%	157%
Plan fiduciary net position as a percentage of the total pension liability	60.95%	64.13%	62.91%	66.81%	51.67%	58.84%

	Employer's Contributions					
	2023		2022		2021	
	<u>CERS Non-hazardous</u>	<u>CERS Hazardous</u>	<u>CERS Non-hazardous</u>	<u>CERS Hazardous</u>	<u>CERS Non-hazardous</u>	<u>CERS Hazardous</u>
Contractually required contribution	155,501	5,688	164,849	6,130	179,158	6,092
Contributions in relation to the contractually required contribution	155,501	5,688	164,849	6,130	179,158	6,092
Contribution deficiency (excess)	-	-	-	-	-	-
City's covered employee payroll	4,054,174	76,180	3,760,034	65,152	3,570,505	64,390
Contributions as a percentage of covered employee payroll	3.84%	7.47%	4.38%	9.41%	5.02%	9.46%

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 HAZARD

SCHEDULES OF EMPLOYER'S SHARE OF NET OPEB LIABILITY (CONTINUED)

For the Year Ended June 30, 2023

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

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

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

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

CITY OF HAZARDCOMBINING BALANCE SHEET – OTHER GOVERNMENTAL FUNDSNONMAJOR SPECIAL REVENUE FUNDSJune 30, 2023

	Mayor and Commissioners Special Recreation	Asset Forfeiture Fund	Municipal Road Aid	LGEA Coal and Mineral Severance	Utility Assistance Program
<u>ASSETS</u>					
Cash	\$ 861	\$ 143,871	\$ 53,488	\$ 413,471	\$ -
Receivables - other	-	-	9,833	-	-
Due from other funds	-	737	37,035	-	-
<u>Total assets</u>	<u>861</u>	<u>144,608</u>	<u>100,356</u>	<u>413,471</u>	<u>-</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities:</u>					
Accounts payable	-	-	2,000	-	-
Due to other taxing units	-	123,211	-	-	-
Due to other funds	-	-	737	-	-
<u>Total liabilities</u>	<u>-</u>	<u>123,211</u>	<u>2,737</u>	<u>-</u>	<u>-</u>
<u>Fund balances:</u>					
Unassigned	-	-	-	-	-
Restricted	861	21,397	97,619	413,471	-
<u>Total fund balance</u>	<u>861</u>	<u>21,397</u>	<u>97,619</u>	<u>413,471</u>	<u>-</u>
<u>Total liabilities and fund balances</u>	<u>\$ 861</u>	<u>\$ 144,608</u>	<u>\$ 100,356</u>	<u>\$ 413,471</u>	<u>\$ -</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING BALANCE SHEET – OTHER GOVERNMENTAL FUNDSNONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)June 30, 2023

	Police & Firemen Special Revenue Fund	Hazard Flood Inundation Mapping Project	ARPA Fund	Opioid Settlement	July 4th Fund	CRF Fund
<u>ASSETS</u>						
Cash	\$ 84,598	\$ 4,465	\$ 1,161,847	\$ 81,812	\$ 36,600	\$ -
Receivables - other	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
<u>Total assets</u>	<u>84,598</u>	<u>4,465</u>	<u>1,161,847</u>	<u>81,812</u>	<u>36,600</u>	<u>-</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities:</u>						
Accounts payable	-	-	-	-	-	-
Due to other taxing units	51,310	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
<u>Total liabilities</u>	<u>51,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund balances:</u>						
Unassigned	-	-	-	-	-	-
Restricted	33,288	4,465	1,161,847	81,812	36,600	-
<u>Total fund balance</u>	<u>33,288</u>	<u>4,465</u>	<u>1,161,847</u>	<u>81,812</u>	<u>36,600</u>	<u>-</u>
<u>Total liabilities and fund balances</u>	<u>\$ 84,598</u>	<u>\$ 4,465</u>	<u>\$ 1,161,847</u>	<u>\$ 81,812</u>	<u>\$ 36,600</u>	<u>\$ -</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING BALANCE SHEET – OTHER GOVERNMENTAL FUNDSNONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)June 30, 2023

	<u>Music Fest</u>	<u>FEMA Projects</u>	<u>East KY Leadership</u>	<u>Flood Disaster Benevolence</u>	<u>Downtown Projects Fund</u>	<u>Total</u>
<u>ASSETS</u>						
Cash	\$ 2,757	\$ 535,710	\$ 2,172	\$ 1,200	\$ 29,152	\$ 2,552,004
Receivables - other	-	-	-	-	-	9,833
Due from other funds	-	-	-	-	-	37,772
<u>Total assets</u>	<u>2,757</u>	<u>535,710</u>	<u>2,172</u>	<u>1,200</u>	<u>29,152</u>	<u>2,599,609</u>
 <u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities:</u>						
Accounts payable	-	-	-	-	-	2,000
Due to other taxing units	-	-	-	-	-	174,521
Due to other funds	-	-	-	-	-	737
<u>Total liabilities</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>177,258</u>
 <u>Fund balances:</u>						
Unassigned	-	-	-	-	-	-
Restricted	2,757	535,710	2,172	1,200	29,152	2,422,351
<u>Total fund balance</u>	<u>2,757</u>	<u>535,710</u>	<u>2,172</u>	<u>1,200</u>	<u>29,152</u>	<u>2,422,351</u>
 <u>Total liabilities and fund balances</u>	 <u>\$ 2,757</u>	 <u>\$ 535,710</u>	 <u>\$ 2,172</u>	 <u>\$ 1,200</u>	 <u>\$ 29,152</u>	 <u>\$ 2,599,609</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, 2023

