

CITY OF HAZARD, KENTUCKY

FINANCIAL STATEMENTS AND REPORT OF AUDIT

For the Year Ended June 30, 2025

CITY OF HAZARD

FINANCIAL STATEMENTS AND REPORT OF AUDIT

For the Year Ended June 30, 2025

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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, 2025, 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, 2025, 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 February 23, 2026, on our consideration of the City of Hazard, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Hazard, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hazard, Kentucky's internal control over financial reporting and compliance.



Chris Gooch
Certified Public Accountant

Hazard, Kentucky

February 23, 2026

CITY OF HAZARDMANAGEMENT'S DISCUSSION AND ANALYSISFor the Year Ended June 30, 2025

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, 2025. 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 \$10,053,220 of which \$7,716,908 is considered restricted. The ending cash balance, including investments and fiduciary funds, for the City was \$11,186,806 of which \$7,640,390 is considered restricted.
- Long-term debt decreased by \$1,577,435, consisting of general fund long-term debt principal of \$675,073 and proprietary fund debt principal of \$902,362. The City increased debt by utilizing a line of credit with Whitaker Bank for flood cleanup and repairs in the amount of \$437,323.
- The City recorded \$611,995 in governmental fixed assets and \$6,974,432 in proprietary fund fixed assets during the fiscal year. Proprietary fixed asset additions included \$6,334,540 in construction in progress related to ongoing water systems improvements. Governmental fixed assets include \$320,723 related to various equipment purchases.
- The City adopted GASB's 68 and 75 in a prior fiscal year and at June 30, 2025 recognize net pension liability of \$8,018,428 and a net OPEB asset of \$211,491 in relation to the City's participation in the County Employee's Retirement System. The net pension liability for the prior fiscal year was \$9,184,816 and the net OPEB asset was \$176,479.
- At June 30, 2025, the City recognized net pension liability of \$2,815,183 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 \$3,493,211.
- The City implemented GASB 101, *Compensated Absences*, for the year ended, and the effects of change due to implementation are recognized in the financial statements.
- 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	8,656	8,668
b. Sewer	3,106	3,085
c. Gas	1,676	1,664

CITY OF HAZARDMANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)For the Year Ended June 30, 2025OVERVIEW 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, 2025**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2025, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$49,139,017.

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, 2025

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

	<u>Year Ended</u>	
	<u>2025</u>	<u>2024</u>
Current Assets	\$ 7,489,861	\$ 6,475,631
Noncurrent Assets	70,145,302	67,096,421
Deferred Outflows of Resources	<u>3,780,768</u>	<u>4,862,262</u>
<u>Total Assets and Deferred Outflows of Resources</u>	<u>81,415,931</u>	<u>78,434,314</u>
Current Liabilities	3,683,097	4,035,075
Noncurrent Liabilities	23,712,588	25,330,977
Deferred Inflows of Resources	<u>4,881,229</u>	<u>6,204,623</u>
<u>Total Liabilities and Deferred Inflows of Resources</u>	<u>32,276,914</u>	<u>35,570,675</u>
Net Position		
Net Investment in Capital Assets	48,522,992	44,798,131
Restricted	5,247,139	5,323,542
Unrestricted	<u>(4,631,114)</u>	<u>(7,258,034)</u>
<u>Total Net Position</u>	<u>49,139,017</u>	<u>42,863,639</u>
<u>Total Liabilities, Deferred Inflows of Resources and Net Position</u>	<u>\$ 81,415,931</u>	<u>\$ 78,434,314</u>

CITY OF HAZARDMANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)For the Year Ended June 30, 2025

- Deferred outflows of resources decreased \$1,081,494, deferred inflows of resources decreased by \$1,323,394 and net pension and OPEB liability decreased by \$944,837 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 an increase in cash balances at year end.
- Noncurrent liabilities decreased due to payments made on long term debt.

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

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Local revenue sources	\$ 7,620,659	\$ 9,030,441	\$ 1,409,782
Intergovernmental revenues	<u>275,000</u>	<u>513,304</u>	<u>238,304</u>
<u>Total Revenues</u>	<u>7,895,659</u>	<u>9,543,745</u>	<u>1,648,086</u>
Expenditures:			
General government	2,218,581	1,921,205	297,376
Police	2,072,722	2,293,249	(220,527)
Fire	1,535,010	1,469,266	65,744
Public works	1,566,375	1,983,393	(417,018)
Other expenditures	282,200	23,832	258,368
Capital outlay	-	611,995	(611,995)
Debt service	<u>220,771</u>	<u>719,943</u>	<u>(499,172)</u>
<u>Total Expenditures</u>	<u>7,895,659</u>	<u>9,022,883</u>	<u>(1,127,224)</u>
<u>Excess of Revenues over Expenditures</u>	<u>\$ -</u>	<u>\$ 520,862</u>	<u>\$ 520,862</u>

- Increases in debt service includes payments on line of credit at Whitaker Bank.
- 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, 2025

The following table presents a comparison of government-wide funds revenue and expense for fiscal years ended June 30, 2025 and 2024:

	<u>Fiscal Year Ended</u>	
	<u>2025</u>	<u>2024</u>
Revenues:		
Taxes and other local revenues	\$ 9,351,183	\$ 8,594,614
Intergovernmental revenues	5,269,795	3,348,756
Charges for services	10,247,015	10,220,986
<u>Total revenues</u>	<u>24,867,993</u>	<u>22,164,356</u>
Expenses:		
General government	1,916,425	2,034,980
Police	2,200,580	1,970,847
Fire	1,418,857	860,015
Public works	2,342,774	3,634,843
Highway and streets	24,957	562,204
Other expenditures	186,788	71,028
Utility services	13,491,550	13,513,652
Other proprietary expenses	950,345	1,013,275
<u>Total expenses</u>	<u>22,532,276</u>	<u>23,660,844</u>
<u>Change in net position</u>	<u>\$ 2,335,717</u>	<u>\$ (1,496,488)</u>

- Increase in intergovernmental revenue includes \$4,706,047 in EKSAFE funds to provide additional financial relief in the wake of the historic flooding of July 2022.
- Decrease in public works expenses are related to significant repairs made after July 2022 flooding in fiscal year 2024.

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 2025-26 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, 2025

	Governmental Activities	Business-type Activities	Total
Assets:			
- Current Assets -			
Cash and cash equivalents	\$ 2,616,654	\$ 929,762	\$ 3,546,416
Receivables, net of allowances:			
Taxes	60,067	-	60,067
Fees and services	-	1,830,415	1,830,415
Due from other funds	540,819	547,488	1,088,307
Other	67,400	618,935	686,335
Prepaid expenses	12,877	33,949	46,826
Inventories	35,025	161,109	196,134
Lease receivables	<u>35,361</u>	<u>-</u>	<u>35,361</u>
<u>Total current assets</u>	<u>3,368,203</u>	<u>4,121,658</u>	<u>7,489,861</u>
-Restricted Assets -			
Cash	<u>1,760,112</u>	<u>3,487,027</u>	<u>5,247,139</u>
- Noncurrent Assets -			
Lease receivables	75,909	-	75,909
Capital assets	14,584,881	111,666,906	126,251,787
Less: accumulated depreciation	<u>(8,025,482)</u>	<u>(53,404,051)</u>	<u>(61,429,533)</u>
<u>Total noncurrent assets</u>	<u>6,635,308</u>	<u>58,262,855</u>	<u>64,898,163</u>
Deferred Outflows of Resources:			
Deferred outflows - pension/OPEB resources	1,525,542	1,010,443	2,535,985
Funded OPEB asset	36,218	220,345	256,563
Deferred outflows - debt related	<u>74,884</u>	<u>913,336</u>	<u>988,220</u>
<u>Total deferred outflows of resources</u>	<u>1,636,644</u>	<u>2,144,124</u>	<u>3,780,768</u>
Total assets and deferred outflows of resources	<u>\$ 13,400,267</u>	<u>\$ 68,015,664</u>	<u>\$ 81,415,931</u>

See notes to financial statements.

CITY OF HAZARD

STATEMENT OF NET POSITION (CONTINUED)

June 30, 2025

	Governmental Activities	Business-type Activities	Total
Liabilities:			
- Current Liabilities -			
Accounts payable	\$ 151,856	\$ 1,163,524	\$ 1,315,380
Other current liabilities	643,142	657,045	1,300,187
Current portion of bond/lease obligations	350,836	716,694	1,067,530
<u>Total current liabilities</u>	<u>1,145,834</u>	<u>2,537,263</u>	<u>3,683,097</u>
- Noncurrent Liabilities -			
Noncurrent portion of bond/lease obligations	1,049,078	13,767,211	14,816,289
Net pension/OPEB liability	4,948,300	3,115,200	8,063,500
Other	-	110,361	110,361
<u>Total noncurrent liabilities</u>	<u>5,997,378</u>	<u>16,992,772</u>	<u>22,990,150</u>
- Other Liabilities -			
Deposits	-	722,438	722,438
<u>Total other liabilities</u>	<u>-</u>	<u>722,438</u>	<u>722,438</u>
<u>Total liabilities</u>	<u>7,143,212</u>	<u>20,252,473</u>	<u>27,395,685</u>
Deferred Inflows of Resources:			
Deferred inflows - pension/OPEB related	2,602,972	1,830,924	4,433,896
Deferred inflows - lease related	111,270	-	111,270
Deferred inflows - debt related	25,883	310,180	336,063
<u>Total deferred inflows of resources</u>	<u>2,740,125</u>	<u>2,141,104</u>	<u>4,881,229</u>
Net Position:			
Net investment in capital assets	5,159,485	43,363,507	48,522,992
Restricted	1,760,112	3,487,027	5,247,139
Unrestricted (deficit)	(3,402,667)	(1,228,447)	(4,631,114)
<u>Total net position</u>	<u>3,516,930</u>	<u>45,622,087</u>	<u>49,139,017</u>
<u>Total liabilities, deferred inflows of resources and net position</u>	<u>\$ 13,400,267</u>	<u>\$ 68,015,664</u>	<u>\$ 81,415,931</u>

See notes to financial statements.

11.

CITY OF HAZARD

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2025

	Program Revenues		
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	
FUNCTIONS/PROGRAMS:			
- Governmental Activities -			
General government	\$ 1,916,425	\$ -	\$ 456,400
Police	2,200,580	-	281,282
Fire	1,418,857	-	130,101
Public works	2,342,774	-	4,220,150
Highways and streets	24,957	-	143,438
Other expenses	<u>186,788</u>	-	<u>38,424</u>
<u>Total governmental activities</u>	<u>8,090,381</u>	<u>-</u>	<u>5,269,795</u>
- Business-type Activities -			
Water utilities	7,772,928	5,498,241	-
Sewer utilities	2,364,092	1,609,490	-
Gas utilities	2,847,702	2,372,530	-
Garbage services	506,828	583,435	-
Public Improvement Corporation	57,090	-	-
Hazard Pavilion	434,390	48,467	-
Starland Building	22,842	27,000	-
The Hazard Forum	<u>436,023</u>	<u>107,852</u>	<u>-</u>
<u>Total business-type activities</u>	<u>14,441,895</u>	<u>10,247,015</u>	<u>-</u>
<u>Total primary government</u>	<u>\$ 22,532,276</u>	<u>\$ 10,247,015</u>	<u>\$ 5,269,795</u>

See notes to financial statements.

CITY OF HAZARD

STATEMENT OF ACTIVITIES (CONTINUED)

For the Year Ended June 30, 2025

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business- Type Activities	Total
	\$ (1,460,025)	\$ -	\$ (1,460,025)
	(1,919,298)	-	(1,919,298)
	(1,288,756)	-	(1,288,756)
	1,877,376	-	1,877,376
	118,481	-	118,481
	(148,364)	-	(148,364)
	<u>(2,820,586)</u>	<u>-</u>	<u>(2,820,586)</u>
	-	(2,274,687)	(2,274,687)
	-	(754,602)	(754,602)
	-	(475,172)	(475,172)
	-	76,607	76,607
	-	(57,090)	(57,090)
	-	(385,923)	(385,923)
	-	4,158	4,158
	-	(328,171)	(328,171)
	-	<u>(4,194,880)</u>	<u>(4,194,880)</u>
	<u>(2,820,586)</u>	<u>(4,194,880)</u>	<u>(7,015,466)</u>
General revenues:			
Taxes	2,994,034	-	2,994,034
Licenses and permits	5,801,931	-	5,801,931
Transfer in (out)	(5,051,661)	5,051,661	-
Interest income	5,605	21,517	27,122
Miscellaneous income/(loss)	396,124	131,972	528,096
<u>Total general revenues</u>	<u>4,146,033</u>	<u>5,205,150</u>	<u>9,351,183</u>
Change in net position	1,325,447	1,010,270	2,335,717
Net position, beginning, restated	2,191,483	38,921,580	41,113,063
Contributed capital	-	5,690,237	5,690,237
Net position, ending	<u>\$ 3,516,930</u>	<u>\$ 45,622,087</u>	<u>\$ 49,139,017</u>

See notes to financial statements.

CITY OF HAZARDBALANCE SHEET – GOVERNMENTAL FUNDSJune 30, 2025

	<u>General</u> <u>Fund</u>	<u>Flood</u> <u>Recovery</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>ASSETS</u>				
Cash	\$ 245,093	\$ 2,371,561	\$ -	\$ 2,616,654
Receivables, net of allowance for uncollectibles				
Taxes	60,067	-	-	60,067
Receivables - other	59,910	-	7,490	67,400
Due from other funds	503,047	-	37,772	540,819
Inventory of supplies, at cost	35,025	-	-	35,025
Restricted cash	177,667	-	1,582,445	1,760,112
Prepaid expense	<u>12,877</u>	<u>-</u>	<u>-</u>	<u>12,877</u>
<u>Total assets</u>	<u>1,093,686</u>	<u>2,371,561</u>	<u>1,627,707</u>	<u>5,092,954</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES:</u>				
Accounts payable	150,605	-	1,250	151,855
Accrued wages	154,774	-	-	154,774
Due to other taxing units	2,951	-	280,793	283,744
Due to other funds	<u>136,973</u>	<u>-</u>	<u>737</u>	<u>137,710</u>
<u>Total liabilities</u>	<u>445,303</u>	<u>-</u>	<u>282,780</u>	<u>728,083</u>
<u>FUND EQUITY:</u>				
<u>Fund balance:</u>				
Nonspendable	47,902	-	-	47,902
<u>Unreserved:</u>				
Unassigned	422,814	-	-	422,814
Restricted	<u>177,667</u>	<u>2,371,561</u>	<u>1,344,927</u>	<u>3,894,155</u>
<u>Total fund equity</u>	<u>648,383</u>	<u>2,371,561</u>	<u>1,344,927</u>	<u>4,364,871</u>
 Total liabilities, deferred inflows of resources and <u>fund equity</u>	 <u>\$ 1,093,686</u>	 <u>\$ 2,371,561</u>	 <u>\$ 1,627,707</u>	 <u>\$ 5,092,954</u>

See notes to financial statements.

CITY OF HAZARDRECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITIONJune 30, 2025

Total fund balance per fund financial statements		\$ 4,364,871
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	\$ 14,584,881	
Less accumulated depreciation	<u>(8,025,482)</u>	6,559,399
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		
		111,270
Deferred outflows reported in government wide financial statements, but not in fund financial statements.		
Deferred outflows - pension/OPEB related	1,525,542	
Funded OPEB asset	36,218	
Deferred outflows - debt related	<u>74,884</u>	1,636,644
Net pension/OPEB obligations are not due and payable in the current period, and therefore, are not reported in the fund financial statements.		
		(4,948,300)
Deferred inflows reported in government wide financial statements, but not in fund financial statements.		
Deferred inflows - pension/OPEB related	(2,602,972)	
Deferred inflows - lease related	(111,270)	
Deferred inflows - debt related	<u>(25,883)</u>	(2,740,125)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund		
Governmental bonds and notes payable	(1,399,914)	
Compensated absences	\$ <u>(66,915)</u>	<u>(1,466,829)</u>
Net position for governmental activities		<u>\$ 3,516,930</u>

See notes to financial statements.

