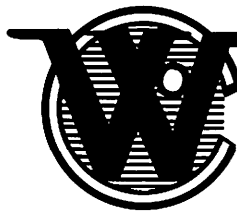


**CITY OF PAINTSVILLE, KENTUCKY**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2020**



**WELLS & COMPANY, P.S.C.**

*Certified Public Accountants*

865 South Mayo Trail, Suite 7  
Paintsville, Kentucky 41240-1215

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## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Bill Mike Runyon, Mayor  
Members of the City Council  
City of Paintsville, Kentucky

### **Report on the Financial Statements**

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

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

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

## Other Matters

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 42-47 and the County Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 48 and 49, respectively, and the County Employees' Retirement System's Schedules of the Proportionate Share of the Net OPEB Liability and Contributions, on pages 51 and 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Paintsville, Kentucky's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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 December 14, 2020 on our consideration of the City of Paintsville, 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 Paintsville, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Paintsville, Kentucky's internal control over financial reporting and compliance.

*Wells & Company, PSC*  
Certified Public Accountants  
Paintsville, Kentucky  
December 14, 2020

**CITY OF PAINTSVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

3

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,465,863	\$ 4,017,201	\$ 6,483,064
Certificates of deposit	104,155	1,842,433	1,946,588
Taxes receivable	95,113	-	95,113
Accounts receivable	63,483	747,935	811,418
Grants receivable	336,522	-	336,522
Other receivable	52,728	-	52,728
Due from Paintsville Utilities	65,317	-	65,317
Unbilled revenues	-	312,942	312,942
Inventory	-	214,297	214,297
Prepaid items	1,210	14,918	16,128
Capital assets:			
Land and construction-in-progress	2,257,548	1,442,621	3,700,169
Other capital assets, net of accumulated depreciation	6,863,145	78,758,505	85,621,650
<b>Total Assets</b>	<b>12,305,084</b>	<b>87,350,852</b>	<b>99,655,936</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred outflows related to pensions & OPEB	2,193,667	1,350,222	3,543,889
<b>LIABILITIES</b>			
Accounts payable	91,496	194,038	285,534
Accrued payroll taxes	38,386	10,426	48,812
Accrued vacation	76,005	62,249	138,254
Other accrued liabilities	93,738	389,597	483,335
Due to Fiduciary Fund	101,442	-	101,442
Customer meter deposits payable	-	662,453	662,453
Interest payable on customer meter deposits	-	266,190	266,190
Long-term liabilities:			
Net pension liability	7,337,083	4,370,545	11,707,628
Net OPEB liability	1,754,212	1,044,948	2,799,160
Due within one year	1,109,481	883,768	1,993,249
Due in more than one year	152,646	25,709,530	25,862,176
<b>Total Liabilities</b>	<b>10,754,489</b>	<b>33,593,744</b>	<b>44,348,233</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred inflows related to pensions & OPEB	911,540	507,033	1,418,573
<b>NET POSITION</b>			
Net investment in capital assets	7,858,566	53,607,828	61,466,394
Restricted for:			
Public safety	979	-	979
Streets	141,881	-	141,881
Tourism	324,823	-	324,823
Debt service	45,602	571,581	617,183
Equipment replacement	-	46,596	46,596
Depreciation	-	1,118,540	1,118,540
Other purposes	53,551	1,053,065	1,106,616
Unrestricted (deficit)	(5,592,680)	(1,797,313)	(7,389,993)
<b>Total Net Position</b>	<b>\$ 2,832,722</b>	<b>\$ 54,600,297</b>	<b>\$ 57,433,019</b>

See accompanying notes to basic financial statements.