	Mayor and Commissioners Special Recreation	Asset Forfeiture Fund	Municipal Road Aid	LGEA Coal and Mineral Severance	Utility Assistance Program
<u>REVENUES:</u>					
Intergovernmental	\$ -	\$ 1,314	\$ 209,808	\$ 174,665	\$ -
Other revenues	1,103	-	-	-	-
<u>Total revenues</u>	<u>1,103</u>	<u>1,314</u>	<u>209,808</u>	<u>174,665</u>	<u>-</u>
<u>EXPENDITURES:</u>					
Highway and streets	-	-	174,121	-	-
Other expenditures	2,150	-	-	-	7,131
<u>Total expenditures</u>	<u>2,150</u>	<u>-</u>	<u>174,121</u>	<u>-</u>	<u>7,131</u>
Excess of revenues <u>(over) under expenditures</u>	<u>(1,047)</u>	<u>1,314</u>	<u>35,687</u>	<u>174,665</u>	<u>(7,131)</u>
<u>OTHER FINANCING SOURCES (USES):</u>					
Other transfers in	1,500	2,889	15,526	-	-
Other transfers (out)	(1,500)	(8,886)	-	(14,026)	-
Other income	1	-	633	394	7,131
<u>Total other financial sources (uses)</u>	<u>1</u>	<u>(5,997)</u>	<u>16,159</u>	<u>(13,632)</u>	<u>7,131</u>
Excess of revenues and other sources <u>over (under) expenditures and other sources</u>	<u>(1,046)</u>	<u>(4,683)</u>	<u>51,846</u>	<u>161,033</u>	<u>-</u>
<u>FUND BALANCE - JULY 1</u>	<u>1,907</u>	<u>26,080</u>	<u>45,773</u>	<u>252,438</u>	<u>-</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 861</u>	<u>\$ 21,397</u>	<u>\$ 97,619</u>	<u>\$ 413,471</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, 2023

	Police & Firemen Special Revenue Fund	Hazard Flood Inundation Mapping Project	ARPA Fund	Opioid Settlement	July 4th Fund	CRF Fund
<u>REVENUES:</u>						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other revenues	5,115	-	-	131,832	39,901	-
<u>Total revenues</u>	<u>5,115</u>	<u>-</u>	<u>-</u>	<u>131,832</u>	<u>39,901</u>	<u>-</u>
<u>EXPENDITURES:</u>						
Highway and streets	-	-	-	-	-	-
Other expenditures	-	-	-	50,020	-	27
<u>Total expenditures</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,020</u>	<u>-</u>	<u>27</u>
Excess of revenues <u>(over) under expenditures</u>	<u>5,115</u>	<u>-</u>	<u>-</u>	<u>81,812</u>	<u>39,901</u>	<u>(27)</u>
<u>OTHER FINANCING SOURCES (USES):</u>						
Other transfers in	17,000	-	-	-	-	-
Other transfers (out)	(2,889)	-	(121,296)	-	(27,302)	(76,199)
Other income	5	5	1,790	-	-	5
<u>Total other financial sources (uses)</u>	<u>14,116</u>	<u>5</u>	<u>(119,506)</u>	<u>-</u>	<u>(27,302)</u>	<u>(76,194)</u>
Excess of revenues and other sources <u>over (under) expenditures and other sources</u>	<u>19,231</u>	<u>5</u>	<u>(119,506)</u>	<u>81,812</u>	<u>12,599</u>	<u>(76,221)</u>
<u>FUND BALANCE - JULY 1</u>	<u>14,057</u>	<u>4,460</u>	<u>1,281,353</u>	<u>-</u>	<u>24,001</u>	<u>76,221</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 33,288</u>	<u>\$ 4,465</u>	<u>\$ 1,161,847</u>	<u>\$ 81,812</u>	<u>\$ 36,600</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, 2023

	<u>Music Fest</u>	<u>FEMA Projects</u>	<u>East KY Leadership</u>	<u>Flood Disaster Benevolence</u>	<u>Downtown Projects Fund</u>	<u>Total</u>
<u>REVENUES:</u>						
Intergovernmental	\$ -	\$ 678,715	\$ -	\$ -	\$ -	\$ 1,064,502
Other revenues	<u>19,310</u>	<u>-</u>	<u>20,120</u>	<u>1,200</u>	<u>-</u>	<u>218,581</u>
<u>Total revenues</u>	<u>19,310</u>	<u>678,715</u>	<u>20,120</u>	<u>1,200</u>	<u>-</u>	<u>1,283,083</u>
<u>EXPENDITURES:</u>						
Highway and streets	-	-	-	-	-	174,121
Other expenditures	<u>31,803</u>	<u>-</u>	<u>17,948</u>	<u>-</u>	<u>1,000</u>	<u>110,079</u>
<u>Total expenditures</u>	<u>31,803</u>	<u>-</u>	<u>17,948</u>	<u>-</u>	<u>1,000</u>	<u>284,200</u>
Excess of revenues <u>(over) under expenditures</u>	<u>(12,493)</u>	<u>678,715</u>	<u>2,172</u>	<u>1,200</u>	<u>(1,000)</u>	<u>998,883</u>
<u>OTHER FINANCING SOURCES (USES):</u>						
Other transfers in	14,185	678,715	-	-	100,000	829,815
Other transfers (out)	(1,500)	(821,812)	-	-	(94,400)	(1,169,810)
Other income	<u>-</u>	<u>92</u>	<u>-</u>	<u>-</u>	<u>25</u>	<u>10,081</u>
<u>Total other financial sources (uses)</u>	<u>12,685</u>	<u>(143,005)</u>	<u>-</u>	<u>-</u>	<u>5,625</u>	<u>(329,914)</u>
Excess of revenues and other sources <u>over (under) expenditures and other sources</u>	192	535,710	2,172	1,200	4,625	668,969
<u>FUND BALANCE - JULY 1</u>	<u>2,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,527</u>	<u>1,753,382</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 2,757</u>	<u>\$ 535,710</u>	<u>\$ 2,172</u>	<u>\$ 1,200</u>	<u>\$ 29,152</u>	<u>\$ 2,422,351</u>

See independent auditor's report.

CITY OF HAZARD

COMBINING BALANCE SHEET – OTHER GOVERNMENTAL FUNDS
NONMAJOR CAPITAL PROJECTS

June 30, 2023

	Fire Department Fund	USDA Farmers Market Fund	Trane Project Fund	Perry Co North Ambulance	Allais Redevelopment Project	Totals
<u>ASSETS</u>						
Cash	\$ 94,829	\$ 91,572	\$ 34,848	\$ 103,014	\$ -	\$ 324,263
Grants receivable	-	-	-	238,609	-	238,609
<u>Total assets</u>	<u>94,829</u>	<u>91,572</u>	<u>34,848</u>	<u>341,623</u>	<u>-</u>	<u>562,872</u>
 <u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities:</u>						
Accounts payable	-	-	-	341,623	-	341,623
Due to other funds	-	91,578	-	-	-	91,578
<u>Total liabilities</u>	<u>-</u>	<u>91,578</u>	<u>-</u>	<u>341,623</u>	<u>-</u>	<u>433,201</u>
 <u>Fund Equity</u>						
<u>Fund balance:</u>						
Unassigned	-	(6)	-	-	-	(6)
Restricted	94,829	-	34,848	-	-	129,677
<u>Total fund equity</u>	<u>94,829</u>	<u>(6)</u>	<u>34,848</u>	<u>-</u>	<u>-</u>	<u>129,671</u>
 <u>Total liabilities and fund equity</u>	 <u>\$ 94,829</u>	 <u>\$ 91,572</u>	 <u>\$ 34,848</u>	 <u>\$ 341,623</u>	 <u>\$ -</u>	 <u>\$ 562,872</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, 2023