CITY OF HAZARD

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

For the Year Ended June 30, 2025

	General Fund	Flood Recovery Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES:</u>				
Taxes	\$ 2,994,034	\$ -	\$ -	\$ 2,994,034
Licenses and permits	5,801,931	-	-	5,801,931
Fines and forfeits	144,366	-	-	144,366
Intergovernmental revenues	513,304	4,706,047	370,189	5,589,540
Miscellaneous	90,110	-	161,648	251,758
<u>Total revenues</u>	<u>9,543,745</u>	<u>4,706,047</u>	<u>531,837</u>	<u>14,781,629</u>
<u>EXPENDITURES:</u>				
<u>Current:</u>				
General government	1,921,205	-	-	1,921,205
Police	2,293,249	-	-	2,293,249
Fire	1,469,266	-	-	1,469,266
Public works	1,983,393	-	-	1,983,393
Highways and streets	-	-	236,967	236,967
Other expenditures	23,832	-	162,956	186,788
Capital outlay	611,995	-	38,424	650,419
Debt service				
Principal	675,073	52,019	-	727,092
Interest	44,870	-	-	44,870
<u>Total expenditures</u>	<u>9,022,883</u>	<u>52,019</u>	<u>438,347</u>	<u>9,513,249</u>
<u>Excess of revenues over (under) expenditures</u>	<u>520,862</u>	<u>4,654,028</u>	<u>93,490</u>	<u>5,268,380</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in	2,997,379	-	267,506	3,264,885
Operating transfers (out)	(3,754,975)	(4,023,096)	(939,919)	(8,717,990)
Loan proceeds	205,355	-	-	205,355
Other income	157,798	2,218	(34,288)	125,728
<u>Total other financing sources (uses)</u>	<u>(394,443)</u>	<u>(4,020,878)</u>	<u>(706,701)</u>	<u>(5,122,022)</u>
<u>Excess of revenues and other sources over (under) expenditures and other uses</u>	<u>126,419</u>	<u>633,150</u>	<u>(613,211)</u>	<u>146,358</u>
<u>FUND BALANCE, JULY 1</u>	<u>521,964</u>	<u>1,738,411</u>	<u>1,958,138</u>	<u>4,218,513</u>
<u>FUND BALANCE, JUNE 30</u>	<u>\$ 648,383</u>	<u>\$ 2,371,561</u>	<u>\$ 1,344,927</u>	<u>\$ 4,364,871</u>

See notes to financial statements.

CITY OF HAZARD

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2025

Net change in total fund balances per fund financial statements \$ 146,358

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	\$ 611,995	
Depreciation	<u>(531,956)</u>	80,039

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	675,073	
Loan proceeds	(205,355)	
Leases	6,462	
Deferred outflows and inflows	<u>\$ (609)</u>	475,571

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		(10,073)
--------------------------------	--	----------

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.

633,552

Change in net position of governmental activities \$ 1,325,447

See notes to financial statements.

17.

CITY OF HAZARD

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

June 30, 2025

Assets:	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
- Current Assets -			
Cash and cash equivalents	\$ 135,516	\$ 36,714	\$ 497,889
Receivables, net of allowances:			
Fees and services	1,106,682	417,361	185,076
Due from other funds	165,586	228,356	46,029
Other	543,538	45,954	-
Prepaid expenses	10,408	8,188	7,847
Inventories of supplies, at cost	<u>90,647</u>	<u>13,038</u>	<u>52,409</u>
<u>Total current assets</u>	<u>2,052,377</u>	<u>749,611</u>	<u>789,250</u>
-Restricted Assets -			
Cash	<u>2,453,694</u>	<u>1,003,171</u>	<u>30,162</u>
- Noncurrent Assets -			
Capital assets	70,477,344	16,239,281	9,917,672
Less: accumulated depreciation	<u>(28,341,179)</u>	<u>(10,751,080)</u>	<u>(5,326,688)</u>
<u>Total noncurrent assets</u>	<u>42,136,165</u>	<u>5,488,201</u>	<u>4,590,984</u>
Deferred Outflows of Resources:			
Deferred outflows - pension resources/OPEB	475,429	135,962	148,429
Funded OPEB asset	97,991	38,366	18,159
Deferred outflows - debt related	<u>695,102</u>	<u>76,388</u>	<u>120,965</u>
<u>Total deferred outflows of resources</u>	<u>1,268,522</u>	<u>250,716</u>	<u>287,553</u>
Total assets and deferred outflows of resources	<u>\$ 47,910,758</u>	<u>\$ 7,491,699</u>	<u>\$ 5,697,949</u>

See notes to financial statements.

CITY OF HAZARD

STATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)

June 30, 2025

Assets:	<u>Other</u>	<u>Totals</u>
- Current Assets -		
Cash and cash equivalents	\$ 259,643	\$ 929,762
Receivables, net of allowances:		
Fees and services	121,296	1,830,415
Due from other funds	107,517	547,488
Other	29,443	618,935
Prepaid expenses	7,506	33,949
Inventories of supplies, at cost	5,015	161,109
<u>Total current assets</u>	<u>530,420</u>	<u>4,121,658</u>
-Restricted Assets -		
Cash	-	<u>3,487,027</u>
- Noncurrent Assets -		
Capital assets	15,032,609	111,666,906
Less: accumulated depreciation	<u>(8,985,104)</u>	<u>(53,404,051)</u>
<u>Total noncurrent assets</u>	<u>6,047,505</u>	<u>58,262,855</u>
Deferred Outflows of Resources:		
Deferred outflows - pension resources/OPEB	250,623	1,010,443
Funded OPEB asset	65,829	220,345
Deferred outflows - debt related	20,881	913,336
<u>Total deferred outflows of resources</u>	<u>337,333</u>	<u>2,144,124</u>
Total assets and deferred outflows of <u>resources</u>	<u>\$ 6,915,258</u>	<u>\$ 68,015,664</u>

See notes to financial statements.

CITY OF HAZARDSTATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)June 30, 2025

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Gas Fund</u>
Liabilities:			
- Current Liabilities -			
Accounts payable	\$ 781,472	\$ 68,589	\$ 242,378
Accrued interest payable	23,115	-	-
Accrued wages	56,316	17,980	17,681
Accrued compensation payable	26,178	11,690	21,798
Due to other funds	202,959	16,375	221,800
Current portion of long-term debt	<u>482,997</u>	<u>128,074</u>	<u>63,421</u>
<u>Total current liabilities</u>	<u>1,573,037</u>	<u>242,708</u>	<u>567,078</u>
- Noncurrent Liabilities -			
Notes payable	-	595,730	452,533
Due to other taxing units	35,665	65,622	9,074
Revenue bonds payable	9,721,291	991,663	1,441,440
Net pension/OPEB liability	<u>1,432,046</u>	<u>199,872</u>	<u>370,731</u>
<u>Total noncurrent liabilities</u>	<u>11,189,002</u>	<u>1,852,887</u>	<u>2,273,778</u>
- Other Liabilities -			
Deposits	<u>627,324</u>	-	<u>95,114</u>
<u>Total liabilities</u>	<u>13,389,363</u>	<u>2,095,595</u>	<u>2,935,970</u>
Deferred Inflows of Resources:			
Deferred inflows - pension/OPEB related	852,476	318,439	312,803
Deferred inflows - debt related	<u>231,562</u>	<u>29,588</u>	<u>41,812</u>
<u>Total deferred inflows of resources</u>	<u>1,084,038</u>	<u>348,027</u>	<u>354,615</u>
Net Position:			
Net investment in capital assets	31,353,414	3,772,734	2,633,590
Restricted	2,453,694	1,003,171	30,162
Unrestricted (deficit)	<u>(369,751)</u>	<u>272,172</u>	<u>(256,388)</u>
<u>Total net position</u>	<u>33,437,357</u>	<u>5,048,077</u>	<u>2,407,364</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 47,910,758</u>	<u>\$ 7,491,699</u>	<u>\$ 5,697,949</u>

See notes to financial statements.

CITY OF HAZARD

STATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)

June 30, 2025

Liabilities :	<u>Other</u>	<u>Totals</u>
- Current Liabilities -		
Accounts payable	\$ 71,085	\$ 1,163,524
Accrued interest payable	-	23,115
Accrued wages	14,514	106,491
Accrued compensation payable	13,856	73,522
Due to other funds	12,783	453,917
Current portion of long-term debt	42,202	716,694
<u>Total current liabilities</u>	<u>154,440</u>	<u>2,537,263</u>
- Noncurrent Liabilities -		
Notes payable	315,734	1,363,997
Due to other taxing units	-	110,361
Revenue bonds payable	248,820	12,403,214
Net pension/OPEB liability	1,112,551	3,115,200
<u>Total noncurrent liabilities</u>	<u>1,677,105</u>	<u>16,992,772</u>
- Other Liabilities -		
Deposits	-	722,438
<u>Total liabilities</u>	<u>1,831,545</u>	<u>20,252,473</u>
Deferred Inflows of Resources :		
Deferred inflows - pension/OPEB related	347,206	1,830,924
Deferred inflows - debt related	7,218	310,180
<u>Total deferred inflows of resources</u>	<u>354,424</u>	<u>2,141,104</u>
Net Position:		
Net investment in capital assets	5,603,769	43,363,507
Restricted	-	3,487,027
Unrestricted (deficit)	(874,480)	(1,228,447)
<u>Total net position</u>	<u>4,729,289</u>	<u>45,622,087</u>
 Total liabilities, deferred inflows of resources and net position	 <u>\$ 6,915,258</u>	 <u>\$ 68,015,664</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, 2025

	Water <u>Fund</u>	Sewer <u>Fund</u>	Gas <u>Fund</u>
Operating revenues:			
Charges for services	\$ 5,442,070	\$ 1,609,490	\$ 2,366,439
Other	56,171	-	6,091
<u>Total operating revenues</u>	<u>5,498,241</u>	<u>1,609,490</u>	<u>2,372,530</u>
Operating expenses:			
Salaries and wages	1,657,388	642,075	548,352
Contract services	1,988,656	996,029	2,021,058
Materials and supplies	2,641,518	542,381	126,603
Depreciation	1,411,236	223,016	167,536
Other operating expenses	-	-	250
<u>Total operating expenses</u>	<u>7,698,798</u>	<u>2,403,501</u>	<u>2,863,799</u>
<u>Operating income (loss)</u>	<u>(2,200,557)</u>	<u>(794,011)</u>	<u>(491,269)</u>
Non-operating revenues (expenses):			
Interest income	11,225	1,840	6,411
Interest expense	(306,698)	(47,983)	(52,355)
Net Employee pension/OPEB gain (loss)	232,568	87,392	68,452
Other income/(loss)	16,915	-	506
<u>Total non-operating revenues (expenses)</u>	<u>(45,990)</u>	<u>41,249</u>	<u>23,014</u>
<u>Net income (loss) before operating transfers</u>	<u>(2,246,547)</u>	<u>(752,762)</u>	<u>(468,255)</u>
<u>Operating transfers in (out)</u>	<u>2,678,658</u>	<u>1,207,277</u>	<u>556,078</u>
<u>Net income (loss)</u>	432,111	454,515	87,823
<u>Net Position - Beginning</u>	<u>27,360,963</u>	<u>4,547,608</u>	<u>2,319,541</u>
<u>Contributed capital</u>	5,644,283	45,954	-
<u>Net Position - Ending</u>	<u>\$ 33,437,357</u>	<u>\$ 5,048,077</u>	<u>\$ 2,407,364</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, 2025

Operating revenues:	<u>Other</u>	<u>Totals</u>
Charges for services	\$ 763,775	\$ 10,181,774
Other	<u>2,979</u>	<u>65,241</u>
<u>Total operating revenues</u>	<u>766,754</u>	<u>10,247,015</u>
Operating expenses:		
Salaries and wages	414,186	3,262,001
Contract services	631,332	5,637,075
Materials and supplies	106,105	3,416,607
Depreciation	328,704	2,130,492
Other operating expenses	<u>-</u>	<u>250</u>
<u>Total operating expenses</u>	<u>1,480,327</u>	<u>14,446,425</u>
<u>Operating income (loss)</u>	<u>(713,573)</u>	<u>(4,199,410)</u>
Non-operating revenues (expenses):		
Interest income	2,041	21,517
Interest expense	(34,016)	(441,052)
Net Employee pension/OPEB gain (loss)	57,170	445,582
Other income/(loss)	<u>114,551</u>	<u>131,972</u>
<u>Total non-operating revenues (expenses)</u>	<u>139,746</u>	<u>158,019</u>
<u>Net income (loss) before operating transfers</u>	<u>(573,827)</u>	<u>(4,041,391)</u>
<u>Operating transfers in (out)</u>	<u>609,648</u>	<u>5,051,661</u>
<u>Net income (loss)</u>	35,821	1,010,270
<u>Net Position - Beginning</u>	<u>4,693,468</u>	<u>38,921,580</u>
<u>Contributed capital</u>	-	5,690,237
<u>Net Position - Ending</u>	<u>\$ 4,729,289</u>	<u>\$ 45,622,087</u>

See notes to financial statements.

CITY OF HAZARD

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

For the Year Ended June 30, 2025

	Water <u>Fund</u>	Sewer <u>Fund</u>	Gas <u>Fund</u>
Cash flows from operating activities:			
Cash received from:			
Charges for services	\$ 5,469,467	\$ 1,562,489	\$ 2,365,182
Other operating revenue	56,171	-	6,091
Cash paid to/for:			
Employees	(1,639,219)	(603,917)	(531,150)
Supplies/contractual	(4,688,186)	(1,652,161)	(2,032,538)
Other operating expenses	-	-	(250)
<u>Net cash provided/(used) by operating activities</u>	<u>(801,767)</u>	<u>(693,589)</u>	<u>(192,665)</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(6,558,919)	(233,223)	(38,890)
Principal paid on notes and bonds	(589,936)	(212,867)	(57,150)
Proceeds from long term debt	183,845	48,123	-
Interest paid on notes and bonds	(306,698)	(47,983)	(52,355)
Nonoperating - income/(loss)	16,915	-	506
Contributed capital	5,644,283	45,954	-
<u>Net cash provided (used) for capital and related financing</u>	<u>(1,610,510)</u>	<u>(399,996)</u>	<u>(147,889)</u>
Cash flows from non-capital financing activities:			
Operating transfers - in (out)	<u>2,678,658</u>	<u>1,207,277</u>	<u>556,078</u>
<u>Net cash provided (used) for non-capital activities</u>	<u>2,678,658</u>	<u>1,207,277</u>	<u>556,078</u>
Cash flows from investing activities:			
Interest income	<u>11,225</u>	<u>1,840</u>	<u>6,411</u>
<u>Net cash provided (used) for investing activities</u>	<u>11,225</u>	<u>1,840</u>	<u>6,411</u>
Net increase (decrease) in cash	277,606	115,532	221,935
Cash, beginning of year	<u>2,311,604</u>	<u>924,353</u>	<u>306,116</u>
Cash, end of year	<u>2,589,210</u>	<u>1,039,885</u>	<u>528,051</u>
Reconciliation of operating income (loss) to net cash provided (used) by operations:			
Operating income (loss)	(2,200,557)	(794,011)	(491,269)
Adjustment to reconcile operating income to cash provided (used) by operating activities:			
Depreciation	1,411,236	223,016	167,536
Changes in current assets/liabilities:			
Accounts receivable	(45,709)	(12,006)	2,460
Due from other funds	20,568	10,959	6,434
Other receivables	102,448	(45,954)	-
Prepaid expenses	(593)	(447)	(425)
Lease receivables	-	-	-
Accounts payable	(63,894)	(114,272)	114,562
Accrued interest payable	(610)	-	-
Accrued wages	9,037	131	2,368
Accrued compensation payable	8,083	4,490	11,620
Due to other taxing units	1,048	33,537	3,214
Customer deposits	(49,910)	-	(10,151)
Deferred outflows - debt related	19,910	2,689	3,445
Deferred inflows - lease related	-	-	-
Deferred inflows - debt related	(12,824)	(1,721)	(2,459)
<u>Net cash provided (used) by operating activities</u>	<u>\$ (801,767)</u>	<u>\$ (693,589)</u>	<u>\$ (192,665)</u>

See notes to financial statements.