**CITY OF PAINTSVILLE, KENTUCKY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 1,195,210	\$ 153,861	\$ -	\$ 395,479	\$ (645,870)	\$ -	\$ (645,870)
Public safety	3,924,494	1,600,951	81,179	10,000	(2,232,364)	-	(2,232,364)
Recreation	753,798	154,663	-	60,752	(538,383)	-	(538,383)
Streets	621,264	-	-	72	(621,192)	-	(621,192)
Sanitation	809,692	787,866	-	-	(21,826)	-	(21,826)
Tourism	597,939	7,643	-	-	(590,296)	-	(590,296)
Interest on long-term debt	71,116	-	-	-	(71,116)	-	(71,116)
Total governmental activities	<u>7,973,513</u>	<u>2,704,984</u>	<u>81,179</u>	<u>466,303</u>	<u>(4,721,047)</u>	<u>-</u>	<u>(4,721,047)</u>
Business-type activities:							
Water, gas, and sewer	<u>9,715,120</u>	<u>8,496,677</u>	<u>-</u>	<u>231,831</u>	<u>-</u>	<u>(986,612)</u>	<u>(986,612)</u>
Total business-type activities	<u>9,715,120</u>	<u>8,496,677</u>	<u>-</u>	<u>231,831</u>	<u>-</u>	<u>(986,612)</u>	<u>(986,612)</u>
<b>Total primary government</b>	<u>\$ 17,688,633</u>	<u>\$ 11,201,661</u>	<u>\$ 81,179</u>	<u>\$ 698,134</u>	<u>(4,721,047)</u>	<u>(986,612)</u>	<u>(5,707,659)</u>
<b>General revenues:</b>							
Property taxes					559,217	-	559,217
Occupational taxes					1,744,585	-	1,744,585
Insurance premium taxes					572,090	-	572,090
Motor vehicle taxes					27,381	-	27,381
Restaurant taxes					730,165	-	730,165
Room occupancy taxes					70,137	-	70,137
Franchise fees and taxes					185,442	-	185,442
Payments in lieu of taxes					37,720	-	37,720
ABC fees					170,577	-	170,577
Licenses and permits					3,434	-	3,434
Intergovernmental revenue					333,990	-	333,990
Interest income					5,820	28,035	33,855
Gain/(Loss) on sale of capital assets					(2,010)	-	(2,010)
Net increase (decrease) in fair value of investments					-	8,447	8,447
Donation/contributions					61,221	-	61,221
Miscellaneous					164,394	-	164,394
Total general revenues and transfers					<u>4,664,163</u>	<u>36,482</u>	<u>4,700,645</u>
Change in net position					(56,884)	(950,130)	(1,007,014)
Net position - beginning					<u>2,889,606</u>	<u>55,550,427</u>	<u>58,440,033</u>
Net position - ending					<u>\$ 2,832,722</u>	<u>\$ 54,600,297</u>	<u>\$ 57,433,019</u>

See accompanying notes to basic financial statements.

**CITY OF PAINTSVILLE, KENTUCKY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020**

5

	<u>General Fund</u>	<u>Paintsville Tourism Commission</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,983,082	\$ 228,738	\$ 254,043	\$ 2,465,863
Certificate of deposit	-	104,155	-	104,155
Receivables:				
Property taxes	3,177	-	-	3,177
Accounts	63,483	-	-	63,483
Grants	336,522	-	-	336,522
Other	52,407	321	-	52,728
Due from Paintsville Utilities	65,317	-	-	65,317
Due from 911 Fund	45,929	-	-	45,929
Due from Tourism	5,230	-	-	5,230
Prepaid expenses	-	1,210	-	1,210
	<u>-</u>	<u>1,210</u>	<u>-</u>	<u>1,210</u>
Total Assets	<u>\$ 2,555,147</u>	<u>\$ 334,424</u>	<u>\$ 254,043</u>	<u>\$ 3,143,614</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 82,767	\$ 1,952	\$ 6,777	\$ 91,496
Accrued payroll taxes	36,505	1,881	-	38,386
Accrued vacation	70,100	-	5,905	76,005
Accrued retirement	62,694	538	-	63,232
Due to Fiduciary Fund	101,442	-	-	101,442
Due to General Fund	-	5,230	45,929	51,159
	<u>-</u>	<u>5,230</u>	<u>45,929</u>	<u>51,159</u>
Total Liabilities	<u>353,508</u>	<u>9,601</u>	<u>58,611</u>	<u>421,720</u>
<b>Fund Balances:</b>				
Restricted for:				
Public Safety	979	-	-	979
Streets	-	-	141,881	141,881
Tourism	-	324,823	-	324,823
Debt Service	45,602	-	-	45,602
Other	-	-	53,551	53,551
Unassigned	2,155,058	-	-	2,155,058
	<u>2,155,058</u>	<u>-</u>	<u>-</u>	<u>2,155,058</u>
Total Fund Balances	<u>2,201,639</u>	<u>324,823</u>	<u>195,432</u>	<u>2,721,894</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 2,555,147</u></u>	<u><u>\$ 334,424</u></u>	<u><u>\$ 254,043</u></u>	<u><u>\$ 3,143,614</u></u>