	Fire Department Fund	USDA Farmers Market Fund	Trane Project Fund	Perry Co North Ambulance	Allais Redevelopment Project	Totals
<u>REVENUES:</u>						
Intergovernmental revenues	\$ 39,444	\$ -	\$ -	\$ 879,324	\$ 16,000	\$ 934,768
Other revenues	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,500</u>
<u>Total revenues</u>	<u>40,944</u>	<u>-</u>	<u>-</u>	<u>879,324</u>	<u>16,000</u>	<u>936,268</u>
<u>EXPENDITURES:</u>						
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>879,324</u>	<u>-</u>	<u>879,324</u>
Excess of revenues over (under) <u>expenditures</u>	<u>40,944</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,000</u>	<u>56,944</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Operating transfers in (out)	(57,041)	-	-	-	(16,000)	(73,041)
Other income (loss)	<u>-</u>	<u>-</u>	<u>2,237</u>	<u>-</u>	<u>-</u>	<u>2,237</u>
<u>Total other financing sources (uses)</u>	<u>(57,041)</u>	<u>-</u>	<u>2,237</u>	<u>-</u>	<u>(16,000)</u>	<u>(70,804)</u>
Excess of revenues and other sources over (under) expenditures and other uses	(16,097)	-	2,237	-	-	(13,860)
<u>FUND BALANCE, JULY 1</u>	<u>110,926</u>	<u>(6)</u>	<u>32,611</u>	<u>-</u>	<u>-</u>	<u>143,531</u>
<u>FUND BALANCE, JUNE 30</u>	<u>\$ 94,829</u>	<u>\$ (6)</u>	<u>\$ 34,848</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,671</u>

See independent auditor's report.

87.

CITY OF HAZARDCOMBINING STATEMENT OF NET POSITION – NONMAJOR PROPRIETARY FUNDSJune 30, 2023

	<u>Public Improvement Corporation</u>	<u>The Hazard Forum</u>	<u>Hazard Pavilion</u>
Assets:			
- Current Assets -			
Cash and cash equivalents	\$ 680	\$ 4,007	\$ 716
Receivables, net of allowances:			
Fees and services	-	-	-
Due from other funds	-	411	4,676
Other	-	-	-
Prepaid expenses	-	538	985
Inventories of supplies, at cost	-	-	3,932
Lease receivables	-	52,990	-
<u>Total current assets</u>	<u>680</u>	<u>57,946</u>	<u>10,309</u>
- Noncurrent Assets -			
Lease receivables	-	52,734	-
Capital assets	3,905,985	7,225,149	2,665,690
Less: accumulated depreciation	<u>(2,231,311)</u>	<u>(3,618,093)</u>	<u>(1,640,084)</u>
<u>Total noncurrent assets</u>	<u>1,674,674</u>	<u>3,659,790</u>	<u>1,025,606</u>
Deferred Outflows of Resources:			
Deferred outflows - pension/OPEB resources	-	-	151,597
Deferred outflows - debt related	-	14,460	7,610
<u>Total deferred outflows of resources</u>	<u>-</u>	<u>14,460</u>	<u>159,207</u>
 Total assets and deferred outflows of resources	 <u>\$ 1,675,354</u>	 <u>\$ 3,732,196</u>	 <u>\$ 1,195,122</u>

See independent auditor's report.

CITY OF HAZARD

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

June 30, 2023

	<u>Garbage</u>	<u>Starland Building</u>	<u>Totals</u>
Assets:			
- Current Assets -			
Cash and cash equivalents	\$ 147,082	\$ 59,678	\$ 212,163
Receivables, net of allowances:			
Fees and services	140,795	-	140,795
Due from other funds	102,430	-	107,517
Other	29,443	-	29,443
Prepaid expenses	5,203	-	6,726
Inventories of supplies, at cost	1,083	-	5,015
Lease receivables	-	-	52,990
<u>Total current assets</u>	<u>426,036</u>	<u>59,678</u>	<u>554,649</u>
- Noncurrent Assets -			
Lease receivables	-	-	52,734
Capital assets	844,421	215,664	14,856,909
Less: accumulated depreciation	<u>(810,419)</u>	<u>(30,045)</u>	<u>(8,329,952)</u>
<u>Total noncurrent assets</u>	<u>34,002</u>	<u>185,619</u>	<u>6,579,691</u>
Deferred Outflows of Resources:			
Deferred outflows - pension/OPEB resources	161,013	-	312,610
Deferred outflows - debt related	-	-	22,070
<u>Total deferred outflows of resources</u>	<u>161,013</u>	<u>-</u>	<u>334,680</u>
 Total assets and deferred outflows of resources	 <u>\$ 621,051</u>	 <u>\$ 245,297</u>	 <u>\$ 7,469,020</u>

See independent auditor's report.

CITY OF HAZARD

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

June 30, 2023

	Public Improvement Corporation	The Hazard Forum	Hazard Pavilion
Liabilities:			
- Current Liabilities -			
Accounts payable	\$ -	\$ 9,225	\$ 6,918
Accrued wages	-	-	6,857
Accrued vacation payable	-	-	1,616
Due to other funds	-	-	48
Current portion of long-term debt	-	27,861	1,350
<u>Total current liabilities</u>	<u>-</u>	<u>37,086</u>	<u>16,789</u>
- Noncurrent Liabilities -			
Notes payable	-	252,842	-
Due to other taxing units	-	-	-
Revenue bonds payable	-	170,050	89,500
Net pension/OPEB liability	-	-	632,632
<u>Total noncurrent liabilities</u>	<u>-</u>	<u>422,892</u>	<u>722,132</u>
- Other Liabilities -			
Deposits	-	-	-
<u>Total other liabilities</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total liabilities</u>	<u>-</u>	<u>459,978</u>	<u>738,921</u>
Deferred Inflows of Resources:			
Deferred inflows - pension/OPEB related	-	-	167,964
Deferred inflows - lease related	-	105,724	-
Deferred inflows - debt related	-	5,285	2,782
<u>Total deferred inflows of resources</u>	<u>-</u>	<u>111,009</u>	<u>170,746</u>
Net Position:			
Net investment in capital assets	1,674,674	3,372,006	934,756
Restricted	-	-	-
Unrestricted (deficit)	680	(210,797)	(649,301)
<u>Total net position</u>	<u>1,675,354</u>	<u>3,161,209</u>	<u>285,455</u>
Total liabilities, deferred inflows of <u>resources</u> <u>and net position</u>	<u>\$ 1,675,354</u>	<u>\$ 3,732,196</u>	<u>\$ 1,195,122</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING STATEMENT OF NET POSITION – NONMAJOR PROPRIETARY FUNDS
(CONTINUED)June 30, 2023