CITY OF HAZARD

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)

For the Year Ended June 30, 2025

	<u>Other</u>	<u>Totals</u>
Cash flows from operating activities:		
Cash received from:		
Charges for services	\$ 759,804	\$ 10,156,942
Other operating revenue	2,979	65,241
Cash paid to/for:		
Employees	(404,040)	(3,178,326)
Supplies/contractual	(716,835)	(9,089,720)
Other operating expenses	-	(250)
<u>Net cash provided/(used) by operating activities</u>	<u>(358,092)</u>	<u>(2,046,113)</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	(143,400)	(6,974,432)
Principal paid on notes and bonds	(42,409)	(902,362)
Proceeds from long term debt	-	231,968
Interest paid on notes and bonds	(34,016)	(441,052)
Nonoperating - income/(loss)	114,551	131,972
Contributed capital	-	5,690,237
<u>Net cash provided (used) for capital and related financing</u>	<u>(105,274)</u>	<u>(2,263,669)</u>
Cash flows from non-capital financing activities:		
Operating transfers - in (out)	<u>609,648</u>	<u>5,051,661</u>
<u>Net cash provided (used) for non-capital activities</u>	<u>609,648</u>	<u>5,051,661</u>
Cash flows from investing activities:		
Interest income	<u>2,041</u>	<u>21,517</u>
<u>Net cash provided (used) for investing activities</u>	<u>2,041</u>	<u>21,517</u>
Net increase (decrease) in cash	148,323	763,396
Cash, beginning of year	<u>111,320</u>	<u>3,653,393</u>
Cash, end of year	<u>259,643</u>	<u>4,416,789</u>
Reconciliation of operating income (loss) to net cash provided (used) by operations:		
Operating income (loss)	(713,573)	(4,199,410)
Adjustment to reconcile operating income to cash provided (used) by operating activities:		
Depreciation	328,704	2,130,492
Changes in current assets/liabilities:		
Accounts receivable	(3,971)	(59,226)
Due from other funds	-	37,961
Other receivables	-	56,494
Prepaid expenses	(404)	(1,869)
Lease receivables	71,439	71,439
Accounts payable	22,622	(40,982)
Accrued interest payable	-	(610)
Accrued wages	1,278	12,814
Accrued compensation payable	8,868	33,061
Due to other taxing units	(1,786)	36,013
Customer deposits	-	(60,061)
Deferred outflows - debt related	594	26,638
Deferred inflows - lease related	(71,439)	(71,439)
Deferred inflows - debt related	(424)	(17,428)
<u>Net cash provided (used) by operating activities</u>	<u>\$ (358,092)</u>	<u>\$ (2,046,113)</u>

See notes to financial statements.

CITY OF HAZARD

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS

June 30, 2025

Assets:	<u>Trust Funds</u>	<u>Agency Funds</u>	<u>Total</u>
Restricted assets:			
Cash and cash equivalents	\$ 158,694	\$ 496,967	\$ 655,661
Investments	1,737,590	-	1,737,590
Lease receivables	795,486	-	795,486
Other receivables	11,506	-	11,506
Due from other funds	<u>287</u>	<u>12,783</u>	<u>13,070</u>
<u>Total assets</u>	<u>2,703,563</u>	<u>509,750</u>	<u>3,213,313</u>
Deferred Outflows of Resources:			
Deferred Outflows - pension/OPEB resources	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total assets and deferred outflows of resources</u>	<u>2,703,563</u>	<u>509,750</u>	<u>3,213,313</u>
Liabilities:			
Due other funds	-	509,750	509,750
Net pension liability	<u>2,815,183</u>	<u>-</u>	<u>2,815,183</u>
<u>Total liabilities</u>	<u>2,815,183</u>	<u>509,750</u>	<u>3,324,933</u>
Deferred Inflows of Resources:			
Deferred Inflows - pension/OPEB resources	13,514	-	13,514
Deferred Inflows - lease related	<u>795,486</u>	<u>-</u>	<u>795,486</u>
<u>Total deferred inflows of resources</u>	<u>809,000</u>	<u>-</u>	<u>809,000</u>
Net Position:			
Designated for retirement contributions (deficit)	(1,087,262)	-	(1,087,262)
Designated for other purposes	<u>166,642</u>	<u>-</u>	<u>166,642</u>
<u>Total net position</u>	<u>(920,620)</u>	<u>-</u>	<u>(920,620)</u>
<u>Total liabilities, deferred inflows of resources, and net position</u>	<u>\$ 2,703,563</u>	<u>\$ 509,750</u>	<u>\$ 3,213,313</u>

See notes to financial statements.

CITY OF HAZARDSTATEMENT OF CHANGES IN FIDUCIARY NET
POSITION – TRUST FUNDSFor the Year Ended June 30, 2025Additions:

Contributions:

Employer \$ 401,444Investment Income:

Rental Income 21,515

Interest Income 110,969Total investment income 132,484Total additions 533,928Deductions:Benefits 435,200Total deductions 435,200Operating transfers in (out) -Net Employee pension/OPEB gain (loss) 637,764Net increase/(decrease) in net position 736,492

Net Position:

Beginning of Year (1,657,112)End of Year \$ (920,620)

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTSJune 30, 2025**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, 2025**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, 2025**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, 2025**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.

Flood Recovery Fund – This fund is used to account activity related to EKSAFE funds, FEMA funds and other flood relief received by the City totaling \$4,706,047.

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, Downtown Revitalization, ARPA Fund, Opioid Settlement, 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, 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, 2025**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, 2025

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, 2025

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, 2025:

	General	Flood	Non-major	Total
	Fund	Recovery	Funds	
		Fund		
Unassigned	\$ 422,814	\$ -	\$ -	\$ 422,814
Nonspendable	47,902	-	-	47,902
Restricted	177,667	2,371,561	1,344,927	3,894,155
Total fund balances	<u>\$ 648,383</u>	<u>\$ 2,371,561</u>	<u>\$ 1,344,927</u>	<u>\$ 4,364,871</u>

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

F. Sources of Revenue and Other General Information1. **Revenues**

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

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2025**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, 2025**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, 2025**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, 2025**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, 2025**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

Employees receive up to 3 calendar weeks of vacation 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.

Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or on separation from employment. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements.

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

F. Sources of Revenue and Other General Information (continued)

5. Leave Policies (continued)

The net change in compensated absences is as follows:

At June 30, 2024	\$ 97,302
At June 30, 2025	<u>140,436</u>
Net Increase (Decrease)	<u>\$ 43,134</u>

6. Property Tax Calendar

Property taxes for the fiscal year were levied in September 2024, 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*,

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2025**F. Sources of Revenue and Other General Information (continued)****8. Accounting for Pensions and Other Post-Employment Benefits (OPEB) (continued)**

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.

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, 2025 audit:

GASB Statement No. 101—*Compensated Absences*, effective for fiscal years beginning after December 15, 2023.

GASB Statement No. 102 – *Certain Risk Disclosures*, effective for fiscal years beginning after June 15, 2024.

The impact of these pronouncements are reflected in the current financial statements and notes, where applicable.

The City is evaluating the financial statement effects of the following:

GASB Statement No. 103—*Financial Reporting Model Improvements*, effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104 – *Disclosure of Certain Capital Assets*, effective for fiscal years beginning after June 15, 2025.

Management is assessing the impact of future pronouncements on the City's financial statements.

2. - Cash and Investments

The carrying amount of the City's deposits with financial institutions and petty cash was \$11,186,806 and the bank balance was \$12,021,600.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2025**2. - Cash and Investments (continued)**

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, 2025, \$2,018,300 was insured by FDIC, \$9,855,843 was collateralized with securities held by the pledging financial institution's trust department in the City's name and \$147,457 of the City's deposits were not collateralized.

At June 30, 2025, 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. First Federal Savings and Loan began pledging securities to collateralize deposits subsequent to June 30, 2025.

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, 2025, the balance is \$(1,204,779).

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, 2025, the balance is \$(2,139,733).

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.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2025**3. - Retirement Plans (continued)**

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.
Vesting	The employee is always vested in the value of his own contributions. He is not, however, vested in any monthly pension prior to completing 20 years of service.
Employee Contributions	Equal to the amount the employee would contribute to the Social Security system in payroll taxes.
Employer Contributions	City of Hazard contributes to the general fund the balance needed to fund the Plan offset by Employee Contributions.

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

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2025**3. - Retirement Plans (continued)**

The City of Hazard has a total of 126 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 19.71% 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 38.61% 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, 2025, the City reported the following for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2024 for the City's proportionate share of net CERS pension liability and June 30, 2025 for the City's Firemen's and Policemen's Pension Fund. At June 30, 2024 the City's proportion of the net pension liability based on contributions to CERS during fiscal year ended June 30, 2024 was .129548% for non-hazardous and .010533% for hazardous. The City's proportionate share was 100% for the Firemen's and Policemen's Pension Fund.

City's proportionate share of the net CERS non-hazardous pension liability	<u>\$ 7,747,519</u>
City's proportionate share of the net CERS hazardous pension liability	<u>\$ 270,909</u>
City's proportionate share of the net Firemen-Police pension liability	<u>\$ 2,815,183</u>

For the year ended June 30, 2025, the City's financial statements reported pension expense of \$242,851 for CERS non-hazardous, \$18,295 for CERS hazardous and \$401,444 for the Firemen-Police pension. For the year ended June 30, 2025 the City recognized deferred outflows of resources for non-hazardous, hazardous and firemen-police of \$1,870,247, \$75,072, and \$0, respectively, and deferred inflows of resources for non-

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

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

hazardous, hazardous and firemen-police of \$1,785,386, \$59,216, and \$13,514, 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:

Year	Non-hazardous Total	Hazardous Total	Firemen-Police Total
2025	\$ (491,015)	\$ (9,148)	\$ -
2026	(13,515)	2,914	-
2027	(191,484)	(4,620)	1,758
2028	(111,013)	(3,209)	(1,074)
2029	-	-	(7,498)
Thereafter	-	-	(6,700)
	<u>\$ (807,027)</u>	<u>\$ (14,063)</u>	<u>\$ (13,514)</u>

	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	\$ 374,994	\$ -	\$ 17,603	\$ -	\$ -	\$ -
Changes of assumptions	-	350,036	-	15,290	-	-
Net difference between projected and actual earnings on pension plan investments	532,080	1,030,204	14,986	29,445	-	13,514
Changes in proportion and differences between City contributions and proportionate share of contributions	71,284	405,146	12,563	14,481	-	-
City contributions subsequent to the measurement date	<u>891,889</u>	<u>-</u>	<u>29,920</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,870,247</u>	<u>\$ 1,785,386</u>	<u>\$ 75,072</u>	<u>\$ 59,216</u>	<u>\$ -</u>	<u>\$ 13,514</u>

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2025**3. - Retirement Plans (continued)**

Actuarial Methods and Assumptions - The total pension liability for CERS and Firemen-Police was determined by applying procedures to the actuarial valuation as of June 30, 2024 and June 30, 2025, respectively. The financial reporting actuarial valuation for CERS as of June 30, 2024, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

- Actuarial Valuation date – June 30, 2023
- 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 – 6.5%
- Inflation – 2.5%
- 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 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023

The financial reporting actuarial valuation for Firemen-Police as of June 30, 2025, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

- Valuation date – June 30, 2025
- 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 – 4.81%, net of pension plan investment expense, including inflation
- The assumed mortality tables have been updated to the gender specific PUB-2010 Amount Weighted Safety Table, generational mortality using MP-2020 mortality improvement projection scale.

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

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

3. - Retirement Plans (continued)

	<u>Asset Class</u>	<u>Non-hazardous & Hazardous</u>	
		<u>Target Allocation</u>	<u>Long-term Expected Nominal Return</u>
Equity		60.00%	
Public Equity		50.00%	4.15%
Private Equity		10.00%	9.10%
Fixed Income		20.00%	
Core Fixed Income		10.00%	2.85%
Specialty Credit		10.00%	3.82%
Cash		0.00%	1.70%
Inflation Protected		20.00%	
Real Estate		7.00%	4.90%
Real Return		13.00%	5.35%

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

	Firemen-Police		
		<u>Target Allocation</u>	<u>Long-term Expected Nominal Return</u>
	<u>Asset Class</u>		
Cash Equivalents		100.00%	4.81%

Discount Rate – The discount rate used to measure the total pension liability for CERS and Firemen-Police was 6.50% and 4.81%, 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 6.50% for CERS and 4.81% 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, 2024 actuarial valuations for CERS

CITY OF HAZARD

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

3. - Retirement Plans (continued)

and June 30, 2025 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 6.50% and the Firemen-Police rate of 4.81%, as well as the City's share, if calculated using a rate 1% higher and 1% lower:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of net non-hazardous pension liability	\$ 9,987,818	\$ 7,747,519	\$ 5,888,662
City's proportionate share of net hazardous pension liability	348,767	270,909	207,342
City's proportionate share of the net Firemen-Police pension liability	\$ 3,236,588	\$ 2,815,183	\$ 2,453,013

There were no payables to the pension plans at June 30, 2025.

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:

CITY OF HAZARDNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2025**4. - OPEB Plans (continued)****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, 2025, the City of Hazard reported a funded asset of \$(224,270) and a liability of \$12,779 for its proportionate share of the collective net CERS non-hazardous and hazardous OPEB liability/(funded asset), respectively. The collective net OPEB liability/(funded asset) was measured as of June 30, 2024, and the total OPEB liability/(funded asset) used to calculate the collective net OPEB liability/(funded asset) was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2025, the City's proportion was .129651% for non-hazardous and .010535% for hazardous. The previous year proportion were .138575% and .010851%, respectively.

The amount recognized by the City as its proportionate share of the OPEB liability/(funded asset) was as follows:

City's proportionate share of the net CERS non-hazardous OPEB liability/(funded OPEB asset)	<u>\$ (224,270)</u>
City's proportionate share of the net CERS hazardous OPEB liability/(funded OPEB asset)	<u>\$ 12,779</u>

CITY OF HAZARD

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

4. - OPEB Plans (continued)

For the year ended June 30, 2025, the City recognized OPEB expense of \$(603,136) and \$(11,399) for non-hazardous and hazardous, respectively. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Non-hazardous		Hazardous	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 124,423	\$ 1,764,567	\$ 3,461	\$ 46,775
Changes of assumptions	203,216	158,247	8,668	11,247
Net difference between projected and actual earnings on plan investments	197,140	401,800	7,611	15,641
Changes in proportion and differences between City contributions and proportionate share of contributions	39,803	184,991	4,606	6,026
City contributions subsequent to the measurement date	-	-	1,738	-
Total	\$ 564,582	\$ 2,509,605	\$ 26,084	\$ 79,689

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

Year	Non-hazardous	Hazardous
	Total	Total
2025	\$ (800,748)	\$ (16,045)
2026	(586,895)	(12,452)
2027	(516,202)	(16,970)
2028	(41,178)	(10,336)
2029	-	459
Thereafter	-	-
	\$ (1,945,023)	\$ (55,344)

CITY OF HAZARDNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2025**4. - OPEB Plans (continued)**

Actuarial assumptions – The total OPEB liability/(funded asset) in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation date – June 30, 2023
- 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 – 6.5%
- Inflation – 2.5%
- 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 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
- Healthcare cost trend rates

Under 65	Initial trend starting at 6.80% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Ages 65 and Older	Initial trend starting at 8.50% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2024 valuation were based on a review of recent plan experience done concurrently with the June 30, 2024 valuation.

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

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

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

4. - OPEB Plans (continued)

<u>Asset Class</u>	<u>Non-hazardous & Hazardous</u>	
	<u>Target Allocation</u>	<u>Long-term Expected Nominal Return</u>
Equity	60.00%	
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income	20.00%	
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected	20.00%	
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%

Discount rate - The discount rate used to measure the total OPEB liability/(funded asset) was 5.99% for non-hazardous and 6.02% 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/(funded asset).