See accompanying notes to basic financial statements.



**CITY OF PAINTSVILLE, KENTUCKY  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020**

**6**

<b>Fund Balances - Total Governmental Funds</b>	<b>\$ 2,721,894</b>
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 funds	
Governmental capital assets	19,207,719
Less: accumulated depreciation	(10,087,026)
Pension & OPEB contributions after measurement date are reported as a deferred outflow of resources:	639,481
Other OPEB related accruals	(30,506)
Net pension & net OPEB liability is not due and payable in the current period and, therefore, is not reported in governmental funds:	(9,091,295)
Pension & OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore are not reported in the governmental funds, as follows:	
Deferred pension & OEPB outflows of resources	1,554,186
Deferred pension & OPEB inflows of resources	(911,540)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bond payable	(860,000)
Bond discount	15,236
Loans payable	(317,596)
Leases payable	(99,767)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Delinquent property taxes	<u>91,936</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 2,832,722</u></b>

See accompanying notes to basic financial statements.

**CITY OF PAINTSVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

7

	General Fund	Paintsville Tourism	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
<b>Taxes:</b>				
Property	\$ 557,106	\$ -	\$ -	\$ 557,106
Occupational	1,744,585	-	-	1,744,585
Insurance premium	572,090	-	-	572,090
Motor vehicle	27,381	-	-	27,381
Franchise	146,885	-	-	146,885
Restaurant	-	730,165	-	730,165
Room occupancy	-	70,137	-	70,137
Payments in lieu of taxes	37,720	-	-	37,720
ABC fees	170,577	-	-	170,577
Franchise fees	38,557	-	-	38,557
Licenses and permits	3,434	-	-	3,434
Intergovernmental revenues	222,324	-	111,666	333,990
Grants	547,482	-	-	547,482
Charges for services	2,327,551	7,643	369,790	2,704,984
Interest income	3,303	2,515	2	5,820
Contributions	61,221	-	-	61,221
Miscellaneous revenues	30,279	65,233	-	95,512
<b>Total revenues</b>	<u>6,490,495</u>	<u>875,693</u>	<u>481,458</u>	<u>7,847,646</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,037,709	-	-	1,037,709
Public safety	2,782,127	-	447,613	3,229,740
Recreation	647,884	-	5,596	653,480
Streets	448,563	-	8,435	456,998
Sanitation	694,197	-	3,905	698,102
Tourism	-	455,075	-	455,075
<b>Debt service:</b>				
Principal	195,904	20,324	-	216,228
Interest	60,941	9,124	-	70,065
<b>Capital outlay</b>	<u>610,360</u>	<u>67,931</u>	<u>69,089</u>	<u>747,380</u>
<b>Total expenditures</b>	<u>6,477,685</u>	<u>552,454</u>	<u>534,638</u>	<u>7,564,777</u>
Excess of revenues over (under) expenditures	12,810	323,239	(53,180)	282,869
<b>Other financing sources (uses):</b>				
Operating transfers in	214,460	-	-	214,460
Operating transfers out	-	(214,460)	-	(214,460)
Intragovernmental forgiveness of debt	(77,822)	-	77,822	-
Proceeds from sale of capital assets	11,590	-	-	11,590
Proceeds from insurance	57,756	11,126	-	68,882
Proceeds from borrowing	15,000	-	-	15,000
<b>Total other financing sources (uses)</b>	<u>220,984</u>	<u>(203,334)</u>	<u>77,822</u>	<u>95,472</u>
Net change in fund balances	233,794	119,905	24,642	378,341
Fund balances - beginning	<u>1,967,845</u>	<u>204,918</u>	<u>170,790</u>	<u>2,343,553</u>
Fund balances - ending	<u>\$ 2,201,639</u>	<u>\$ 324,823</u>	<u>\$ 195,432</u>	<u>\$ 2,721,894</u>