	<u>Garbage</u>	<u>Starland Building</u>	<u>Totals</u>
Liabilities:			
- Current Liabilities -			
Accounts payable	\$ 37,091	\$ -	\$ 53,234
Accrued wages	2,133	-	8,990
Accrued vacation payable	1,768	-	3,384
Due to other funds	14,521	-	14,569
Current portion of long-term debt	-	8,124	37,335
<u>Total current liabilities</u>	<u>55,513</u>	<u>8,124</u>	<u>117,512</u>
- Noncurrent Liabilities -			
Notes payable	-	137,798	390,640
Due to other taxing units	-	-	-
Revenue bonds payable	-	-	259,550
Net pension/OPEB liability	<u>672,379</u>	<u>-</u>	<u>1,305,011</u>
<u>Total noncurrent liabilities</u>	<u>672,379</u>	<u>137,798</u>	<u>1,955,201</u>
- Other Liabilities -			
Deposits	<u>-</u>	<u>2,000</u>	<u>2,000</u>
<u>Total other liabilities</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>
<u>Total liabilities</u>	<u>727,892</u>	<u>147,922</u>	<u>2,074,713</u>
Deferred Inflows of Resources:			
Deferred inflows - pension/OPEB related	115,942	-	283,906
Deferred inflows - lease related	-	-	105,724
Deferred inflows - debt related	<u>-</u>	<u>-</u>	<u>8,067</u>
Total deferred inflows of resources	<u>115,942</u>	<u>-</u>	<u>397,697</u>
Net Position:			
Net investment in capital assets	34,002	39,697	6,055,135
Restricted	-	-	-
Unrestricted (deficit)	<u>(256,785)</u>	<u>57,678</u>	<u>(1,058,525)</u>
<u>Total net position</u>	<u>(222,783)</u>	<u>97,375</u>	<u>4,996,610</u>
Total liabilities, deferred inflows of <u>resources</u> <u>and net position</u>	<u>\$ 621,051</u>	<u>\$ 245,297</u>	<u>\$ 7,469,020</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, 2023

	Public Improvement <u>Corporation</u>	The Hazard <u>Forum</u>	Hazard <u>Pavilion</u>
Operating revenues:			
Charges for services	\$ -	\$ 106,985	\$ 42,251
Other	-	-	-
<u>Total operating revenues</u>	<u>-</u>	<u>106,985</u>	<u>42,251</u>
Operating expenses:			
Salaries and wages	-	-	178,584
Contract services	890	145,744	83,348
Materials and supplies	-	39,927	26,440
Depreciation	57,090	182,773	71,087
Other operating expenses	-	-	-
<u>Total operating expenses</u>	<u>57,980</u>	<u>368,444</u>	<u>359,459</u>
<u>Operating income (loss)</u>	<u>(57,980)</u>	<u>(261,459)</u>	<u>(317,208)</u>
Non-operating revenues (expenses):			
Interest income	1	4,769	-
Interest expense	(413)	(22,936)	(3,892)
Other income/(loss)	-	(2,229)	(10,335)
<u>Total non-operating revenues (expenses)</u>	<u>(412)</u>	<u>(20,396)</u>	<u>(14,227)</u>
<u>Net income (loss) before operating transfer</u>	<u>(58,392)</u>	<u>(281,855)</u>	<u>(331,435)</u>
<u>Operating transfers in (out)</u>	<u>44,492</u>	<u>142,943</u>	<u>252,391</u>
<u>Net income (loss)</u>	<u>(13,900)</u>	<u>(138,912)</u>	<u>(79,044)</u>
<u>Net Position - Beginning</u>	<u>1,689,254</u>	<u>3,300,121</u>	<u>364,499</u>
<u>Contributed capital</u>	-	-	-
<u>Net Position - Ending</u>	<u>\$ 1,675,354</u>	<u>\$ 3,161,209</u>	<u>\$ 285,455</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, 2023

	<u>Garbage</u>	<u>Starland Building</u>	<u>Totals</u>
Operating revenues:			
Charges for services	\$ 557,978	\$ 31,473	\$ 738,687
Other	<u>293</u>	<u>-</u>	<u>293</u>
<u>Total operating revenues</u>	<u>558,271</u>	<u>31,473</u>	<u>738,980</u>
Operating expenses:			
Salaries and wages	160,993	-	339,577
Contract services	348,741	-	578,723
Materials and supplies	5,581	4,258	76,206
Depreciation	18,050	5,612	334,612
Other operating expenses	<u>1,636</u>	<u>-</u>	<u>1,636</u>
<u>Total operating expenses</u>	<u>535,001</u>	<u>9,870</u>	<u>1,330,754</u>
<u>Operating income (loss)</u>	<u>23,270</u>	<u>21,603</u>	<u>(591,774)</u>
Non-operating revenues (expenses):			
Interest income	184	70	5,024
Interest expense	-	(5,748)	(32,989)
Other income/(loss)	<u>185,414</u>	<u>(9,622)</u>	<u>163,228</u>
<u>Total non-operating revenues (expenses)</u>	<u>185,598</u>	<u>(15,300)</u>	<u>135,263</u>
<u>Net income (loss) before operating transfer</u>	<u>208,868</u>	<u>6,303</u>	<u>(456,511)</u>
<u>Operating transfers in (out)</u>	<u>(174,172)</u>	<u>4,485</u>	<u>270,139</u>
<u>Net income (loss)</u>	<u>34,696</u>	<u>10,788</u>	<u>(186,372)</u>
<u>Net Position - Beginning</u>	<u>(257,479)</u>	<u>86,587</u>	<u>5,182,982</u>
<u>Contributed capital</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Net Position - Ending</u>	<u>\$ (222,783)</u>	<u>\$ 97,375</u>	<u>\$ 4,996,610</u>

See independent auditor's report.