The following table presents the City's proportionate share of the collective net OPEB liability/(funded asset) of the System, calculated using the discount rate of 5.99% and 6.02% for non-hazardous and hazardous, respectively, as well as what the City's proportionate share of the collective net OPEB liability/(funded asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.99% for non-hazardous and 5.02% hazardous) or 1-percentage-point higher (6.99% for non-hazardous and 7.02% for hazardous) than the current rate:

	<u>1% Decrease 4.99%</u>	<u>Current Discount Rate 5.99%</u>	<u>1% Increase 6.99%</u>
City's proportionate share of net non-hazardous OPEB liability/(funded OPEB asset)	\$ 303,239	\$ (224,270)	\$ (667,801)
	<u>1% Decrease 5.02%</u>	<u>Current Discount Rate 6.02%</u>	<u>1% Increase 7.02%</u>
City's proportionate share of net hazardous OPEB liability/(funded OPEB asset)	\$ 35,316	\$ 12,779	\$ (6,054)

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2025**4. - OPEB Plans (continued)**

Sensitivity of the City's proportionate share of the collective net OPEB liability/(funded asset) to changes in the healthcare cost trend rates – The following presents the City's proportionate share of the collective net OPEB liability/(funded asset), as well as what the City's proportionate share of the collective net OPEB liability/(funded asset) 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/(funded OPEB asset)	\$ (539,568)	\$ (224,270)	\$ 143,028
	<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/(funded OPEB asset)	\$ (1,981)	\$ 12,779	\$ 30,031

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

5 - Allowance for Uncollectible Accounts

Allowance for uncollectible accounts receivable in the various funds at June 30, 2025 is as follows:

General Fund	
Property taxes	\$ 144,087
Water Fund	
Water billing	1,631,361
Sewer Fund	
Sewer billing	266,729
Gas Fund	
Gas billing	272,821
Garbage Fund	
Garbage billing	\$ 683,866

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

6. - **Proprietary Funds Fixed Assets**

The following is a summary of property, plant and equipment of the Proprietary Funds at June 30, 2025:

	Public		Hazard				Starland	The	
	Improvement	Water	Pavilion	Gas	Garbage	Sewer	Building	Forum	Total
Land	\$ 821,026	\$ 90,197	\$ -	\$ 19,624	\$ -	\$ 16,605	\$ -	\$ -	\$ 947,452
Construction in progress	-	8,286,216	-	-	-	45,954	-	-	8,332,170
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	52,758,499	821,420	8,755,539	-	8,194,695	12,500	163,892	71,414,831
Equipment and machinery	-	1,588,364	121,530	589,408	604,929	549,480	-	99,647	3,553,358
Office equipment and fixtures	-	25,603	123,994	158,077	46,800	26,269	-	-	380,743
Vehicles	66,000	912,318	-	395,024	196,492	69,856	-	-	1,639,690
	<u>3,905,985</u>	<u>70,477,344</u>	<u>2,760,540</u>	<u>9,917,672</u>	<u>848,221</u>	<u>16,239,281</u>	<u>215,664</u>	<u>7,302,199</u>	<u>111,666,906</u>
Accumulated Depreciation	<u>(2,345,491)</u>	<u>(28,341,179)</u>	<u>(1,772,689)</u>	<u>(5,326,688)</u>	<u>(832,693)</u>	<u>(10,751,080)</u>	<u>(41,869)</u>	<u>(3,992,362)</u>	<u>(53,404,051)</u>
Total	<u>\$ 1,560,494</u>	<u>\$ 42,136,165</u>	<u>\$ 987,851</u>	<u>\$ 4,590,984</u>	<u>\$ 15,528</u>	<u>\$ 5,488,201</u>	<u>\$ 173,795</u>	<u>\$ 3,309,837</u>	<u>\$ 58,262,855</u>

Depreciation was allocated to each fund as follows:

Public Improvement Corp.	\$ 57,090
Water	1,411,236
Pavilion	66,909
Gas	167,536
Garbage	9,363
Sewer	223,016
Starland Building	5,912
Hazard Forum	189,430
Total Depreciation	<u>\$ 2,130,492</u>

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

6. - Proprietary Funds Fixed Assets (continued)

Proprietary fund activity for the fiscal year ended June 30, 2025 was as follows:

<u>Capital assets not being depreciated:</u>	<u>June 30, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2025</u>
Land	\$ 947,452	\$ -	\$ -	\$ 947,452
Construction in progress	4,114,471	6,334,540	(2,116,841)	8,332,170
Total capital assets not being depreciated	5,061,923	6,334,540	(2,116,841)	9,279,622
<u>Capital assets being depreciated:</u>				
Buildings	25,398,662	-	-	25,398,662
Improvements other than buildings	68,862,731	2,552,100	-	71,414,831
Equipment and machinery	3,386,210	167,148	-	3,553,358
Office equipment and fixtures	380,743	-	-	380,743
Vehicles	1,602,205	37,485	-	1,639,690
Total capital assets being depreciated	99,630,551	2,756,733	-	102,387,284
<u>Less accumulated depreciation for:</u>				
Buildings	(18,840,780)	(392,530)	-	(19,233,310)
Improvements other than buildings	(27,787,651)	(1,545,048)	-	(29,332,699)
Equipment and machinery	(2,727,045)	(115,046)	-	(2,842,091)
Office equipment and fixtures	(457,940)	(8,326)	-	(466,266)
Vehicles	(1,460,143)	(69,542)	-	(1,529,685)
Total accumulated depreciation	(51,273,559)	(2,130,492)	-	(53,404,051)
<u>Total capital assets being depreciated, net:</u>	<u>48,356,992</u>	<u>626,241</u>	<u>-</u>	<u>48,983,233</u>
<u>Total proprietary fund fixed assets</u>	<u>\$ 53,418,915</u>	<u>\$ 6,960,781</u>	<u>\$ (2,116,841)</u>	<u>\$ 58,262,855</u>

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

6. - Proprietary Funds Fixed Assets (continued)

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

Buckhorn WTP/KY15-7 Interconnect	\$1,727,239
KY 476 Waterline Replacement	\$1,083,670
Perry County Waterlines 2023 Bipartisan	\$465,172
Liberty Street Tank	\$1,312,777
Lothair	\$881,236
HCTC Tie-In	\$602,679

7. - Governmental Fixed Assets

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

<u>Capital assets not being depreciated:</u>	<u>June 30, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2025</u>
Land	\$ 1,086,409	\$ -	\$ -	\$ 1,086,409
Total capital assets not being depreciated	1,086,409	-	-	1,086,409
<u>Capital assets being depreciated:</u>				
Buildings	3,208,211	-	-	3,208,211
Improvements other than buildings	3,806,943	37,878	-	3,844,821
Equipment and machinery	1,237,276	320,723	-	1,557,999
Office equipment and fixtures	317,907	-	-	317,907
Right to use assets	32,467	-	-	32,467
Vehicles	4,457,213	253,394	(173,540)	4,537,067
Total capital assets being depreciated	13,060,017	611,995	(173,540)	13,498,472
<u>Less accumulated depreciation for:</u>				
Buildings	(2,222,552)	(45,463)	-	(2,268,015)
Improvements other than buildings	(861,703)	(123,109)	-	(984,812)
Equipment and machinery	(729,131)	(100,232)	-	(829,363)
Office equipment and fixtures	(300,121)	(5,151)	-	(305,272)
Right to use assets	(12,986)	(6,493)	-	(19,479)
Vehicles	(3,527,815)	(251,508)	160,782	(3,618,541)
Total accumulated depreciation	(7,654,308)	(531,956)	160,782	(8,025,482)
Total capital assets being depreciated, net:	5,405,709	80,039	(12,758)	5,472,990
Total governmental fund fixed assets	\$ 6,492,118	\$ 80,039	\$ (12,758)	\$ 6,559,399

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

7. - Governmental Fixed Assets (continued)

Depreciation expense was allocated to each function as follows:

General government	\$ 135,797
Police	143,591
Fire	98,831
Public works	138,935
Highway and streets	<u>14,802</u>
<u>Total Depreciation</u>	<u>\$ 531,956</u>

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, 2025:

	Balance			Balance	
	June 30, 2024	Additions	Deductions	June 30, 2025	Current
<u>Governmental activities:</u>					
General obligation bonds	\$ 930,800	\$ -	\$ (17,160)	\$ 913,640	\$ 21,320
Notes from direct borrowing	<u>925,108</u>	<u>205,355</u>	<u>(657,913)</u>	<u>472,550</u>	<u>322,791</u>
Total	<u>1,855,908</u>	<u>205,355</u>	<u>(675,073)</u>	<u>1,386,190</u>	<u>344,111</u>
<u>Proprietary-type activities:</u>					
General obligation bonds	13,104,816	-	(330,822)	12,773,994	370,780
Notes from direct borrowing	<u>2,049,483</u>	<u>231,968</u>	<u>(571,540)</u>	<u>1,709,911</u>	<u>345,914</u>
Total	<u>15,154,299</u>	<u>231,968</u>	<u>(902,362)</u>	<u>14,483,905</u>	<u>716,694</u>
Total	<u>\$ 17,010,207</u>	<u>\$ 437,323</u>	<u>\$ (1,577,435)</u>	<u>\$ 15,870,095</u>	<u>\$ 1,060,805</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.

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

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

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

	Government activities				Proprietary-type activities			
	Bonds		Notes from direct borrowing		Bonds		Notes from direct borrowing	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 21,320	\$ 27,409	\$ 322,791	\$ 7,799	\$ 370,780	\$ 362,341	\$ 345,914	\$ 29,747
2027	25,740	26,770	47,813	4,022	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	33,800	25,116	33,318	1,898	491,900	328,786	121,712	21,806
2030	38,480	25,116	26,374	799	535,504	323,890	124,466	18,992
2031 - 35	264,680	107,679	-	-	3,385,156	1,383,315	553,571	51,301
2036 - 40	413,400	63,578	-	-	4,770,485	846,758	297,515	7,711
2041 - 45	86,840	8,642	-	-	1,545,907	226,919	31,234	163
2046 - 50	-	-	-	-	513,414	59,591	-	-
2051 - 53	-	-	-	-	299,000	9,787	-	-
Total	\$ 913,640	\$ 310,307	\$ 472,550	\$ 17,480	\$ 12,773,994	\$ 4,234,826	\$ 1,709,911	\$ 181,434

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.

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

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

Total interest expense for year ended June 30, 2025 was \$441,052 and \$44,870 for proprietary funds and governmental funds, respectively.

The following is a summary of notes and bond payable transactions for the year ended June 30, 2025 by fund:

Description	Collateral	Rate	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025	Current Portion
- General Fund -							
Peoples Bank and Trust	Revenues	Variable	\$ 194,798	\$ -	\$ (41,402)	\$ 153,396	\$ 30,228
KY Bond Corporation	Revenues	3.00%	930,800	-	(17,160)	913,640	21,320
Kansas State Bank	Vehicles	4.73%	2,293	-	(2,293)	-	-
Whitaker Bank	Revenues	3.29%	531,299	205,355	(531,299)	205,355	205,355
1st Trust Bank	Vehicles	5.75%	156,718	-	(72,919)	83,799	77,208
Housing Development Alliance	Real estate	0.00%	40,000	-	(10,000)	30,000	10,000
<u>Sub-total</u>			<u>1,855,908</u>	<u>205,355</u>	<u>(675,073)</u>	<u>1,386,190</u>	<u>344,111</u>
- Water Fund -							
KY Bond Corporation	Revenue	3.00%	5,531,100	-	(101,970)	5,429,130	126,690
Series 2014A	Revenue	2.125%	1,893,500	-	(48,000)	1,845,500	49,000
Series 2014B	Revenue	2.375%	329,200	-	(7,900)	321,300	8,100
Whitaker Bank	Revenues	3.29%	319,293	183,845	(319,293)	183,845	183,845
KY Bond Corporation	Revenue	Variable	2,537,286	-	(112,773)	2,424,513	115,362
<u>Sub-total</u>			<u>10,610,379</u>	<u>183,845</u>	<u>(589,936)</u>	<u>10,204,288</u>	<u>482,997</u>
- Sewer Fund -							
Kentucky Infrastructure Authority	Revenue	1.75%	692,304	-	(47,866)	644,438	48,708
Whitaker Bank	Revenue	3.29%	137,327	48,123	(137,327)	48,123	48,123
KY Bond Corporation	Revenue	Variable	325,630	-	(14,309)	311,321	14,638
KY Bond Corporation	Revenue	3.00%	724,950	-	(13,365)	711,585	16,605
<u>Sub-total</u>			<u>\$ 1,880,211</u>	<u>\$ 48,123</u>	<u>\$ (212,867)</u>	<u>\$ 1,715,467</u>	<u>\$ 128,074</u>

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

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

<u>Description</u>	<u>Collateral</u>	<u>Rate</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2025</u>	<u>Current</u> <u>Portion</u>
- Forum Fund -							
	Real Estate/ Rent						
Community Trust Bank	Revenues	Variable	\$ 250,501	\$ -	\$ (30,851)	\$ 219,650	\$ 27,466
KY Bond Corporation	Revenue	3.00%	<u>170,050</u>	<u>-</u>	<u>(3,135)</u>	<u>166,915</u>	<u>3,895</u>
	<u>Sub-total</u>		<u>420,551</u>	<u>-</u>	<u>(33,986)</u>	<u>386,565</u>	<u>31,361</u>
- Starland Building -							
Whitaker Bank	Real Estate	3.95%	<u>139,114</u>	<u>-</u>	<u>(6,773)</u>	<u>132,341</u>	<u>8,791</u>
- Hazard Pavilion -							
KY Bond Corporation	Revenues	3.00%	<u>89,500</u>	<u>-</u>	<u>(1,650)</u>	<u>87,850</u>	<u>2,050</u>
- Gas Fund -							
Whitaker Bank	Revenues	3.29%	594	-	(594)	-	-
Kentucky Infrastructure Authority	Revenues	0.50%	510,350	-	(28,836)	481,514	28,981
Kentucky Bond Corporation	Revenues	3.00%	<u>1,503,600</u>	<u>-</u>	<u>(27,720)</u>	<u>1,475,880</u>	<u>34,440</u>
	<u>Sub-total</u>		<u>2,014,544</u>	<u>-</u>	<u>(57,150)</u>	<u>1,957,394</u>	<u>63,421</u>
	<u>Total</u>		<u>\$ 17,010,207</u>	<u>\$ 437,323</u>	<u>\$ (1,577,435)</u>	<u>\$ 15,870,095</u>	<u>\$ 1,060,805</u>

In July 2018, the City entered into a revolving line of credit with Peoples Bank & Trust for \$500,000. The note was collateralized with pledged occupational license taxes and ad valorem property taxes. The proceeds were used to pay the City's general operation expenses and satisfy a prior line of credit. During fiscal year 2020, the loan was refinanced and monthly payments of \$2,943 were started in September 2020, leaving a balance of \$153,396 at June 30, 2025.

In November 2022, the City entered into a line of credit with Whitaker Bank. At June 30, 2025, the balance of the line of credit was \$437,323 and was used to finance cleanup and repairs related to the February 2025 flooding, in anticipation of receipt of FEMA and other possible grant funding.

In July 2023, the City entered into a promissory note with 1st Trust Bank for \$219,991 with a term of three years to purchase five vehicles for the police department.

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

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

The City leases various types of property including land and buildings. Leases receivable consists 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. The balance at June 30, 2025 is \$13,724.

For the fiscal year ended June 30, 2025, the City recognized \$126,179 in lease revenue and \$21,099 in interest revenue, and the outstanding net present value of the lease receivable amount is \$906,756.

Governmental Activities

A summary of changes in lease receivable for the governmental activities for the year ended June 30, 2025 is as follows:

	Balance			Balance	
	<u>June 30, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2025</u>	<u>Current</u>
\$	144,495	\$ -	\$ (33,225)	\$ 111,270	\$ 35,361

At June 30, 2025, the required payments for these leases, including interest, are:

	NPV leases		Total lease
	receivables	Interest	payments
2026	\$ 35,361	\$ 3,807	\$ 39,168
2027	36,801	2,367	39,168
2028	<u>39,108</u>	<u>852</u>	<u>39,960</u>
Total	\$ 111,270	\$ 7,026	\$ 118,296

A summary of changes in lease payable for the governmental activities for the year ended June 30, 2025 is as follows:

	Balance			Balance	
	<u>June 30, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2025</u>	<u>Current</u>
\$	20,186	\$ -	\$ (6,462)	\$ 13,724	\$ 6,725

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 20259. - Leases Receivable/Payable and Lease-Related Deferred Inflows of Resources (continued)

At June 30, 2025, the required payments for these leases, including interest, are:

	NPV leases		Total lease
	payable	Interest	payments
2026	\$ 6,725	\$ 427	\$ 18,874
2027	<u>6,999</u>	<u>153</u>	<u>18,874</u>
Total	\$ 13,724	\$ 580	\$ 37,748

Proprietary Activities

A summary of changes in lease receivable for the proprietary activities for the year ended June 30, 2025 is as follows:

	Balance			Balance	
	<u>June 30, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2025</u>	<u>Current</u>
\$	71,439	\$ -	\$ (71,439)	\$ -	\$ -

Fiduciary Activities

A summary of changes in lease receivable for the fiduciary activities for the year ended June 30, 2025 is as follows:

	Balance			Balance	
	<u>June 30, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2025</u>	<u>Current</u>
\$	817,001	\$ -	\$ (21,515)	\$ 795,486	\$ 10,919

At June 30, 2025, the required payments for these leases, including interest, are:

	NPV leases		Total lease
	receivables	Interest	payments
2026	\$ 10,919	\$ 7,955	\$ 18,874
2027	11,028	7,846	18,874
2028	11,139	7,735	18,874
2029	11,250	7,624	18,874
2030	11,363	7,511	18,874
2031-2035	58,540	35,830	94,370

Continued on next page

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

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

	NPV leases receivables	Interest	Total lease payments
2036-2040	61,526	32,844	94,370
2041-2045	64,666	29,704	94,370
2046-2050	67,962	26,408	94,370
2051-2055	71,430	22,940	94,370
2056-2060	75,073	19,297	94,370
2061-2065	78,903	15,467	94,370
2066-2070	82,928	11,442	94,370
2071-2075	87,157	7,213	94,370
2076-2080	<u>91,602</u>	<u>2,768</u>	<u>94,370</u>
	\$ 795,486	\$ 242,584	\$ 1,038,070

10. - Deferred Inflows and Outflows of Resources

Deferred outflows of resources at June 30, 2025 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Deferred Outflows related to debt	\$ 74,884	\$ 913,336
GASB Statement No. 68 Pension Deferred Outflow	1,242,344	702,975
GASB Statement No. 75 OPEB Deferred Outflow	<u>283,198</u>	<u>307,468</u>
Total	<u>\$ 1,600,426</u>	<u>\$ 1,923,779</u>

Deferred inflows of resources at June 30, 2025 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Deferred Inflows related to debt	\$ 25,883	\$ 310,180
GASB Statement No. 68 Pension Deferred Inflow	1,109,226	735,374
GASB Statement No. 75 OPEB Deferred Inflow	1,493,746	1,095,550
GASB Statement No. 87 Leases Deferred Inflow	<u>111,270</u>	<u>-</u>
Total	<u>\$ 2,740,125</u>	<u>\$ 2,141,104</u>

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

11. – Cash and Investments - Restricted Funds

Certain assets of the City of Hazard are restricted at June 30, 2025 for customers' deposits and debt service. These assets consist of cash and short-term investments restricted as follows:

Water Fund	\$ 2,453,694
Gas Fund	30,162
Sewer Fund	<u>1,003,171</u>
Total	<u>\$ 3,487,027</u>

12. - Cash Flow Statement

For purpose of the cash flow statement cash at June 30, 2025 is as follows:

<u>Proprietary Funds</u>	
Cash - unrestricted	\$ 929,762
<u>Restricted</u>	
Cash	<u>3,487,027</u>
	<u>\$ 4,416,789</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.