See accompanying notes to basic financial statements.

**CITY OF PAINTSVILLE, KENTUCKY**  
**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, 2020**

8

**Net Change in Fund Balances - Total Governmental Funds** **\$ 378,341**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital asset purchases capitalized	747,380
Depreciation expense	(599,562)

The net effect of various miscellaneous transactions involving capital assets:	(13,600)
--	----------

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Increase/(decrease) in property taxes	2,111
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Changes in pension & OPEB expense are reported only in the statement of activities	(771,731)
--	-----------

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Principal paid	216,228
Loan proceeds	(15,000)
Amortization of bond discount	(1,051)
	(1,051)

<b>Change in Net Position of Governmental Activities</b>	<b>\$ (56,884)</b>
--	--------------------

See accompanying notes to basic financial statements.

**CITY OF PAINTSVILLE, KENTUCKY  
STATEMENT OF NET POSITION  
PROPRIETARY FUND - PAINTSVILLE UTILITIES  
JUNE 30, 2020**

9

**ASSETS**

**Current assets:**

Cash and cash equivalents	\$ 1,756,709
Accounts receivable, net	747,935
Unbilled revenues	312,942
Inventory	214,297
Prepaid items	14,918

<b>Total current assets</b>	<b><u>3,046,801</u></b>
-----------------------------	-------------------------

**Non-current assets:**

**Restricted assets:**

Cash and cash equivalents:	
Bond and interest sinking fund	404,759
Depreciation reserve fund	567,218
Equipment replacement fund	46,596
Operations and maintenance	1,241,919

**Investments:**

Operations and maintenance	739,789
Debt service reserve fund	551,322
Depreciation reserve fund	551,322

<b>Total restricted assets</b>	<b><u>4,102,925</u></b>
--------------------------------	-------------------------

**Capital assets:**

Land and land improvements	816,089
Construction work in progress	626,532
Capital assets, net of depreciation	<u>78,758,505</u>

<b>Total capital assets</b>	<b><u>80,201,126</u></b>
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<b>Total assets</b>	<b><u>87,350,852</u></b>
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**DEFERRED OUTFLOWS**

Deferred outflows related to pensions	933,127
Deferred outflows related to OPEB	<u>417,095</u>

<b>Total deferred outflows of resources</b>	<b><u>1,350,222</u></b>
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See accompanying notes to basic financial statements.

**CITY OF PAINTSVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION (Continued)**  
**PROPRIETARY FUND - PAINTSVILLE UTILITIES**  
**JUNE 30, 2020**

10

**LIABILITIES**

**Current liabilities:**

Accounts payable	194,038
Compensated absences	62,249
Accrued interest payable	217,955
Other accrued liabilities	182,068
Current portion of long-term liabilities	484,268
Current portion of capital lease obligations	15,000

<b>Total current liabilities</b>	<b><u>1,155,578</u></b>
----------------------------------	-------------------------