CITY OF HAZARD

COMBINING STATEMENT OF CASH FLOWS –
NONMAJOR PROPRIETARY FUNDS

For the Year Ended June 30, 2023

	Public Improvement Corporation	The Hazard Forum	Hazard Pavilion
Cash flows from operating activities:			
Cash received from:			
Charges for services	\$ -	\$ 106,985	\$ 42,251
Other operating revenue	-	-	-
Cash paid to/for:			
Employees	-	-	(182,742)
Supplies/contractual	(890)	(187,146)	(95,961)
Other operating expenses	-	-	-
<u>Net cash provided/(used) by operating activities</u>	<u>(890)</u>	<u>(80,161)</u>	<u>(236,452)</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	-	(6,971)	-
Principal paid on notes and bonds	(43,189)	(31,408)	(1,050)
Interest paid on notes and bonds	(413)	(22,936)	(3,892)
Nonoperating - income	-	(2,229)	(10,335)
<u>Net cash provided (used) for capital and related financing</u>	<u>(43,602)</u>	<u>(63,544)</u>	<u>(15,277)</u>
Cash flows from non-capital financing activities:			
Operating transfers - in (out)	<u>44,492</u>	<u>142,943</u>	<u>252,391</u>
Cash flows from investing activities:			
Interest income	<u>1</u>	<u>4,769</u>	<u>-</u>
<u>Net cash provided (used) for investing activities</u>	<u>1</u>	<u>4,769</u>	<u>-</u>
Net increase (decrease) in cash	1	4,007	662
Cash, beginning of year	<u>679</u>	<u>-</u>	<u>54</u>
Cash, end of year	<u><u>680</u></u>	<u><u>4,007</u></u>	<u><u>716</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operations:			
Operating income (loss)	(57,980)	(261,459)	(317,208)
Adjustment to reconcile operating income to cash provided (used) by operating activities:			
Depreciation	57,090	182,773	71,087
Changes in current assets/liabilities:			
Accounts receivable	-	-	-
Prepaid expenses	-	(538)	(985)
Leases receivable	-	49,241	-
Accounts payable	-	(1,049)	14,752
Accrued wages	-	-	657
Accrued vacation payable	-	-	536
Deferred outflows - pension/OPEB resources	-	-	(18,425)
Deferred outflows - debt related	-	390	206
Deferred inflows - pension/OPEB related	-	-	(22,059)
Deferred inflows - lease related	-	(49,241)	-
Deferred inflows - debt related	-	(278)	(146)
Net pension/OPEB liability	-	-	35,133
<u>Net cash provided (used) by operating activities</u>	<u>\$ (890)</u>	<u>\$ (80,161)</u>	<u>\$ (236,452)</u>

See independent auditor's report.

CITY OF HAZARD

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

For the Year Ended June 30, 2023

	<u>Garbage</u>	<u>Starland Building</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from:			
Charges for services	\$ 543,205	\$ 31,473	\$ 723,914
Other operating revenue	293	-	293
Cash paid to/for:			
Employees	(163,622)	-	(346,364)
Supplies/contractual	(367,235)	(4,258)	(655,490)
Other operating expenses	(1,636)	-	(1,636)
<u>Net cash provided/(used) by operating activities</u>	<u>11,005</u>	<u>27,215</u>	<u>(279,283)</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	-	(2,878)	(9,849)
Principal paid on notes and bonds	-	(8,372)	(84,019)
Interest paid on notes and bonds	-	(5,748)	(32,989)
Nonoperating - income	205,898	(9,622)	183,712
<u>Net cash provided (used) for capital and related financir</u>	<u>205,898</u>	<u>(26,620)</u>	<u>56,855</u>
Cash flows from non-capital financing activities:			
Operating transfers - in (out)	(174,172)	4,485	270,139
Cash flows from investing activities:			
Interest income	184	70	5,024
<u>Net cash provided (used) for investing activities</u>	<u>184</u>	<u>70</u>	<u>5,024</u>
Net increase (decrease) in cash	42,915	5,150	52,735
Cash, beginning of year	104,167	54,528	159,428
Cash, end of year	<u>147,082</u>	<u>59,678</u>	<u>212,163</u>
Reconciliation of operating income (loss) to net cash provided (used) by operations:			
Operating income (loss)	23,270	21,603	(591,774)
Adjustment to reconcile operating income to cash provided (used) by operating activities:			
Depreciation	18,050	5,612	334,612
Changes in current assets/liabilities:			
Accounts receivable	(14,773)	-	(14,773)
Prepaid expenses	4,601	-	3,078
Leases receivable	-	-	49,241
Accounts payable	(17,514)	-	(3,811)
Accrued wages	847	-	1,504
Accrued vacation payable	(79)	-	457
Deferred outflows - pension/OPEB resources	(11,695)	-	(30,120)
Deferred outflows - debt related	-	-	596
Deferred inflows - pension/OPEB related	(14,001)	-	(36,060)
Deferred inflows - lease related	-	-	(49,241)
Deferred inflows - debt related	-	-	(424)
Net pension/OPEB liability	22,299	-	57,432
<u>Net cash provided (used) by operating activities</u>	<u>\$ 11,005</u>	<u>\$ 27,215</u>	<u>\$ (279,283)</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING STATEMENT OF NET POSITION – ALL FIDUCIARY TYPE FUNDSJune 30, 2023