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	\$ (421,695)
Water Fund	(2,200,557)
Gas Fund	(491,269)
Sewer Fund	(794,011)
Forum Fund	(308,573)
Public Improvement Corporation	(57,090)
Fire-Police Pension Fund	(435,200)
Municipal Road Aid	(100,434)
Opioid Settlement	\$ (53,775)

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

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

As of June 30, 2025, the following funds had a deficit in fund balance or retained earnings.

Garbage Fund	\$	(223,151)
Fire-Police Pension Fund	\$	(1,087,262)

16. - **Interfund Assets/Liabilities**

Due from/to other funds balances at June 30, 2025 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	\$ -	\$ 83,036
Due to/from Water Fund	-	42,165
Due to/from Gas Fund	-	12,262
Due to/from Garbage Fund	-	2,430
Due to/from Pavilion Fund	-	4,676
Due to/from Sewer Fund	-	12,495
<u>Total Payroll Fund</u>	<u>-</u>	<u>157,064</u>
Disbursement Fund -		
Due to/from General Fund	-	198,211
Due to/from Gas Fund	-	33,767
Due to/from Water Fund	-	107,046
Due to/from Fire-Police Pension Fund	-	287
Due to/from Forum Fund	-	411
Due to/from Garbage Fund	12,735	-
Due to/from Pavilion Fund	48	-
Due to/from Sewer Fund	-	12,902
Due to/from Road Aid Fund	-	62
<u>Total Disbursement Fund</u>	<u>12,783</u>	<u>352,686</u>
General Fund -		
Due to/from Disbursement Fund	198,211	-
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 Payroll Fund	83,036	-
<u>Total General Fund</u>	<u>503,047</u>	<u>136,973</u>
Gas Fund -		
Due to/from Payroll Fund	12,262	-
Due to/from Disbursement Fund	33,767	-
Due to/from General Fund	-	221,800
<u>Total Gas Fund</u>	<u>\$ 46,029</u>	<u>\$ 221,800</u>

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

16. - Interfund Assets/Liabilities (continued)

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Pavilion Fund -		
Due to/from Disbursement Fund	\$ -	\$ 48
Due to/from Payroll Fund	<u>4,676</u>	<u>-</u>
<u>Total Pavilion Fund</u>	<u>4,676</u>	<u>48</u>
Sewer Fund -		
Due to/from Payroll Fund	12,495	-
Due to/from Disbursement Fund	12,902	-
Due to/from Water Fund	<u>202,959</u>	<u>16,375</u>
<u>Total Sewer Fund</u>	<u>228,356</u>	<u>16,375</u>
Garbage Fund -		
Due to/from Disbursement Fund	-	12,735
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>12,735</u>
Water Fund -		
Due to/from Disbursement Fund	107,046	-
Due to/from Sewer Fund	16,375	202,959
Due to/from Payroll Fund	<u>42,165</u>	<u>-</u>
<u>Total Water Fund</u>	<u>165,586</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>
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>\$ 1,101,377</u>	<u>\$ 1,101,377</u>

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 202517. - Interfund Operating Transfers

Individual Fund operating transfers for fiscal year 2025, were as follows:

<u>Fund</u>	<u>Transfer Out</u>	<u>Transfer In</u>
General Fund -		
Transfer to/from Fire and Police Pension Fund	\$ 401,444	\$ -
Transfer to/from Garbage Fund	12,000	-
Transfer to/from Gas Fund	394,000	-
Transfer to/from Pavilion Fund	389,100	-
Transfer to/from Forum	218,600	-
Transfer to/from Payroll Fund	92,711	92,711
Transfer to/from Disbursement Fund	21,709	21,709
Transfer to/from Sewer Fund	780,500	-
Transfer to/from Water Fund	1,251,000	-
Transfer to/from Asset Forfeiture	139,711	135,511
Transfer to/from Fire Dept Fund	-	62,434
Transfer to/from Flood Recovery	-	2,595,098
Transfer to/from Downtown Revitalization Fund	54,200	69,524
Transfer to/from Mayor and Commissioners Special Recreation	-	1,187
Transfer to/from Police & Firemen Special Revenue	-	19,205
<u>Total General Fund</u>	<u>3,754,975</u>	<u>2,997,379</u>
Special Revenue -		
Road Aid Fund		
Transfer to/from LGEA Coal and Mineral Severance	-	73,595
LGEA Coal and Mineral Severance		
Transfer to/from Road Aid Fund	73,595	-
Police & Firemen Special Revenue Fund		
Transfer to/from General Fund	19,205	-
Mayor and Commissioners Special Recreation		
Transfer to/from General Fund	1,187	-
Asset Forfeiture Fund		
Transfer to/from General Fund	\$ 135,511	\$ 139,711

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

17. - Interfund Operating Transfers (continued)

<u>Fund</u>	<u>Transfer Out</u>	<u>Transfer In</u>
Flood Recovery		
Transfer to/from General Fund	\$ 2,595,098	\$ -
Transfer to/from Water Fund	810,018	-
Transfer to/from Gas Fund	157,078	-
Transfer to/from Pavilion Fund	74,683	-
Transfer to/from Sewer Fund	361,922	-
Transfer to/from Garbage Fund	24,297	-
ARPA Fund		
Transfer to/from Water Fund	578,463	-
Downtown Projects Fund		
Transfer to/from General Fund	<u>69,524</u>	<u>54,200</u>
<u>Total Special Revenue Funds</u>	<u>4,900,581</u>	<u>267,506</u>
Capital Projects -		
Fire Department Fund		
Transfer to/from General Fund	<u>62,434</u>	<u>-</u>
<u>Total Capital Projects</u>	<u>62,434</u>	<u>-</u>
Fiduciary Fund Type -		
Fire and Police Pension Fund		
Transfer to/from General Fund	-	401,444
Disbursement Fund		
Transfer to/from General Fund	21,709	21,709
Transfer to/from Water Fund	11,724	11,724
Transfer to/from Gas Fund	3,698	3,698
Transfer to/from Garbage Fund	1,786	1,786
Transfer to/from Sewer Fund	1,413	1,413
Payroll Fund		
Transfer to/from General Fund	92,711	92,711
Transfer to/from Water Fund	32,291	32,291
Transfer to/from Gas Fund	10,133	10,133
Transfer to/from Sewer Fund	<u>12,372</u>	<u>12,372</u>
<u>Total Fiduciary Funds</u>	<u>\$ 187,837</u>	<u>\$ 589,281</u>

CITY OF HAZARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

17. - Interfund Operating Transfers (continued)

<u>Fund</u>	<u>Transfer Out</u>	<u>Transfer In</u>
Proprietary Funds -		
Sewer Fund		
Transfer to/from General Fund	\$ -	\$ 780,500
Transfer to/from Payroll Fund	12,372	12,372
Transfer to/from Disbursement Fund	1,413	1,413
Transfer to/from Water Fund	-	855
Transfer to/from Gas Fund	-	64,000
Transfer to/from Flood Recovery	-	361,922
Water Fund		
Transfer to/from General Fund	-	1,251,000
Transfer to/from Payroll Fund	32,291	32,291
Transfer to/from Disbursement Fund	11,724	11,724
Transfer to/from Garbage Fund	7,468	47,500
Transfer to/from Sewer Fund	855	-
Transfer to/from ARPA Fund	-	578,463
Transfer to/from Flood Recovery	-	810,018
Garbage Fund		
Transfer to/from General Fund	-	12,000
Transfer to/from Water Fund	47,500	7,468
Transfer to/from Flood Recovery	-	24,297
Transfer to/from Gas Fund	5,000	-
Transfer to/from Disbursement Fund	1,786	1,786
Transfer to/from Sewer Fund	64,000	-
Pavilion Fund		
Transfer to/from General Fund	-	389,100
Transfer to/from Flood Recovery	-	74,683
Forum		
Transfer to/from General Fund	-	218,600
Gas fund		
Transfer to/from General Fund	-	394,000
Transfer to/from Garbage Fund	-	5,000
Transfer to/from Payroll Fund	10,133	10,133
Transfer to/from Disbursement Fund	3,698	3,698
Transfer to/from Flood Recovery	-	157,078
<u>Total Proprietary Funds</u>	<u>198,240</u>	<u>5,249,901</u>
<u>Total All Funds</u>	<u>\$ 9,104,067</u>	<u>\$ 9,104,067</u>

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

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2025**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>Rent</u>	<u>Location</u>
KVC Behavioral Healthcare, Inc.	June 30, 2026	\$2,909 per month	The Forum
Commonwealth of Kentucky AML	June 30, 2028	\$16,494 per quarter	The Forum
American National Red Cross	March 31, 2026	\$800 per month	The Forum
Childrens House Montessori	Monthly	\$2,250 per month	Starland Building
		2% of adjusted base	
Drinkard Development, LLC	June 30, 2080	rents	Black Gold Plaza
KCTCS Kentucky Fire Commission	June 30, 2028	\$3,200 per month	65 Gorman Hollow Road
Read Spotted Newt	Monthly	\$350 per month	221 Memorial Drive
Ready Set Play	Monthly	\$750 per month	486 Main Street
Hazard Coffee Company	Monthly	\$750 per month	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, 2025 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. The City intends to commit \$250,000 for future contingencies in its 2026-27 general fund budget.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2025**21. – Commitments, Contingencies and Subsequent Events**

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 a revised agreement with Rumpke of Kentucky, Inc. for a one-year period, awarding franchise and license privileges within the City to provide residential and commercial solid waste collection, transfer and disposal services. The City retains solid waste billing services and receives twenty percent of gross receipts from residential collection and disposal services. The City also receives a monthly franchise fee for commercial customers.

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 Buckhorn. Since the initial announcement and as of report date, grants approved now total \$41,847,245 to complete construction of the new water treatment plant and related transmission line projects. Total cost of \$2,778,338 has been expended as of June 30, 2025. The City expended \$5,187,391 in federal funds on the following water projects as noted in the schedule of federal awards expended during the fiscal year; Buckhorn WTP/KY 15-7 Interconnect, \$1,687,239, Perry County Waterlines Bipartisan, \$323,618, HCTC Tie-In, \$506,219, KY 476, \$895,733, Lothair Waterlines, \$881,236 and Hazard Emergency Tank Replacement, \$893,346.

In July 2022 and February 2025, 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 because of the flooding.

CITY OF HAZARDNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2025**21. – Commitments, Contingencies and Subsequent Events (continued)**

A 3% restaurant tax, intended to promote tourism was implemented on January 1, 2025 after receiving a favorable May 14, 2024 ruling and amended order August 15, 2024 from Franklin Circuit Court. The City collects revenue and remits monthly to Hazard-Perry County Tourism less 5% withheld for administrative fees. On October 3, 2025, the Kentucky Court of Appeals reversed course and ruled that KRS 91A.400 is constitutional, although the statute denies the City the ability to impose a restaurant tax while allowing other cities to do so. On December 30, 2025, the City voted to suspend the 3% restaurant tax pending outcome of an appeal.

Tourism and the City is holding funds in escrow awaiting decisions of appeal filing from the Kentucky Supreme Court as of report date.

22. – Restatement of Beginning Net Position

The beginning net position of the Governmental Activities in the government-wide Statement of Net Position has been restated to correct prior period governmental fixed assets. The Perry Co North Ambulance project was previously included in construction in progress of the governmental fixed assets. The CDBG project was intended to be a pass-through with the Perry County Ambulance Authority, with the Authority receiving the asset upon completion of the project. As of July 1, 2024, the City had transferred the asset to the Ambulance Authority.

	Governmental <u>Activities</u>
Beginning Net Position, July 1, 2024	\$ 3,942,059
Adjustment to correct governmental fixed assets	<u>(1,750,576)</u>
Beginning Net Position, as restated	\$ 2,191,483

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, 2025

	General Fund			
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Budget		
REVENUES:				
Taxes	\$ 2,526,622	\$ 2,526,622	\$ 2,994,034	\$ 467,412
Licenses and permits	4,896,166	4,896,166	5,801,931	905,765
Charges for services	-	-	-	-
Fines and forfeits	121,828	121,828	144,366	22,538
Intergovernmental revenues	275,000	275,000	513,304	238,304
Miscellaneous revenues	76,043	76,043	90,110	14,067
<u>Total revenues</u>	<u>7,895,659</u>	<u>7,895,659</u>	<u>9,543,745</u>	<u>1,648,086</u>
EXPENDITURES:				
<u>Current:</u>				
General government	2,218,581	2,218,581	1,921,205	297,376
Police department	2,072,722	2,072,722	2,293,249	(220,527)
Fire department	1,535,010	1,535,010	1,469,266	65,744
Public works department	1,566,375	1,566,375	1,983,393	(417,018)
Other expenditures	282,200	282,200	23,832	258,368
Capital outlay	-	-	611,995	(611,995)
Debt service				
Principal	220,771	220,771	675,073	(454,302)
Interest	-	-	44,870	(44,870)
<u>Total expenditures</u>	<u>7,895,659</u>	<u>7,895,659</u>	<u>9,022,883</u>	<u>(1,127,224)</u>
Excess of revenues over (under) expenditures	-	-	520,862	520,862
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	2,997,379	2,997,379
Operating transfers (out)	-	-	(3,754,975)	(3,754,975)
Loan proceeds	-	-	205,355	205,355
Other income	-	-	157,798	157,798
<u>Total other financing sources (uses)</u>	<u>-</u>	<u>-</u>	<u>(394,443)</u>	<u>(394,443)</u>
Excess of revenues and other sources over (under) expenditures and other uses	-	-	126,419	126,419
FUND BALANCE, JULY 1	<u>-</u>	<u>-</u>	<u>521,964</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 648,383</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, 2025

	Employer's Proportionate Share of Net Pension Liability														
	2025			2024			2023			2022			2021		
	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	0.129548%	0.010533%	100.00%	0.138581%	0.010859%	100.00%	0.134855%	0.010004%	100.00%	0.135586%	0.010768%	100.00%	0.146936%	0.010953%	100.00%
Employer's proportionate share of the net pension liability	7,747,519	270,909	2,815,183	8,892,062	292,754	3,493,211	9,748,685	305,268	3,730,084	8,644,671	286,661	3,946,379	11,269,870	330,236	5,367,218
Employer's covered employee payroll	4,102,362	78,934	-	4,054,174	76,180	-	3,760,034	65,152	-	3,506,115	64,390	-	3,798,308	63,994	-
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	189%	343%	N/a	219%	384%	N/a	259%	469%	N/a	247%	445%	N/a	297%	516%	N/a
Plan fiduciary net position as a percentage of the total pension liability	61.61%	57.05%	38.22%	57.48%	52.96%	32.37%	52.42%	47.11%	30.06%	57.33%	52.26%	28.04%	47.81%	44.11%	22.07%