**Payable from restricted assets:**

Current portion of bonds	384,500
Customer meter deposits	662,453
Interest payable on customer meter deposits	266,190

<b>Total liabilities payable from restricted assets</b>	<b><u>1,313,143</u></b>
---	-------------------------

**Long-term liabilities:**

Net pension liability	4,370,545
Net OPEB liability	1,044,948
Bonds payable, net of premium	20,076,500
Notes payable	6,297,394
Capital lease obligations	15,000
Unamortized bond premium	204,404

**32,008,791**

Less current portion	<u>(883,768)</u>
----------------------	------------------

<b>Total long-term liabilities</b>	<b><u>31,125,023</u></b>
------------------------------------	--------------------------

<b>Total liabilities</b>	<b><u>33,593,744</u></b>
--------------------------	--------------------------

**DEFERRED INFLOWS**

Deferred inflows related to pensions	127,510
Deferred inflows related to OPEB	379,523

<b>Total deferred inflows of resources</b>	<b><u>507,033</u></b>
--	-----------------------

**NET POSITION:**

Net investment in capital assets	53,607,828
Restricted	
Debt service	571,581
Depreciation	1,118,540
Equipment replacement	46,596
Operations and maintenance	1,053,065
Unrestricted	<u>(1,797,313)</u>

<b>Total net position</b>	<b><u>\$ 54,600,297</u></b>
---------------------------	-----------------------------

See accompanying notes to basic financial statements.

**CITY OF PAINTSVILLE, KENTUCKY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUND - PAINTSVILLE UTILITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

11

**Operating revenues:**

Gas revenues	\$ 1,713,680
Water revenues	4,292,254
Wastewater revenues	2,126,643
Other operating revenues	<u>364,100</u>

<b>Total operating revenues</b>	<b>8,496,677</b>
Cost of sales	<u>496,698</u>

<b>Net operating revenues</b>	<b><u>7,999,979</u></b>
-------------------------------	-------------------------

**Operating expenses:**

Salaries and wages	1,775,155
Payroll taxes	137,095
Employee pension and benefits	1,721,585
Materials and supplies	372,446
Legal and professional	119,564
Miscellaneous general expense	293,098
Telephone and utilities	811,878
Insurance	129,526
Motor vehicle expenses	233,584
Repairs and maintenance	323,572
Depreciation	<u>2,559,575</u>

<b>Total operating expenses</b>	<b><u>8,477,078</u></b>
---------------------------------	-------------------------

<b>Utility operating income (loss)</b>	<b><u>(477,099)</u></b>
--	-------------------------

**Non-operating revenues (expenses):**

Interest income	28,035
Interest expense	(555,375)
Debt issuance expense	(126,121)
Net increase (decrease) in fair value of investments	<u>8,447</u>

<b>Total non-operating revenues (expenses)</b>	<b><u>(645,014)</u></b>
--	-------------------------

<b>Net income (loss) before contributions from (to)</b>	<b>(1,122,113)</b>
---	--------------------

Contributions in aid of construction	231,831
Contribution to the City of Paintsville	<u>(59,848)</u>

Change in net position	(950,130)
------------------------	-----------

Net position, beginning of year	<u>55,550,427</u>
---------------------------------	-------------------

<b>Net position, end of year</b>	<b><u>\$ 54,600,297</u></b>
----------------------------------	-----------------------------

See accompanying notes to basic financial statements.