	<u>Fire-Police Pension Fund</u>	<u>Jacklot Hollow Development Trust</u>
Assets:		
<u>Restricted Assets:</u>		
Cash and cash equivalents	\$ 34,991	\$ 119,049
Investments	1,566,145	-
Lease receivables	-	817,001
Other receivables	1,914	8,170
Due from other funds	<u>287</u>	<u>-</u>
<u>Total assets</u>	<u>1,603,337</u>	<u>944,220</u>
Deferred Outflows of Resources:		
Deferred outflows - pension/OPEB resources	<u>45,974</u>	<u>-</u>
<u>Total assets and deferred outflows of resources</u>	<u>1,649,311</u>	<u>944,220</u>
Liabilities:		
Due to other funds	-	-
Net pension liability	<u>3,730,084</u>	<u>-</u>
<u>Total liabilities</u>	<u>3,730,084</u>	<u>-</u>
Deferred Inflows of Resources:		
Deferred inflows - lease related	<u>-</u>	<u>817,001</u>
Net Position:		
Designated for employee retirement	(2,080,773)	-
Designated for a specific purpose	<u>-</u>	<u>127,219</u>
<u>Total net position</u>	<u>(2,080,773)</u>	<u>127,219</u>
<u>Total liabilities, deferred inflows of resources and net position</u>	<u>\$ 1,649,311</u>	<u>\$ 944,220</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING STATEMENT OF NET POSITION – ALL FIDUCIARY TYPE FUNDS (CONTINUED)June 30, 2023

	<u>Disbursement Fund</u>	<u>Payroll Fund</u>	<u>Totals</u>
Assets:			
<u>Restricted Assets:</u>			
Cash and cash equivalents	\$ 285,858	\$ 193,182	\$ 633,080
Investments	-	-	1,566,145
Lease receivables	-	-	817,001
Other receivables	-	-	10,084
Due from other funds	<u>14,569</u>	<u>-</u>	<u>14,856</u>
<u>Total assets</u>	<u>300,427</u>	<u>193,182</u>	<u>3,041,166</u>
Deferred Outflows of Resources:			
Deferred outflows - pension/OPEB resources	<u>-</u>	<u>-</u>	<u>45,974</u>
<u>Total assets and deferred outflows of resources</u>	<u>300,427</u>	<u>193,182</u>	<u>3,087,140</u>
Liabilities:			
Due to other funds	300,427	193,182	493,609
Net pension liability	<u>-</u>	<u>-</u>	<u>3,730,084</u>
<u>Total liabilities</u>	<u>300,427</u>	<u>193,182</u>	<u>4,223,693</u>
Deferred Outflows of Resources:			
Deferred outflows - pension/OPEB resources	<u>-</u>	<u>-</u>	<u>817,001</u>
Net Position:			
Designated for employee retirement	-	-	(2,080,773)
Designated for a specific purpose	<u>-</u>	<u>-</u>	<u>127,219</u>
<u>Total net position</u>	<u>-</u>	<u>-</u>	<u>(1,953,554)</u>
	<u>\$ 300,427</u>	<u>\$ 193,182</u>	<u>\$ 3,087,140</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING STATEMENT OF CHANGES IN NET POSITION –
TRUST FUNDSFor the Year Ended June 30, 2023

	<u>Fire-Police Pension Fund</u>	<u>Jacklot Hollow Development Trust</u>	<u>Total</u>
<u>OPERATING REVENUES:</u>			
Miscellaneous	\$ -	\$ 7,436	\$ 7,436
<u>Total operating revenues</u>	<u>-</u>	<u>7,436</u>	<u>7,436</u>
<u>OPERATING EXPENSES:</u>			
Pension	144,711	-	144,711
<u>Total operating expenses</u>	<u>144,711</u>	<u>-</u>	<u>144,711</u>
<u>Operating income (loss)</u>	<u>(144,711)</u>	<u>7,436</u>	<u>(137,275)</u>
<u>NON-OPERATING REVENUES (EXPENSES):</u>			
Interest income	31,489	9,058	40,547
Transfers in (out)	405,062	-	405,062
<u>Total non-operating revenues (expenses)</u>	<u>436,551</u>	<u>9,058</u>	<u>445,609</u>
<u>Net income (loss)</u>	<u>291,840</u>	<u>16,494</u>	<u>308,334</u>
<u>NET POSITION - JULY 1</u>	<u>(2,372,613)</u>	<u>110,725</u>	<u>(2,261,888)</u>
<u>NET POSITION - JUNE 30</u>	<u>\$ (2,080,773)</u>	<u>\$ 127,219</u>	<u>\$ (1,953,554)</u>

See independent auditor's report.

CITY OF HAZARDCOMPARATIVE STATEMENT OF NET POSITION -
WATER FUNDJune 30, 2023 and 2022

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Assets:		
- Current Assets -		
Cash and cash equivalents	\$ 202,775	\$ 189,373
Receivables, net of allowances:		
Fees and services	1,405,664	1,090,020
Due from other funds	160,640	151,110
Other	1,032,870	89,979
Prepaid expenses	9,261	9,804
Inventories of supplies, at cost	<u>90,647</u>	<u>90,647</u>
<u>Total current assets</u>	<u>2,901,857</u>	<u>1,620,933</u>
-Restricted Assets -		
Cash	<u>1,931,388</u>	<u>2,138,401</u>
- Noncurrent Assets -		
Capital assets	61,232,113	60,267,892
Less: accumulated depreciation	<u>(25,549,696)</u>	<u>(24,338,730)</u>
<u>Total noncurrent assets</u>	<u>35,682,417</u>	<u>35,929,162</u>
Deferred Outflows of Resources:		
Deferred outflows - pension resources/OPEB	711,729	576,522
Deferred outflows - debt related	<u>734,921</u>	<u>754,831</u>
<u>Total deferred outflows of resources</u>	<u>1,446,650</u>	<u>1,331,353</u>
<u>Total assets and deferred outflows of resources</u>	<u>\$ 41,962,312</u>	<u>\$ 41,019,849</u>

See independent auditor's report.

CITY OF HAZARDCOMPARATIVE STATEMENT OF NET POSITION -
WATER FUND (CONTINUED)June 30, 2023 and 2022

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Liabilities:		
- Current Liabilities -		
Accounts payable	\$ 610,849	\$ 228,672
Accrued interest payable	24,322	24,906
Accrued wages	36,608	31,346
Accrued vacation payable	15,854	11,858
Due to other funds	202,959	202,959
Current portion of long-term debt	<u>1,006,887</u>	<u>224,878</u>
<u>Total current liabilities</u>	<u>1,897,479</u>	<u>724,619</u>
- Noncurrent Liabilities -		
Due to other taxing units	31,800	32,014
Revenue bonds payable	10,291,086	10,537,553
Net pension/OPEB liability	<u>2,405,381</u>	<u>2,147,576</u>
<u>Total noncurrent liabilities</u>	<u>12,728,267</u>	<u>12,717,143</u>
- Other Liabilities -		
Deposits	<u>665,703</u>	<u>642,276</u>
<u>Total liabilities</u>	<u>15,291,449</u>	<u>14,084,038</u>
Deferred Inflows of Resources:		
Deferred inflows - pension/OPEB related	571,060	732,921
Deferred inflows - debt related	<u>257,209</u>	<u>270,033</u>
<u>Total deferred inflows of resources</u>	<u>828,269</u>	<u>1,002,954</u>
Net Position:		
Net investment in capital assets	24,384,444	25,166,731
Restricted	2,551,680	2,138,401
Unrestricted (deficit)	<u>(1,093,530)</u>	<u>(1,372,275)</u>
<u>Total net position</u>	<u>25,842,594</u>	<u>25,932,857</u>
Total liabilities, deferred inflows of resources and <u>net position</u>	<u>\$ 41,962,312</u>	<u>\$ 41,019,849</u>

See independent auditor's report.