	Employer's Contributions														
	2025			2024			2023			2022			2021		
	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	949,253	32,450	435,200	941,307	32,613	338,545	849,475	23,194	357,179	668,399	19,356	423,352	726,406	19,237	455,389
Contributions in relation to the contractually required contribution	949,253	32,450	435,200	941,307	32,613	403,826	849,475	23,194	405,062	668,399	19,356	404,177	726,406	19,237	389,324
Contribution deficiency (excess)	-	-	-	-	-	(65,281)	-	-	(47,883)	-	-	19,175	-	-	66,065
Employer's covered employee payroll	4,524,160	81,995	-	4,102,362	78,934	-	4,054,174	76,180	-	3,760,034	65,152	-	3,506,115	64,390	-
Contributions as a percentage of covered employee payroll	20.98%	39.58%	N/a	22.95%	41.32%	N/a	20.95%	30.45%	N/a	17.78%	29.71%	N/a	20.72%	29.88%	N/a

Ten years of data is 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, 2025

	Employer's Proportionate Share of Net Pension Liability														
	2020			2019			2018			2017			2016		
	<u>CERS</u> <u>Nonhazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>Fire-Police</u> <u>Pension Fund</u>	<u>CERS</u> <u>Nonhazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>Fire-Police</u> <u>Pension Fund</u>	<u>CERS</u> <u>Nonhazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>Fire-Police</u> <u>Pension Fund</u>	<u>CERS</u> <u>Nonhazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>Fire-Police</u> <u>Pension Fund</u>	<u>CERS</u> <u>Nonhazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>Fire-Police</u> <u>Pension Fund</u>
Employer's proportion of the net pension liability	0.137590%	0.010910%	100.00%	0.144256%	0.010544%	100.00%	0.163860%	0.010020%	100.00%	0.176530%	0.010380%	100.00%	0.189850%	0.010900%	100.00%
Employer's proportionate share of the net pension liability	9,676,766	301,366	5,572,552	8,785,630	255,002	5,396,868	9,591,230	224,175	4,602,159	8,691,781	178,044	4,602,159	8,162,517	167,284	4,602,159
Employer's covered employee payroll	3,501,884	62,135	-	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	276%	485%	N/a	245%	434%	N/a	239%	408%	N/a	205%	330%	N/a	183%	300%	N/a
Plan fiduciary net position as a percentage of the total pension liability	50.45%	46.63%	21.25%	53.54%	49.26%	21.43%	53.32%	49.78%	21.11%	55.50%	53.95%	23.20%	59.97%	57.52%	23.20%

	Employer's Contributions														
	2020			2019			2018			2017			2016		
	<u>CERS</u> <u>Nonhazardous</u>	<u>CERS</u> <u>Hazardous</u>	<u>Fire-Police</u> <u>Pension Fund</u>												
Contractually required contribution	562,933	15,453	445,238	517,715	13,040	473,851	556,546	11,941	473,851	501,538	10,969	473,851	566,818	11,777	473,851
Contributions in relation to the contractually required contribution	562,933	15,453	434,010	517,715	13,040	453,161	556,546	11,941	494,269	494,600	10,929	456,087	564,747	11,555	463,334
Contribution deficiency (excess)	-	-	11,228	-	-	20,690	-	-	(20,418)	6,938	40	17,764	2,071	222	10,517
Employer's covered employee payroll	3,798,308	63,994	-	3,501,884	62,135	-	3,584,162	58,738	-	4,020,479	55,002	-	4,244,921	53,943	-
Contributions as a percentage of covered employee payroll	14.82%	24.15%	N/a	14.78%	20.99%	N/a	15.53%	20.33%	N/a	12.30%	19.87%	N/a	13.30%	21.42%	N/a

Ten years of data is presented.

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

CITY OF HAZARD

SCHEDULES OF EMPLOYER'S SHARE OF NET OPEB LIABILITY/(FUNDED ASSET)

For the Year Ended June 30, 2025

	Employer's Proportionate Share of Net OPEB Liability/(Funded Asset)							
	2025		2024		2023		2022	
	CERS Non-hazardous	CERS Hazardous	CERS Non-hazardous	CERS Hazardous	CERS Non-hazardous	CERS Hazardous	CERS Non-hazardous	CERS Hazardous
Employer's proportion of the net OPEB liability/(funded asset)	0.129651%	0.010535%	0.138575%	0.010851%	0.134832%	0.009999%	0.135554%	0.010768%
Employer's proportionate share of the net OPEB liability/(funded asset)	(224,270)	12,779	(191,326)	14,847	2,660,928	85,170	2,595,114	87,066
Employer's covered employee payroll	4,102,362	78,934	4,054,174	76,180	3,760,034	65,152	3,506,115	64,390
Employer's proportionate share of the net pension liability (funded asset) as a percentage of its covered employee payroll	-5%	16%	-5%	19%	71%	131%	74%	135%
Plan fiduciary net position as a percentage of the total pension liability	104.89%	93.53%	104.23%	92.27%	60.95%	64.13%	62.91%	66.81%

	Employer's Contributions							
	2025		2024		2023		2022	
	CERS Non-hazardous	CERS Hazardous	CERS Non-hazardous	CERS Hazardous	CERS Non-hazardous	CERS Hazardous	CERS Non-hazardous	CERS Hazardous
Contractually required contribution	-	2,037	-	5,165	155,501	5,688	164,849	6,130
Contributions in relation to the contractually required contribution	-	2,037	-	5,165	155,501	5,688	164,849	6,130
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Employer's covered employee payroll	4,524,160	81,995	4,102,362	78,934	4,054,174	76,180	3,760,034	65,152
Contributions as a percentage of covered employee payroll	0.00%	2.48%	0.00%	6.54%	3.84%	7.47%	4.38%	9.41%

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/(FUNDED ASSET)
(CONTINUED)

For the Year Ended June 30, 2025

	Employer's Proportionate Share of Net OPEB Liability/(Funded Asset)							
	2021		2020		2019		2018	
	CERS Non-hazardous	CERS Hazardous	CERS Non-hazardous	CERS Hazardous	CERS Non-hazardous	CERS Hazardous	CERS Non-hazardous	CERS Hazardous
Employer's proportion of the net OPEB liability/(funded asset)	0.146897%	0.010950%	0.137640%	0.010908%	0.144254%	0.010545%	0.163860%	0.010020%
Employer's proportionate share of the net OPEB liability/(funded asset)	3,547,116	101,190	2,315,043	80,704	2,561,201	75,182	3,294,146	82,832
Employer's covered employee payroll	3,798,308	63,994	3,501,884	62,135	3,584,162	58,738	4,020,479	55,002
Employer's proportionate share of the net pension liability (funded asset) as a percentage of its covered employee payroll	93%	158%	66%	130%	71%	128%	82%	151%
Plan fiduciary net position as a percentage of the total pension liability	51.67%	58.84%	60.44%	64.44%	57.62%	64.24%	52.39%	58.99%

Employer's Contributions

	2021		2020		2019		2018	
	CERS Non-hazardous	CERS Hazardous	CERS Non-hazardous	CERS Hazardous	CERS Non-hazardous	CERS Hazardous	CERS Non-hazardous	CERS Hazardous
	Contractually required contribution	179,158	6,092	182,667	6,506	168,047	5,492	188,707
Contributions in relation to the contractually required contribution	179,158	6,092	182,667	6,506	168,047	5,492	188,707	5,143
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Employer's covered employee payroll	3,506,115	64,390	3,798,308	63,994	3,501,884	62,135	3,584,162	58,738
Contributions as a percentage of covered employee payroll	5.11%	9.46%	4.81%	10.17%	4.80%	8.84%	5.27%	8.76%

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

Ultimately, ten year of data will be presented.

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

CITY OF HAZARDCOMBINING BALANCE SHEET – OTHER GOVERNMENTAL FUNDSNONMAJOR SPECIAL REVENUE FUNDSJune 30, 2025

	Mayor and Commissioners Special Recreation	Asset Forfeiture Fund	Municipal Road Aid	LGEA Coal and Mineral Severance	Police & Firemen Special Revenue Fund
<u>ASSETS</u>					
Cash	\$ -	\$ 264,697	\$ 78,168	\$ 621,521	\$ 85,257
Receivables - other	-	-	7,490	-	-
Due from other funds	-	737	37,035	-	-
<u>Total assets</u>	<u>-</u>	<u>265,434</u>	<u>122,693</u>	<u>621,521</u>	<u>85,257</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities:</u>					
Accounts payable	-	-	1,250	-	-
Due to other taxing units	-	217,706	-	-	63,087
Due to other funds	-	-	737	-	-
<u>Total liabilities</u>	<u>-</u>	<u>217,706</u>	<u>1,987</u>	<u>-</u>	<u>63,087</u>
<u>Fund balances:</u>					
Unassigned	-	-	-	-	-
Restricted	-	47,728	120,706	621,521	22,170
<u>Total fund balance</u>	<u>-</u>	<u>47,728</u>	<u>120,706</u>	<u>621,521</u>	<u>22,170</u>
<u>Total liabilities and fund balances</u>	<u>\$ -</u>	<u>\$ 265,434</u>	<u>\$ 122,693</u>	<u>\$ 621,521</u>	<u>\$ 85,257</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING BALANCE SHEET – OTHER GOVERNMENTAL FUNDSNONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)June 30, 2025

	Hazard Flood Inundation Mapping Project	ARPA Fund	Opioid Settlement	Downtown Revitalization	Total
<u>ASSETS</u>					
Cash	\$ 4,475	\$ 297,206	\$ 57,628	\$ 50,383	\$ 1,459,335
Receivables - other	-	-	-	-	7,490
Due from other funds	-	-	-	-	37,772
<u>Total assets</u>	<u>4,475</u>	<u>297,206</u>	<u>57,628</u>	<u>50,383</u>	<u>1,504,597</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities:</u>					
Accounts payable	-	-	-	-	1,250
Due to other taxing units	-	-	-	-	280,793
Due to other funds	-	-	-	-	737
<u>Total liabilities</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>282,780</u>
<u>Fund balances:</u>					
Unassigned	-	-	-	-	-
Restricted	4,475	297,206	57,628	50,383	1,221,817
<u>Total fund balance</u>	<u>4,475</u>	<u>297,206</u>	<u>57,628</u>	<u>50,383</u>	<u>1,221,817</u>
<u>Total liabilities and fund balances</u>	<u>\$ 4,475</u>	<u>\$ 297,206</u>	<u>\$ 57,628</u>	<u>\$ 50,383</u>	<u>\$ 1,504,597</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

For the Year Ended June 30, 2025

	Mayor and Commissioners Special Recreation	Asset Forfeiture Fund	Municipal Road Aid	LGEA Coal and Mineral Severance	Police & Firemen Special Revenue Fund
<u>REVENUES:</u>					
Intergovernmental	\$ -	\$ 10,971	\$ 136,533	\$ 137,697	\$ -
Other revenues	396	-	-	-	7,541
<u>Total revenues</u>	<u>396</u>	<u>10,971</u>	<u>136,533</u>	<u>137,697</u>	<u>7,541</u>
<u>EXPENDITURES:</u>					
Highway and streets	-	-	236,967	-	-
Capital outlay	-	-	-	-	-
Other expenditures	-	1,200	-	-	6
<u>Total expenditures</u>	<u>-</u>	<u>1,200</u>	<u>236,967</u>	<u>-</u>	<u>6</u>
Excess of revenues <u>(over) under expenditures</u>	<u>396</u>	<u>9,771</u>	<u>(100,434)</u>	<u>137,697</u>	<u>7,535</u>
<u>OTHER FINANCING SOURCES (USES):</u>					
Other transfers in	-	139,711	73,595	-	-
Other transfers (out)	(1,187)	(135,511)	-	(73,595)	(19,205)
Other income	1	-	1,006	593	14
<u>Total other financial sources (uses)</u>	<u>(1,186)</u>	<u>4,200</u>	<u>74,601</u>	<u>(73,002)</u>	<u>(19,191)</u>
Excess of revenues and other sources <u>over (under) expenditures and other sources</u>	<u>(790)</u>	<u>13,971</u>	<u>(25,833)</u>	<u>64,695</u>	<u>(11,656)</u>
<u>FUND BALANCE - JULY 1</u>	<u>790</u>	<u>33,757</u>	<u>146,539</u>	<u>556,826</u>	<u>33,826</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ -</u>	<u>\$ 47,728</u>	<u>\$ 120,706</u>	<u>\$ 621,521</u>	<u>\$ 22,170</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, 2025

	Hazard Flood Inundation Mapping Project	ARPA Fund	Opioid Settlement	Downtown Revitalization	Total
<u>REVENUES:</u>					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 285,201
Other revenues	-	-	57,265	74,306	139,508
<u>Total revenues</u>	<u>-</u>	<u>-</u>	<u>57,265</u>	<u>74,306</u>	<u>424,709</u>
<u>EXPENDITURES:</u>					
Highway and streets	-	-	-	-	236,967
Capital outlay	-	-	-	-	-
Other expenditures	-	-	111,040	50,710	162,956
<u>Total expenditures</u>	<u>-</u>	<u>-</u>	<u>111,040</u>	<u>50,710</u>	<u>399,923</u>
Excess of revenues <u>(over) under expenditures</u>	<u>-</u>	<u>-</u>	<u>(53,775)</u>	<u>23,596</u>	<u>24,786</u>
<u>OTHER FINANCING SOURCES (USES):</u>					
Other transfers in	-	-	-	54,200	267,506
Other transfers (out)	-	(578,463)	-	(69,524)	(877,485)
Other income	5	1,055	-	31	2,705
<u>Total other financial sources (uses)</u>	<u>5</u>	<u>(577,408)</u>	<u>-</u>	<u>(15,293)</u>	<u>(607,274)</u>
Excess of revenues and other sources <u>over (under) expenditures and other sources</u>	<u>5</u>	<u>(577,408)</u>	<u>(53,775)</u>	<u>8,303</u>	<u>(582,488)</u>
<u>FUND BALANCE - JULY 1</u>	<u>4,470</u>	<u>874,614</u>	<u>111,403</u>	<u>42,080</u>	<u>1,804,305</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 4,475</u>	<u>\$ 297,206</u>	<u>\$ 57,628</u>	<u>\$ 50,383</u>	<u>\$ 1,221,817</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING BALANCE SHEET – OTHER GOVERNMENTAL FUNDS
NONMAJOR CAPITAL PROJECTSJune 30, 2025

	<u>Fire Department Fund</u>	<u>Trane Project Fund</u>	<u>Perry Co North Ambulance</u>	<u>Totals</u>
<u>ASSETS</u>				
Cash	\$ 123,068	\$ 42	\$ -	\$ 123,110
Grants receivable	-	-	-	-
<u>Total assets</u>	<u>123,068</u>	<u>42</u>	<u>-</u>	<u>123,110</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities:</u>				
Accounts payable	-	-	-	-
Due to other funds	-	-	-	-
<u>Total liabilities</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 <u>Fund Equity</u>				
<u>Fund balance:</u>				
Unassigned	-	-	-	-
Restricted	123,068	42	-	123,110
<u>Total fund equity</u>	<u>123,068</u>	<u>42</u>	<u>-</u>	<u>123,110</u>
 <u>Total liabilities and fund equity</u>	 <u>\$ 123,068</u>	 <u>\$ 42</u>	 <u>\$ -</u>	 <u>\$ 123,110</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, 2025

	<u>Fire Department Fund</u>	<u>Trane Project Fund</u>	<u>Perry Co North Ambulance</u>	<u>Totals</u>
<u>REVENUES:</u>				
Intergovernmental revenues	\$ 46,564	\$ -	\$ 38,424	\$ 84,988
Other revenues	<u>22,140</u>	<u>-</u>	<u>-</u>	<u>22,140</u>
<u>Total revenues</u>	<u>68,704</u>	<u>-</u>	<u>38,424</u>	<u>107,128</u>
<u>EXPENDITURES:</u>				
Capital outlay	<u>-</u>	<u>-</u>	<u>38,424</u>	<u>38,424</u>
Excess of revenues over (under) <u>expenditures</u>	<u>68,704</u>	<u>-</u>	<u>-</u>	<u>68,704</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers in (out)	(62,434)	-	-	(62,434)
Other income (loss)	<u>-</u>	<u>(36,993)</u>	<u>-</u>	<u>(36,993)</u>
<u>Total other financing sources (uses)</u>	<u>(62,434)</u>	<u>(36,993)</u>	<u>-</u>	<u>(99,427)</u>
Excess of revenues and other sources over (under) expenditures and other uses	6,270	(36,993)	-	(30,723)
<u>FUND BALANCE, JULY 1</u>	<u>116,798</u>	<u>37,035</u>	<u>-</u>	<u>153,833</u>
<u>FUND BALANCE, JUNE 30</u>	<u>\$ 123,068</u>	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ 123,110</u>

See independent auditor's report.