**CITY OF PAINTSVILLE, KENTUCKY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND - PAINTSVILLE UTILITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

12

**Cash flows from operating activities:**

**Cash inflows:**

Payments received from customers	<u>\$ 8,461,346</u>
----------------------------------	---------------------

<b>Total cash provided</b>	<u>8,461,346</u>
----------------------------	------------------

**Cash outflows:**

Payments for salaries and benefits	3,139,602
------------------------------------	-----------

Payments to suppliers for goods and services	<u>2,673,528</u>
--	------------------

<b>Total cash used</b>	<u>5,813,130</u>
------------------------	------------------

<b>Net cash provided (used) by operating activities</b>	<u>2,648,216</u>
---	------------------

**Cash flows from noncapital financing activities:**

Interest paid on customer deposits	<u>(4,819)</u>
------------------------------------	----------------

<b>Net cash provided (used) by noncapital financing activities</b>	<u>(4,819)</u>
--	----------------

**Cash flows from capital and related financing activities:**

Purchase and construction of utility plant	(918,543)
--	-----------

Proceeds from loans and bonds	3,193,283
-------------------------------	-----------

Principal payments on long-term debt	(4,489,687)
--------------------------------------	-------------

Payments on capital leases	(60,000)
----------------------------	----------

Interest paid on long-term debt and capital leases	(525,778)
--	-----------

Contributions-in-aid of construction	<u>258,663</u>
--------------------------------------	----------------

<b>Net cash provided (used) by capital and related financing activities</b>	<u>(2,542,062)</u>
---	--------------------

**Cash flows from investing activities:**

Interest received	<u>13,551</u>
-------------------	---------------

<b>Net cash provided (used) by investing activities</b>	<u>13,551</u>
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**Net cash inflow (outflow) from all activities**

114,886

Cash and cash equivalents at beginning of period	<u>3,902,315</u>
--	------------------

<b>Cash and cash equivalents at end of period</b>	<u><u>\$ 4,017,201</u></u>
---	----------------------------

See accompanying notes to basic financial statements.

**CITY OF PAINTSVILLE, KENTUCKY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**13**

**Reconciliation of utility operating income to net cash provided by operating activities:**

Utility operating income	\$ (477,099)
Depreciation and amortization	2,559,575
Contribution of utility services	(59,848)
(Increase) decrease in:	
Accounts receivable	49,889
Unbilled revenue	(25,372)
Inventory	(14,142)
Other assets and deferred outflows	(37,394)
Increase (decrease) in:	
Accounts payable	19,788
Accrued liabilities and other liabilities	632,819

**Net cash provided (used) by operating activities**

**\$ 2,648,216**

**Schedule of cash and cash equivalents:**

**Beginning of period:**

Unrestricted cash and cash equivalents	\$ 2,000,696
Restricted cash and cash equivalents	1,901,619
	<b><u>\$ 3,902,315</u></b>

**End of period:**

Unrestricted cash and cash equivalents	\$ 1,756,709
Restricted cash and cash equivalents	2,260,492
	<b><u>\$ 4,017,201</u></b>

See accompanying notes to basic financial statements.



**CITY OF PAINTSVILLE, KENTUCKY  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2020**

**14**

	<b><u>Custodial Fund</u></b>
<b>ASSETS</b>	
Due from General Fund	<b><u>\$ 101,442</u></b>
Total Assets	<b><u>101,442</u></b>
<b>LIABILITIES</b>	
Due to Paintsville Independent School District	<b><u>101,442</u></b>
Total Liabilities	<b><u>101,442</u></b>
<b>NET POSITION</b>	
Restricted for:	
Paintsville Independent School District	<b><u>-</u></b>
Total Net Position	<b><u><u>\$ -</u></u></b>

See accompanying notes to basic financial statements.

**CITY OF PAINTSVILLE, KENTUCKY  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2020**

**15**

	<b><u>Custodial Fund</u></b>
<b>Additions:</b>	
Property and franchise taxes collected for Paintsville Independent School District	<b><u>\$ 2,465,239</u></b>
Total additions	<b><u>2,465,239</u></b>
<b>Deductions:</b>	
Payments of property and franchise taxes to Paintsville Independent School District	<b><u>2,465,239</u></b>
Total deductions	<b><u>2,465,239</u></b>
Change in net position	-
Net position, beginning of year	<u>-</u>
<b>Net position, end of year</b>	<b><u><u>\$ -</u></u></b>

See accompanying notes to basic financial statements.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Narrative Profile**

The City of Paintsville, Kentucky (the City) operates under a Home Rule Charter adopted on February 24, 1834. The City operates under Council-Mayor form of government and provides the following service as authorized by its charter: public safety, highway and street, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City of Paintsville, Kentucky have been prepared in conformity with the accounting principles generally accepted in the United States of America as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

**A. Financial Reporting Entity**

As required by the accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable.