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

For the Years Ended June 30, 2023 and 2022

	<u>Year Ended</u>	
	<u>2023</u>	<u>2022</u>
Operating revenues:		
Charges for services	\$ 5,617,902	\$ 4,837,082
Other	<u>189,890</u>	<u>47,124</u>
<u>Total operating revenues</u>	<u>5,807,792</u>	<u>4,884,206</u>
Operating expenses:		
Salaries and wages	1,532,604	1,130,964
Contract services	2,417,326	1,973,066
Materials and supplies	3,619,055	1,439,765
Depreciation	1,368,866	1,235,145
Other operating expenses	<u>2,622</u>	<u>2,912</u>
<u>Total operating expenses</u>	<u>8,940,473</u>	<u>5,781,852</u>
<u>Operating income (loss)</u>	<u>(3,132,681)</u>	<u>(897,646)</u>
Non-operating revenues (expenses):		
Interest income	3,594	5,015
Interest expense	(338,826)	(275,535)
Other income/(loss)	<u>575,860</u>	<u>-</u>
<u>Total non-operating revenues (expenses)</u>	<u>240,628</u>	<u>(270,520)</u>
<u>Net income (loss) before operating transfers</u>	<u>(2,892,053)</u>	<u>(1,168,166)</u>
<u>Operating transfers in (out)</u>	<u>1,831,016</u>	<u>27,284</u>
<u>Net income (loss)</u>	<u>(1,061,037)</u>	<u>(1,140,882)</u>
<u>Net Position - Beginning</u>	<u>25,932,857</u>	<u>26,900,963</u>
<u>Contributed capital</u>	970,774	172,776
<u>Net Position - Ending</u>	<u>\$ 25,842,594</u>	<u>\$ 25,932,857</u>

See independent auditor's report.

CITY OF HAZARDCOMPARATIVE STATEMENT OF NET POSITION -
SEWER FUNDJune 30, 2023 and 2022

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Assets:		
- Current Assets -		
Cash and cash equivalents	\$ 20,958	\$ 37,934
Receivables, net of allowances:		
Fees and services	436,280	383,228
Due from other funds	229,955	226,418
Other	226,795	16,046
Prepaid expenses	7,323	9,804
Inventories of supplies, at cost	<u>13,038</u>	<u>13,038</u>
<u>Total current assets</u>	<u>934,349</u>	<u>686,468</u>
-Restricted Assets -		
Cash	<u>786,601</u>	<u>715,261</u>
- Noncurrent Assets -		
Capital assets	15,969,879	16,036,989
Less: accumulated depreciation	<u>(10,305,597)</u>	<u>(10,160,466)</u>
<u>Total noncurrent assets</u>	<u>5,664,282</u>	<u>5,876,523</u>
Deferred Outflows of Resources:		
Deferred outflows - pension resources/OPEB	226,470	176,281
Deferred outflows - debt related	<u>81,765</u>	<u>84,453</u>
<u>Total deferred outflows of resources</u>	<u>308,235</u>	<u>260,734</u>
<u>Total assets and deferred outflows of resources</u>	<u>\$ 7,693,467</u>	<u>\$ 7,538,986</u>

See independent auditor's report.

CITY OF HAZARD

COMPARATIVE STATEMENT OF NET POSITION -
SEWER FUND (CONTINUED)

June 30, 2023 and 2022

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Liabilities:		
- Current Liabilities -		
Accounts payable	\$ 104,327	\$ 22,585
Accrued wages	16,158	12,229
Accrued vacation payable	5,672	4,000
Due to other funds	16,375	16,375
Current portion of long-term debt	349,566	68,244
<u>Total current liabilities</u>	<u>492,098</u>	<u>123,433</u>
- Noncurrent Liabilities -		
Notes payable	692,305	739,344
Revenue bonds payable	1,050,580	1,075,261
Net pension/OPEB liability	561,346	465,649
<u>Total noncurrent liabilities</u>	<u>2,304,231</u>	<u>2,280,254</u>
<u>Total liabilities</u>	<u>2,796,329</u>	<u>2,403,687</u>
Deferred Inflows of Resources:		
Deferred inflows - pension/OPEB related	214,892	274,974
Deferred inflows - debt related	33,031	34,753
<u>Total deferred inflows of resources</u>	<u>247,923</u>	<u>309,727</u>
Net Position:		
Net investment in capital assets	3,571,831	3,993,674
Restricted	1,013,245	715,261
Unrestricted (deficit)	64,139	116,637
<u>Total net position</u>	<u>4,649,215</u>	<u>4,825,572</u>
Total liabilities, deferred inflows of resources and <u>net position</u>	<u>\$ 7,693,467</u>	<u>\$ 7,538,986</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, 2023 and 2022

	Year Ended	
	<u>2023</u>	<u>2022</u>
Operating revenues:		
Charges for services	\$ 1,795,630	\$ 1,341,095
<u>Total operating revenues</u>	1,795,630	1,341,095
Operating expenses:		
Salaries and wages	562,201	537,113
Contract services	811,394	717,778
Materials and supplies	1,148,476	212,050
Depreciation	221,049	207,407
Other operating expenses	-	238
<u>Total operating expenses</u>	2,743,120	1,674,586
<u>Operating income (loss)</u>	(947,490)	(333,491)
Non-operating revenues (expenses):		
Interest income	1,319	905
Interest expense	(61,670)	(45,989)
Other income/(loss)	221,026	-
<u>Total non-operating revenues (expenses)</u>	160,675	(45,084)
<u>Net income (loss) before operating transfers</u>	(786,815)	(378,575)
<u>Operating transfers in (out)</u>	610,458	252,632
<u>Net income (loss)</u>	(176,357)	(125,943)
<u>Net Position - Beginning</u>	4,825,572	4,951,515
Contributed Capital	-	-
<u>Net Position - Ending</u>	\$ 4,649,215	\$ 4,825,572

See independent auditor's report.