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CITY OF HAZARDCOMBINING STATEMENT OF NET POSITION – NONMAJOR PROPRIETARY FUNDSJune 30, 2025

Assets:	<u>Public Improvement Corporation</u>	<u>The Hazard Forum</u>	<u>Hazard Pavilion</u>
- Current Assets -			
Cash and cash equivalents	\$ -	\$ 3,610	\$ 17,769
Receivables, net of allowances:			
Fees and services	-	-	-
Due from other funds	-	411	4,676
Other	-	-	-
Prepaid expenses	-	616	1,128
Inventories of supplies, at cost	-	-	3,932
<u>Total current assets</u>	<u>-</u>	<u>4,637</u>	<u>27,505</u>
- Noncurrent Assets -			
Capital assets	3,905,985	7,302,199	2,760,540
Less: accumulated depreciation	<u>(2,345,491)</u>	<u>(3,992,362)</u>	<u>(1,772,689)</u>
<u>Total noncurrent assets</u>	<u>1,560,494</u>	<u>3,309,837</u>	<u>987,851</u>
Deferred Outflows of Resources:			
Deferred outflows - pension/OPEB resources	-	-	108,565
Funded OPEB asset	-	-	-
Deferred outflows - debt related	-	13,681	7,200
<u>Total deferred outflows of resources</u>	<u>-</u>	<u>13,681</u>	<u>115,765</u>
Total assets and deferred outflows of <u>resources</u>	<u>\$ 1,560,494</u>	<u>\$ 3,328,155</u>	<u>\$ 1,131,121</u>

See independent auditor's report.

CITY OF HAZARD

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

June 30, 2025

Assets:	<u>Garbage</u>	<u>Starland Building</u>	<u>Totals</u>
- Current Assets -			
Cash and cash equivalents	\$ 165,106	\$ 73,158	\$ 259,643
Receivables, net of allowances:			
Fees and services	121,296	-	121,296
Due from other funds	102,430	-	107,517
Other	29,443	-	29,443
Prepaid expenses	5,762	-	7,506
Inventories of supplies, at cost	1,083	-	5,015
<u>Total current assets</u>	<u>425,120</u>	<u>73,158</u>	<u>530,420</u>
- Noncurrent Assets -			
Capital assets	848,221	215,664	15,032,609
Less: accumulated depreciation	<u>(832,693)</u>	<u>(41,869)</u>	<u>(8,985,104)</u>
<u>Total noncurrent assets</u>	<u>15,528</u>	<u>173,795</u>	<u>6,047,505</u>
Deferred Outflows of Resources:			
Deferred outflows - pension/OPEB resources	142,058	-	250,623
Funded OPEB asset	65,829	-	65,829
Deferred outflows - debt related	-	-	20,881
<u>Total deferred outflows of resources</u>	<u>207,887</u>	<u>-</u>	<u>337,333</u>
Total assets and deferred outflows of <u>resources</u>	<u>\$ 648,535</u>	<u>\$ 246,953</u>	<u>\$ 6,915,258</u>

See independent auditor's report.

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CITY OF HAZARD

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

June 30, 2025

Liabilities:	<u>Public</u> <u>Improvement</u> <u>Corporation</u>	<u>The</u> <u>Hazard</u> <u>Forum</u>	<u>Hazard</u> <u>Pavilion</u>
- Current Liabilities -			
Accounts payable	\$ -	\$ 8,959	\$ 5,952
Accrued wages	-	-	10,217
Accrued compensation payable	-	-	7,896
Due to other funds	-	-	48
Current portion of long-term debt	-	31,361	2,050
<u>Total current liabilities</u>	<u>-</u>	<u>40,320</u>	<u>26,163</u>
- Noncurrent Liabilities -			
Notes payable	-	192,184	-
Revenue bonds payable	-	163,020	85,800
Net pension/OPEB liability	-	-	458,673
<u>Total noncurrent liabilities</u>	<u>-</u>	<u>355,204</u>	<u>544,473</u>
<u>Total liabilities</u>	<u>-</u>	<u>395,524</u>	<u>570,636</u>
Deferred Inflows of Resources:			
Deferred inflows - pension/OPEB related	-	-	208,564
Deferred inflows - debt related	-	4,729	2,489
Total deferred inflows of resources	<u>-</u>	<u>4,729</u>	<u>211,053</u>
Net Position:			
Net investment in capital assets	1,560,494	3,086,292	900,001
Restricted	-	-	-
Unrestricted (deficit)	-	(158,390)	(550,569)
<u>Total net position</u>	<u>1,560,494</u>	<u>2,927,902</u>	<u>349,432</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,560,494</u>	<u>\$ 3,328,155</u>	<u>\$ 1,131,121</u>

See independent auditor's report.

CITY OF HAZARD

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

June 30, 2025

Liabilities:	<u>Garbage</u>	<u>Starland Building</u>	<u>Totals</u>
- Current Liabilities -			
Accounts payable	\$ 56,174	\$ -	\$ 71,085
Accrued wages	4,297	-	14,514
Accrued compensation payable	5,960	-	13,856
Due to other funds	12,735	-	12,783
Current portion of long-term debt	-	8,791	42,202
<u>Total current liabilities</u>	<u>79,166</u>	<u>8,791</u>	<u>154,440</u>
- Noncurrent Liabilities -			
Notes payable	-	123,550	315,734
Revenue bonds payable	-	-	248,820
Net pension/OPEB liability	653,878	-	1,112,551
<u>Total noncurrent liabilities</u>	<u>653,878</u>	<u>123,550</u>	<u>1,677,105</u>
<u>Total liabilities</u>	<u>733,044</u>	<u>132,341</u>	<u>1,831,545</u>
Deferred Inflows of Resources:			
Deferred inflows - pension/OPEB related	138,642	-	347,206
Deferred inflows - debt related	-	-	7,218
<u>Total deferred inflows of resources</u>	<u>138,642</u>	<u>-</u>	<u>354,424</u>
Net Position:			
Net investment in capital assets	15,528	41,454	5,603,769
Restricted	-	-	-
Unrestricted (deficit)	(238,679)	73,158	(874,480)
<u>Total net position</u>	<u>(223,151)</u>	<u>114,612</u>	<u>4,729,289</u>
<u>Total liabilities, deferred inflows of resources and net position</u>	<u>\$ 648,535</u>	<u>\$ 246,953</u>	<u>\$ 6,915,258</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, 2025

	Public Improvement <u>Corporation</u>	The Hazard <u>Forum</u>	Hazard <u>Pavilion</u>
Operating revenues:			
Charges for services	\$ -	\$ 107,852	\$ 48,467
Other	-	-	-
<u>Total operating revenues</u>	<u>-</u>	<u>107,852</u>	<u>48,467</u>
Operating expenses:			
Salaries and wages	-	-	304,546
Contract services	-	164,373	66,653
Materials and supplies	-	62,622	32,054
Depreciation	57,090	189,430	66,909
Other operating expenses	-	-	-
<u>Total operating expenses</u>	<u>57,090</u>	<u>416,425</u>	<u>470,162</u>
<u>Operating income (loss)</u>	<u>(57,090)</u>	<u>(308,573)</u>	<u>(421,695)</u>
Non-operating revenues (expenses):			
Interest income	-	1,741	-
Interest expense	-	(19,598)	(2,892)
Net Employee pension/OPEB gain (loss)	-	-	38,664
Other income/(loss)	-	-	-
<u>Total non-operating revenues (expenses)</u>	<u>-</u>	<u>(17,857)</u>	<u>35,772</u>
<u>Net income (loss) before operating transfer</u>	<u>(57,090)</u>	<u>(326,430)</u>	<u>(385,923)</u>
<u>Operating transfers in (out)</u>	<u>-</u>	<u>218,600</u>	<u>463,783</u>
<u>Net income (loss)</u>	<u>(57,090)</u>	<u>(107,830)</u>	<u>77,860</u>
<u>Net Position - Beginning</u>	<u>1,617,584</u>	<u>3,035,732</u>	<u>271,572</u>
<u>Contributed capital</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Net Position - Ending</u>	<u>\$ 1,560,494</u>	<u>\$ 2,927,902</u>	<u>\$ 349,432</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, 2025

	<u>Garbage</u>	<u>Starland Building</u>	<u>Totals</u>
Operating revenues:			
Charges for services	\$ 580,456	\$ 27,000	\$ 763,775
Other	<u>2,979</u>	<u>-</u>	<u>2,979</u>
<u>Total operating revenues</u>	<u>583,435</u>	<u>27,000</u>	<u>766,754</u>
Operating expenses:			
Salaries and wages	109,640	-	414,186
Contract services	400,306	-	631,332
Materials and supplies	6,025	5,404	106,105
Depreciation	9,363	5,912	328,704
Other operating expenses	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total operating expenses</u>	<u>525,334</u>	<u>11,316</u>	<u>1,480,327</u>
<u>Operating income (loss)</u>	<u>58,101</u>	<u>15,684</u>	<u>(713,573)</u>
Non-operating revenues (expenses):			
Interest income	227	73	2,041
Interest expense	-	(11,526)	(34,016)
Net Employee pension/OPEB gain (loss)	18,506	-	57,170
Other income/(loss)	<u>114,551</u>	<u>-</u>	<u>114,551</u>
<u>Total non-operating revenues (expenses)</u>	<u>133,284</u>	<u>(11,453)</u>	<u>139,746</u>
<u>Net income (loss) before operating transfer</u>	191,385	4,231	(573,827)
<u>Operating transfers in (out)</u>	<u>(72,735)</u>	<u>-</u>	<u>609,648</u>
<u>Net income (loss)</u>	118,650	4,231	35,821
<u>Net Position - Beginning</u>	<u>(341,801)</u>	<u>110,381</u>	<u>4,693,468</u>
<u>Contributed capital</u>	-	-	-
<u>Net Position - Ending</u>	<u>\$ (223,151)</u>	<u>\$ 114,612</u>	<u>\$ 4,729,289</u>

See independent auditor's report.

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CITY OF HAZARD

COMBINING STATEMENT OF CASH FLOWS –
NONMAJOR PROPRIETARY FUNDS

For the Year Ended June 30, 2025

	<u>Public Improvement Corporation</u>	<u>The Hazard Forum</u>	<u>Hazard Pavilion</u>
Cash flows from operating activities:			
Cash received from:			
Charges for services	\$ -	\$ 107,852	\$ 48,467
Other operating revenue	-	-	-
Cash paid to/for:			
Employees	-	-	(299,697)
Supplies/contractual	-	(222,678)	(99,233)
Other operating expenses	-	-	-
<u>Net cash provided/(used) by operating activities</u>	<u>-</u>	<u>(114,826)</u>	<u>(350,463)</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	-	(48,550)	(94,850)
Principal paid on notes and bonds	-	(33,986)	(1,650)
Interest paid on notes and bonds	-	(19,598)	(2,892)
Nonoperating - income	-	-	-
<u>Net cash provided (used) for capital and related financing</u>	<u>-</u>	<u>(102,134)</u>	<u>(99,392)</u>
Cash flows from non-capital financing activities:			
Operating transfers - in (out)	<u>-</u>	<u>218,600</u>	<u>463,783</u>
Cash flows from investing activities:			
Interest income	<u>-</u>	<u>1,741</u>	<u>-</u>
<u>Net cash provided (used) for investing activities</u>	<u>-</u>	<u>1,741</u>	<u>-</u>
Net increase (decrease) in cash	-	3,381	13,928
Cash, beginning of year	<u>-</u>	<u>229</u>	<u>3,841</u>
Cash, end of year	<u>-</u>	<u>3,610</u>	<u>17,769</u>
Reconciliation of operating income (loss) to net cash provided (used) by operations:			
Operating income (loss)	(57,090)	(308,573)	(421,695)
Adjustment to reconcile operating income to cash provided (used) by operating activities:			
Depreciation	57,090	189,430	66,909
Changes in current assets/liabilities:			
Accounts receivable	-	-	-
Prepaid expenses	-	(41)	(74)
Leases receivable	-	71,439	-
Accounts payable	-	4,247	(511)
Accrued wages	-	-	(19)
Accrued compensation payable	-	-	4,868
Due to other funds	-	-	-
Deferred outflows - debt related	-	389	205
Deferred inflows - lease related	-	(71,439)	-
Deferred inflows - debt related	-	(278)	(146)
<u>Net cash provided (used) by operating activities</u>	<u>\$ -</u>	<u>\$ (114,826)</u>	<u>\$ (350,463)</u>

See independent auditor's report.

CITY OF HAZARD

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

For the Year Ended June 30, 2025

	<u>Garbage</u>	<u>Starland Building</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from:			
Charges for services	\$ 576,485	\$ 27,000	\$ 759,804
Other operating revenue	2,979	-	2,979
Cash paid to/for:			
Employees	(104,343)	-	(404,040)
Supplies/contractual	(389,520)	(5,404)	(716,835)
Other operating expenses	-	-	-
<u>Net cash provided/(used) by operating activities</u>	<u>85,601</u>	<u>21,596</u>	<u>(358,092)</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	-	-	(143,400)
Principal paid on notes and bonds	-	(6,773)	(42,409)
Interest paid on notes and bonds	-	(11,526)	(34,016)
Nonoperating - income	114,551	-	114,551
<u>Net cash provided (used) for capital and related financing</u>	<u>114,551</u>	<u>(18,299)</u>	<u>(105,274)</u>
Cash flows from non-capital financing activities:			
Operating transfers - in (out)	(72,735)	-	609,648
Cash flows from investing activities:			
Interest income	227	73	2,041
<u>Net cash provided (used) for investing activities</u>	<u>227</u>	<u>73</u>	<u>2,041</u>
Net increase (decrease) in cash	127,644	3,370	148,323
Cash, beginning of year	<u>37,462</u>	<u>69,788</u>	<u>111,320</u>
Cash, end of year	<u><u>165,106</u></u>	<u><u>73,158</u></u>	<u><u>259,643</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operations:			
Operating income (loss)	58,101	15,684	(713,573)
Adjustment to reconcile operating income to cash provided (used) by operating activities:			
Depreciation	9,363	5,912	328,704
Changes in current assets/liabilities:			
Accounts receivable	(3,971)	-	(3,971)
Prepaid expenses	(289)	-	(404)
Leases receivable	-	-	71,439
Accounts payable	18,886	-	22,622
Accrued wages	1,297	-	1,278
Accrued compensation payable	4,000	-	8,868
Due to other funds	(1,786)	-	(1,786)
Deferred outflows - debt related	-	-	594
Deferred inflows - lease related	-	-	(71,439)
Deferred inflows - debt related	-	-	(424)
<u>Net cash provided (used) by operating activities</u>	<u>\$ 85,601</u>	<u>\$ 21,596</u>	<u>\$ (358,092)</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING STATEMENT OF NET POSITION – ALL FIDUCIARY TYPE FUNDSJune 30, 2025

Assets:	Fire-Police Pension Fund	Jacklot Hollow Development Trust
Restricted Assets:		
Cash and cash equivalents	\$ 7	\$ 158,687
Investments	1,737,590	-
Lease receivables	-	795,486
Other receivables	3,551	7,955
Due from other funds	287	-
<u>Total assets</u>	<u>1,741,435</u>	<u>962,128</u>
Deferred Outflows of Resources:		
Deferred outflows - pension/OPEB resources	-	-
<u>Total assets and deferred outflows of resources</u>	<u>1,741,435</u>	<u>962,128</u>
Liabilities:		
Due to other funds	-	-
Net pension liability	2,815,183	-
<u>Total liabilities</u>	<u>2,815,183</u>	<u>-</u>
Deferred Inflows of Resources:		
Deferred outflows - pension/OPEB resources	13,514	-
Deferred inflows - lease related	-	795,486
<u>Total assets and deferred inflows of resources</u>	<u>13,514</u>	<u>795,486</u>
Net Position:		
Designated for employee retirement	(1,087,262)	-
Designated for a specific purpose	-	166,642
<u>Total net position</u>	<u>(1,087,262)</u>	<u>166,642</u>
<u>Total liabilities, deferred inflows of resources and net position</u>	<u>\$ 1,741,435</u>	<u>\$ 962,128</u>

See independent auditor's report.