**Blended Component Units:**

**Paintsville Utilities Commission**

Created to provide gas, water, and wastewater services to residents and businesses within the boundaries of the City and other areas of Johnson County, Martin County, and Floyd County, Kentucky. The governing body is composed of commissioners appointed by the City Council. Financial information for the Commission is reported as part of the primary government as a component unit under the blending method.

Paintsville Utilities  
137 Main Street  
Paintsville, Kentucky 41240

**Paintsville Tourism Commission**

Created to promote tourism in Paintsville and Johnson County, Kentucky. The governing body is composed of commissioners appointed by the Mayor. Financial information for the Commission is reported as part of the primary government as a component unit under the blending method.

Complete financial statements for the Paintsville Utilities Commission may be obtained at the entity's administrative offices. The Paintsville Tourism Commission does not issue separate financial statements.

**Excluded From Entity**

The accounts of the Housing Authority of Paintsville, Kentucky are excluded from the accompanying financial statements because the Authority is an autonomous agency which has a self elected Board of Directors responsible for its operations and the hiring of its director. The City presently provides meeting facilities and periodically contributes to the Authority's operations; however, the City has no responsibility for financing deficits.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the fund financial statements). The focus is on both the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, general government, recreation, etc.) that are otherwise being supported by general government revenues (property, occupational taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, etc.) or a business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues. The City does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants and contributions.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

The following is a brief description of the specific funds used by the City:

**1. Governmental Funds**

Governmental Funds are those through which most governmental functions typically are financed.

**a. General Fund**

The General Fund is the primary operating fund of the City and always classified as a major fund. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b. Special Revenue Fund**

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City. The reporting entity includes the following special revenue funds, all except tourism are reported as nonmajor funds:

<u>Fund</u>	<u>Brief Description</u>
Coal and Mineral Severance Tax Fund	Accounts for grant money received from the Local Government Economic Assistance Program (LGEAP) and expended to improve the environment for new industry and to improve the quality of life for the residents.
Municipal Road Aid Fund	Accounts for the revenues received and expenditures paid for construction, reconstruction, and maintenance of city streets.
911 Fund	Accounts for E-911 revenues legally restricted for E-911 services.
Tourism	Accounts for the revenues received and expenditures paid for the promotion of local tourism. The tourism fund is considered a major fund for government-wide reporting purposes.

**2. PROPRIETARY FUNDS**

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and payments relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of operating income, financial position, changes in net assets and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as, materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. As permitted by generally accepted accounting principals, the City's Proprietary Funds has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

**a. Enterprise Fund or Business Funds**

Enterprise Funds account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's Enterprise Fund is the Paintsville Utilities Commission.

**b. Internal Service Fund**

Internal Service Funds account for the financing of goods or services provided by one department to other departments or agencies of the City on a cost-reimbursement basis. The City has no Internal Service Funds.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the City in a trustee capacity for individuals, private organizations, and other governments. The City has one Fiduciary Fund for the Paintsville Independent School District's property and franchise tax collection deposits. Taxes are collected by the City and subsequently transmitted to the school district.

**C. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statements of net position and statements of activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the statement of net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statements of net position, statements of activities, financial statements of the Proprietary Funds are presented on the accrual basis of accounting. Under this method of accounting exchange, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. Real and personal property taxes are recognized in the period for which levied, provided the City has an enforceable legal claim to the resources. Grants, shared revenues, and contributions are recognized when all eligibility requirements have been met.