Chris Gooch

Certified Public Accountant
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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, 2023, 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 January 29, 2024.

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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 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 questioned costs. 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

January 29, 2024

CITY OF HAZARDSUMMARY SCHEDULE OF PRIOR AUDIT FINDINGSJune 30, 2023**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.

CITY OF HAZARDSCHEDULE OF FINDINGS AND QUESTIONED COSTSJune 30, 2023- SUMMARY OF AUDIT RESULTS -

1. We have issued an unmodified opinion on the financial statements.
2. A material weakness was disclosed by the audit of the financial statements.
3. No material noncompliance was disclosed in our audit of the financial statements.
4. No material weakness or significant deficiency not identified as a material weakness was disclosed by the audit in internal control over major programs.
5. We have issued an unmodified opinion on compliance for its major program.
6. The audit did not disclose any audit findings which we are required to report under Section 200.516 of Title 2 U.S. Code of Federal Regulations Part 200.
7. City of Hazard had the following major programs:
 - U.S. Department of Interior
 - Passed through Kentucky Natural Resources and Environmental Protection Cabinet
 - Abandoned Mine Land Reclamation (AMLR) Program
 - Buckhorn WTP/KY 15-7 Interconnect—AL Number #15.252
 - Perry County Waterlines Bipartisan— AL Number #15.252
 - HCTC Tie-In— AL Number #15.252
 - U.S. Department of Housing and Urban Development
 - Passed through Kentucky Department of Local Government
 - Community Development Block Grants
 - Perry County North Ambulance Building— AL Number #14.228
 - Allais Redevelopment Project— AL Number #14.228
 - U.S. Department of Homeland Security
 - Passed through Kentucky Emergency Management
 - Disaster Grants – Public Assistance—AL Number #97.036
8. The dollar threshold to distinguish between Type A and Type B programs was \$750,000.
9. The auditee did not qualify as a low-risk auditee under Section 200.520 of Title 2 U.S. Code of Federal Regulations Part 200.

CITY OF HAZARDSCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)June 30, 2023- FINDINGS RELATED TO THE FINANCIAL STATEMENTS -**2023-001**

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 assure 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.

- FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS -

None

CITY OF HAZARDSCHEDULE OF EXPENDITURES OF FEDERAL AWARDSFor the Year Ended June 30, 2023

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL ASSISTANCE LISTING NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>SUBRECIPIENT AMOUNT</u>	<u>PROGRAM AWARDS EXPENDED</u>
Executive Office of the President:				
Office of National Drug Control Policy - Passed through Laurel County Fiscal Court - High Intensity Drug Trafficking Areas Program	95.001	GIDAP001A	N/A	\$ <u>20,589</u>
U.S. Department of Interior:				
- Passed through Kentucky Natural Resources and Environmental Protection Cabinet - Abandoned Mine Land Reclamation (AMLR) Program- Buckhorn WTP/KY15-7 Interconnect	15.252	N/A	N/A	631,507
Perry County Waterlines Bipartisan	15.252	N/A	N/A	120,510
HCTC Tie-In	15.252	N/A	N/A	<u>41,897</u>
<u>Total U.S. Department of Interior</u>				<u>793,914</u>
Appalachian Regional Commission:				
- Direct - Appalachian Regional Development	23.001	N/A	N/A	<u>159,210</u>
U.S. Department of Justice:				
- Direct - Congressionally Recommended Awards	16.753	N/A	N/A	58,169
Equitable Sharing Program	16.922	N/A	\$ 230,892	<u>239,778</u>
<u>Total U.S. Department of Justice</u>			<u>\$ 230,892</u>	<u>297,947</u>
U.S. Department of Treasury:				
- Direct - Coronavirus Relief Fund	21.019	N/A	N/A	76,221
Coronavirus State and Local Recovery Funds	21.027	N/A	N/A	<u>121,296</u>
<u>Total U.S. Department of Treasury</u>				<u>197,517</u>
U.S. Department of Homeland Security:				
-Passed through Kentucky Emergency Management Disaster Grants - Public Assistance	97.036	FEMA-4663-DR-KY	N/A	<u>2,317,252</u>

See independent auditor's report.

CITY OF HAZARDSCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)For the Year Ended June 30, 2023

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL ASSISTANCE LISTING NUMBER	PASS-THROUGH GRANTOR'S NUMBER	SUBRECIPIENT AMOUNT	PROGRAM AWARDS EXPENDED
U.S. Department of Housing and Urban Development:				
-Passed through Kentucky Department of Local Government				
Community Development Block Grant	14.228	20C-195	N/A	879,324
Community Development Block Grant	14.228	18-061	N/A	<u>16,000</u>
<u>Total U.S. Department of Housing and Urban Development</u>				<u>895,324</u>
U.S. Department of Transportation:				
-Passed through Kentucky Transportation Cabinet				
State and Community Highway Safety	20.600	2022-05	N/A	1,639
State and Community Highway Safety	20.600	2023-07	N/A	<u>2,502</u>
<u>Total U.S. Department of Transportation</u>				<u>4,141</u>
<u>Total Federal Awards Expended</u>				<u>\$ 4,685,894</u>

Note 1—Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of City of Hazard, under programs of the federal government for the year ended June 30, 2023 in accordance with the requirements of Title 2 U.S. code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Hazard, it is not intended to and does not present the financial position, changes in net assets, or cash flows of City of Hazard.

Note 2—Summary of Significant Accounting Policies

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

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

See independent auditor's report.

Chris Gooch

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Hazard, Kentucky's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Hazard, Kentucky's major federal programs for the year ended June 30, 2023. City of Hazard, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Hazard, Kentucky complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Hazard, Kentucky and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Hazard, Kentucky's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Hazard, Kentucky's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Hazard, Kentucky's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Hazard, Kentucky's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Hazard, Kentucky's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Hazard, Kentucky's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Hazard, Kentucky's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

Chris Gooch
Certified Public Accountant

Hazard, Kentucky

January 29, 2024

APPENDIX A

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

CITY OF HAZARD

For the Year Ended June 30, 2023

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