CITY OF HAZARD

COMBINING STATEMENT OF NET POSITION – ALL FIDUCIARY TYPE FUNDS (CONTINUED)

June 30, 2025

Assets:	Disbursement <u>Fund</u>	Payroll <u>Fund</u>	<u>Total</u>
Restricted Assets:			
Cash and cash equivalents	\$ 339,903	\$ 157,064	\$ 655,661
Investments	-	-	1,737,590
Lease receivables	-	-	795,486
Other receivables	-	-	11,506
Due from other funds	12,783	-	13,070
<u>Total assets</u>	<u>352,686</u>	<u>157,064</u>	<u>3,213,313</u>
Deferred Outflows of Resources:			
Deferred outflows - pension/OPEB resources	-	-	-
<u>Total assets and deferred outflows of resources</u>	<u>352,686</u>	<u>157,064</u>	<u>3,213,313</u>
Liabilities:			
Due to other funds	352,686	157,064	509,750
Net pension liability	-	-	2,815,183
<u>Total liabilities</u>	<u>352,686</u>	<u>157,064</u>	<u>3,324,933</u>
Deferred Outflows of Resources:			
Deferred outflows - pension/OPEB resources	-	-	13,514
Deferred outflows - pension/OPEB resources	-	-	795,486
	-	-	809,000
Net Position:			
Designated for employee retirement	-	-	(1,087,262)
Designated for a specific purpose	-	-	166,642
<u>Total net position</u>	<u>-</u>	<u>-</u>	<u>(920,620)</u>
	<u>\$ 352,686</u>	<u>\$ 157,064</u>	<u>\$ 3,213,313</u>

See independent auditor's report.

CITY OF HAZARDCOMBINING STATEMENT OF CHANGES IN NET POSITION –
TRUST FUNDSFor the Year Ended June 30, 2025

	<u>Fire-Police Pension Fund</u>	<u>Jacklot Hollow Development Trust</u>	<u>Total</u>
<u>OPERATING REVENUES:</u>			
Miscellaneous	\$ -	\$ 21,515	\$ 21,515
<u>Total operating revenues</u>	<u>-</u>	<u>21,515</u>	<u>21,515</u>
<u>OPERATING EXPENSES:</u>			
Pension	435,200	-	435,200
<u>Total operating expenses</u>	<u>435,200</u>	<u>-</u>	<u>435,200</u>
<u>Operating income (loss)</u>	<u>(435,200)</u>	<u>21,515</u>	<u>(413,685)</u>
<u>NON-OPERATING REVENUES (EXPENSES):</u>			
Interest income	102,927	8,042	110,969
Net Employee pension/OPEB gain (loss)	637,764	-	637,764
Transfers in (out)	401,444	-	401,444
<u>Total non-operating revenues (expenses)</u>	<u>1,142,135</u>	<u>8,042</u>	<u>1,150,177</u>
<u>Net income (loss)</u>	<u>706,935</u>	<u>29,557</u>	<u>736,492</u>
<u>NET POSITION - JULY 1</u>	<u>(1,794,197)</u>	<u>137,085</u>	<u>(1,657,112)</u>
<u>NET POSITION - JUNE 30</u>	<u>\$ (1,087,262)</u>	<u>\$ 166,642</u>	<u>\$ (920,620)</u>

See independent auditor's report.

CITY OF HAZARDCOMPARATIVE STATEMENT OF NET POSITION -
WATER FUNDJune 30, 2025 and 2024

Assets:	<u>June 30, 2025</u>	<u>June 30, 2024</u>
- Current Assets -		
Cash and cash equivalents	\$ 135,516	\$ 45,432
Receivables, net of allowances:		
Fees and services	1,106,682	1,060,973
Due from other funds	165,586	186,154
Other	543,538	645,986
Prepaid expenses	10,408	9,815
Inventories of supplies, at cost	<u>90,647</u>	<u>90,647</u>
<u>Total current assets</u>	<u>2,052,377</u>	<u>2,039,007</u>
-Restricted Assets -		
Cash	<u>2,453,694</u>	<u>2,266,172</u>
- Noncurrent Assets -		
Capital assets	70,477,344	63,918,425
Less: accumulated depreciation	<u>(28,341,179)</u>	<u>(26,929,943)</u>
<u>Total noncurrent assets</u>	<u>42,136,165</u>	<u>36,988,482</u>
Deferred Outflows of Resources:		
Deferred outflows - pension resources/OPEB	475,429	749,595
Funded OPEB asset	97,991	-
Deferred outflows - debt related	<u>695,102</u>	<u>715,012</u>
<u>Total deferred outflows of resources</u>	<u>1,268,522</u>	<u>1,464,607</u>
<u>Total assets and deferred outflows of resources</u>	<u>\$ 47,910,758</u>	<u>\$ 42,758,268</u>

See independent auditor's report.

CITY OF HAZARD

COMPARATIVE STATEMENT OF NET POSITION -
WATER FUND (CONTINUED)

June 30, 2025 and 2024

Liabilities :	<u>June 30, 2025</u>	<u>June 30, 2024</u>
- Current Liabilities -		
Accounts payable	\$ 781,472	\$ 845,367
Accrued interest payable	23,115	23,725
Accrued wages	56,316	47,279
Accrued compensation payable	26,178	18,095
Due to other funds	202,959	202,959
Current portion of long-term debt	482,997	589,937
<u>Total current liabilities</u>	<u>1,573,037</u>	<u>1,727,362</u>
- Noncurrent Liabilities -		
Due to other taxing units	35,665	34,617
Revenue bonds payable	9,721,291	10,020,442
Net pension/OPEB liability	1,432,046	1,581,960
<u>Total noncurrent liabilities</u>	<u>11,189,002</u>	<u>11,637,019</u>
- Other Liabilities -		
Deposits	627,324	677,234
<u>Total liabilities</u>	<u>13,389,363</u>	<u>14,041,615</u>
Deferred Inflows of Resources:		
Deferred inflows - pension/OPEB related	852,476	1,111,304
Deferred inflows - debt related	231,562	244,386
<u>Total deferred inflows of resources</u>	<u>1,084,038</u>	<u>1,355,690</u>
Net Position:		
Net investment in capital assets	31,353,414	26,378,103
Restricted	2,453,694	2,266,172
Unrestricted (deficit)	(369,751)	(1,283,312)
<u>Total net position</u>	<u>33,437,357</u>	<u>27,360,963</u>
Total liabilities, deferred inflows of resources and <u>net position</u>	<u>\$ 47,910,758</u>	<u>\$ 42,758,268</u>

See independent auditor's report.

CITY OF HAZARD

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

For the Years Ended June 30, 2025 and 2024

	<u>Year Ended</u>	
	<u>2025</u>	<u>2024</u>
Operating revenues:		
Charges for services	\$ 5,442,070	\$ 5,361,710
Other	56,171	66,973
<u>Total operating revenues</u>	<u>5,498,241</u>	<u>5,428,683</u>
Operating expenses:		
Salaries and wages	1,657,388	1,093,654
Contract services	1,988,656	1,956,346
Materials and supplies	2,641,518	2,674,057
Depreciation	1,411,236	1,397,231
Other operating expenses	-	5,804
<u>Total operating expenses</u>	<u>7,698,798</u>	<u>7,127,092</u>
<u>Operating income (loss)</u>	<u>(2,200,557)</u>	<u>(1,698,409)</u>
Non-operating revenues (expenses):		
Interest income	11,225	8,280
Interest expense	(306,698)	(334,140)
Net employee pension/OPEB gain (loss)	232,568	-
Other income/(loss)	16,915	7,831
<u>Total non-operating revenues (expenses)</u>	<u>(45,990)</u>	<u>(318,029)</u>
<u>Net income (loss) before operating transfers</u>	<u>(2,246,547)</u>	<u>(2,016,438)</u>
<u>Operating transfers in (out)</u>	<u>2,678,658</u>	<u>846,711</u>
<u>Net income (loss)</u>	<u>432,111</u>	<u>(1,169,727)</u>
<u>Net Position - Beginning</u>	<u>27,360,963</u>	<u>25,842,594</u>
<u>Contributed capital</u>	<u>5,644,283</u>	<u>2,688,096</u>
<u>Net Position - Ending</u>	<u>\$ 33,437,357</u>	<u>\$ 27,360,963</u>

See independent auditor's report.

CITY OF HAZARDCOMPARATIVE STATEMENT OF NET POSITION -
SEWER FUNDJune 30, 2025 and 2024

Assets:	<u>June 30, 2025</u>	<u>June 30, 2024</u>
- Current Assets -		
Cash and cash equivalents	\$ 36,714	\$ 15,119
Receivables, net of allowances:		
Fees and services	417,361	405,355
Due from other funds	228,356	239,315
Other	45,954	-
Prepaid expenses	8,188	7,741
Inventories of supplies, at cost	<u>13,038</u>	<u>13,038</u>
<u>Total current assets</u>	<u>749,611</u>	<u>680,568</u>
 -Restricted Assets -		
Cash	<u>1,003,171</u>	<u>909,234</u>
 - Noncurrent Assets -		
Capital assets	16,239,281	16,006,058
Less: accumulated depreciation	<u>(10,751,080)</u>	<u>(10,528,064)</u>
<u>Total noncurrent assets</u>	<u>5,488,201</u>	<u>5,477,994</u>
 Deferred Outflows of Resources:		
Deferred outflows - pension resources/OPEB	135,962	240,077
Funded OPEB asset	38,366	-
Deferred outflows - debt related	<u>76,388</u>	<u>79,077</u>
<u>Total deferred outflows of resources</u>	<u>250,716</u>	<u>319,154</u>
 <u>Total assets and deferred outflows of resources</u>	<u>\$ 7,491,699</u>	<u>\$ 7,386,950</u>

See independent auditor's report.

CITY OF HAZARD

COMPARATIVE STATEMENT OF NET POSITION -
SEWER FUND (CONTINUED)

June 30, 2025 and 2024

Liabilities:	<u>June 30, 2025</u>	<u>June 30, 2024</u>
- Current Liabilities -		
Accounts payable	\$ 68,589	\$ 182,861
Accrued wages	17,980	17,849
Accrued compensation payable	11,690	7,200
Due to other funds	16,375	16,375
Current portion of long-term debt	<u>128,074</u>	<u>212,868</u>
<u>Total current liabilities</u>	<u>242,708</u>	<u>437,153</u>
- Noncurrent Liabilities -		
Notes payable	595,730	644,438
Due to other taxing units	65,622	32,085
Revenue bonds payable	991,663	1,022,905
Net pension/OPEB liability	<u>199,872</u>	<u>256,514</u>
<u>Total noncurrent liabilities</u>	<u>1,852,887</u>	<u>1,955,942</u>
<u>Total liabilities</u>	<u>2,095,595</u>	<u>2,393,095</u>
Deferred Inflows of Resources:		
Deferred inflows - pension/OPEB related	318,439	414,938
Deferred inflows - debt related	<u>29,588</u>	<u>31,309</u>
<u>Total deferred inflows of resources</u>	<u>348,027</u>	<u>446,247</u>
Net Position:		
Net investment in capital assets	3,772,734	3,597,783
Restricted	1,003,171	909,234
Unrestricted (deficit)	<u>272,172</u>	<u>40,591</u>
<u>Total net position</u>	<u>5,048,077</u>	<u>4,547,608</u>
Total liabilities, deferred inflows of resources and <u>net position</u>	<u>\$ 7,491,699</u>	<u>\$ 7,386,950</u>

See independent auditor's report.

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

For the Years Ended June 30, 2025 and 2024

	<u>Year Ended</u>	
	<u>2025</u>	<u>2024</u>
Operating revenues:		
Charges for services	\$ 1,609,490	\$ 1,654,097
<u>Total operating revenues</u>	<u>1,609,490</u>	<u>1,654,097</u>
Operating expenses:		
Salaries and wages	642,075	474,734
Contract services	996,029	1,334,319
Materials and supplies	542,381	653,856
Depreciation	223,016	222,467
Other operating expenses	-	-
<u>Total operating expenses</u>	<u>2,403,501</u>	<u>2,685,376</u>
<u>Operating income (loss)</u>	<u>(794,011)</u>	<u>(1,031,279)</u>
Non-operating revenues (expenses):		
Interest income	1,840	1,719
Interest expense	(47,983)	(60,225)
Net employee pension/OPEB gain (loss)	87,392	-
<u>Total non-operating revenues (expenses)</u>	<u>41,249</u>	<u>(58,506)</u>
<u>Net income (loss) before operating transfers</u>	<u>(752,762)</u>	<u>(1,089,785)</u>
<u>Operating transfers in (out)</u>	<u>1,207,277</u>	<u>988,178</u>
<u>Net income (loss)</u>	<u>454,515</u>	<u>(101,607)</u>
<u>Net Position - Beginning</u>	<u>4,547,608</u>	<u>4,649,215</u>
Contributed Capital	45,954	-
<u>Net Position - Ending</u>	<u>\$ 5,048,077</u>	<u>\$ 4,547,608</u>

See independent auditor's report.

Chris Gooch
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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, 2025, and the related notes to the financial statements, which collectively comprise City of Hazard, Kentucky's basic financial statements and have issued our report thereon dated February 23, 2026.

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 2025-001 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 finding 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

February 23, 2026

CITY OF HAZARDSUMMARY SCHEDULE OF PRIOR AUDIT FINDINGSJune 30, 2025**2024-001**

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

- FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS -

None

CITY OF HAZARDSCHEDULE OF FINDINGS AND QUESTIONED COSTSJune 30, 2025- 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
 - Appalachian Regional Commission
 - Appalachian Regional Development
 - HCTC Tie-In—AL Number #23.001
 - KY 476—AL Number #23.001
 - Lothair Waterline—AL Number #23.001
 - Environmental Protection Agency
 - Passed through Kentucky Infrastructure Authority
 - Drinking Water State Revolving Fund
 - Hazard Emergency Tank Replacement—AL Number #66.468
 - Lothair Waterline—AL Number #66.468
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, 2025- FINDINGS RELATED TO THE FINANCIAL STATEMENTS -**2025-001**

Condition:	Fund financial statements presented from the City's accounting system required several significant adjustments related to reconciliation and reclassification.
Criteria:	End of year and periodic closing information in anticipation of audited financial statements should be reviewed and reconciled to underlying documentation. Any significant differences should be documented to indicate management is aware of potential adjusting entries.
Cause:	Management has not developed a system of review and reconciliation procedures for transactions entered and recognition of potential adjustments for periodic and end of year financial reporting.
Effect:	Annual financial reporting information presented for audit required significant adjustments to assure financial statements were fairly stated.
Recommendations:	The City should enhance its controls over fiscal year-end and interim processing and reporting to include review of transactions and balances for all fund types to 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. Training for key personnel relative to its accounting software, re-defining current personnel job descriptions, and hiring additional personnel are areas the City has identified 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, 2025

<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>\$ 19,025</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	1,687,239
Perry County Waterlines Bipartisan	15.252	N/A	N/A	323,618
HCTC Tie-In	15.252	N/A	N/A	<u>202,059</u>
<u>Total U.S. Department of Interior</u>				<u>2,212,916</u>
U.S. Department of Justice:				
- Direct -				
Congressionally Recommended Awards	16.753	N/A	N/A	86,393
Equitable Sharing Program	16.922	N/A	<u>\$ 1,200</u>	<u>1,200</u>
<u>Total U.S. Department of Justice</u>			<u>\$ 1,200</u>	<u>87,593</u>
U.S. Department of Treasury:				
- Direct -				
Coronavirus State and Local Recovery Funds	21.027	N/A	N/A	<u>578,463</u>
<u>Total U.S. Department of Treasury</u>				<u>578,463</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>542,426</u>

See independent auditor's report.

CITY OF HAZARDSCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)For the Year Ended June 30, 2025

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	<u>38,424</u>
Appalachian Regional Commission:				
- Direct -				
Appalachian Regional Development				
HCTC Tie-In	23.001	N/A	N/A	304,160
KY 476	23.001	N/A	N/A	895,733
Lothair Waterline	23.001	N/A	N/A	<u>167,921</u>
<u>Total Appalachian Regional Commission</u>				<u>1,367,814</u>
Environmental Protection Agency				
-Passed through Kentucky Infrastructure Authority				
Capitalization Grants for Drinking Water State Revolving Fund				
Hazard Emergency Tank Replacement	66.468	F21-076	N/A	893,346
Lothair Waterline	66.468	F21-076	N/A	<u>713,315</u>
<u>Total Environmental Protection Agency</u>				<u>1,606,661</u>
U.S. Department of Transportation:				
-Passed through Kentucky Transportation Cabinet				
State and Community Highway Safety	20.600	OP-2025	N/A	3,154
State and Community Highway Safety	20.600	PT-2024	N/A	<u>4,835</u>
<u>Total U.S. Department of Transportation</u>				<u>7,989</u>
<u>Total Federal Awards Expended</u>				<u>\$ 6,461,311</u>

See independent auditor's report.

CITY OF HAZARDSCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)For the Year Ended June 30, 2025

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, 2025 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 percentage de minimus indirect cost rate in effect 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, 2025. 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, 2025.

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

February 23, 2026

APPENDIX A

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

CITY OF HAZARD

For the Year Ended June 30, 2025

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 small dot at the end of the second stroke.

Tony Eversole
City Manager