The fund financial statements of the General, Special Revenue and Capital Projects are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within sixty days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

**D. Budgets and Budgetary Accounting**

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

1. In accordance with the City Charter, prior to June 1, the City Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

estimates for the current year and actual data for the two preceding years. The City Charter requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.

2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. The City Mayor is required by the City Charter to present a quarterly report to the City Council explaining any variance from the approved budget.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
6. The City Council may authorize supplemental appropriations during the year.

**E. Cash and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

**F. Allowance for Uncollectible Accounts**

The City's delinquent taxes and accounts receivable are considered fully collectible and therefore an allowance for uncollectible accounts is not applicable to those receivables.

Utility receivables at June 30, 2020, are net of allowance for uncollectable. The allowance for uncollectable was \$174,986 at June 30, 2020.

**G. Capital Assets**

Capital outlays are recorded as expenditures of the General, Special Revenue, Capital Project Funds, and Tourism Commission Component Unit, and as assets in the government-wide financial statements to the extent the City's capitalization threshold of \$2,500 is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings	40 years
Furniture and Other Equipment	3-20 years
Infrastructure	25 years

To the extent the City's capitalization threshold of \$2,500 is met, capital outlays of the Utilities Commission Component Unit are recorded as fixed assets and depreciated over their estimated useful lives on the government-wide basis using the straight-line method and the following estimated useful lives:

Utility Plant	3-50 years
Leasehold	3-40 years
Equipment	3-20 years

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially changes capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

**H. Compensated Absences**

The City's policy allows full-time employees to earn vacation leave and sick leave. Employees earn five (5) days of vacation leave after year one of employment; ten (10) days after year two, year three, year four, and year five; and one additional day for each year after year five up to a maximum of fifteen days after year ten. Any accumulated vacation will be paid to an employee upon termination.

Employees earn one-half of one day of sick leave for each month worked and can only accumulate up to ten days. Accumulated sick leave will not be paid to an employee upon termination.

**I. Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**J. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

**K. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2020, are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

**L. Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.



**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

**N. Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**O. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the City has deferred outflows of resources that relate to pension plan and OPEB reporting, see Notes 12 and 13.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time. The City has deferred inflows of resources that relate to pension plan and OPEB reporting, see Notes 12 and 13.

**P. Fund Equity**

In the fund financial statements, governmental fund balance is presented in five possible categories:

*Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

*Restricted* – resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

*Committed* – resources which are subject to limitations the City imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assigned* – resources neither restricted nor committed for which the City has a stated intended use as established by the City Council.

*Unassigned* – resources which cannot be properly classified in one of the other four categories.

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 they are needed. Likewise, fund balances that are committed or assigned would be used first for their approved purposes. Unassigned fund balances would be used as needed.

**NOTE 2. DEPOSITS AND INVESTMENTS**

Under Kentucky Revised Statutes the City is allowed to invest in obligations of the U. S. Treasury and U. S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized.

The City invests surplus cash at local banks in the form of certificates of deposit, savings accounts, and money market accounts. This investment call subjects the City to custodial credit risk; however, the City considers this risk immaterial, and as such, the City does not have a formal investment policy to deal with such risk.

The City of Paintsville, Kentucky, categorizes deposits at local financial institutions to give an indication of the level of risk assumed by the City at fiscal year end. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 – Uncollateralized.

Deposits categorized by level of risk at June 30, 2020 are as follows:

<u>Account</u>	<u>Bank Balance</u>	<u>Category</u>			<u>Carrying Amount</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Cash	<u>\$8,634,094</u>	<u>\$2,549,563</u>	<u>\$5,571,496</u>	<u>\$513,035</u>	<u>\$8,429,652</u>

The City's deposits and investments are also subject to risks such as interest rate risk and concentration of credit risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a deposit or investment. Deposits and investments held for longer periods are subject to increased risk of adverse interest rate changes. The City has attempted to address this risk by maintaining its deposits in accounts that continually adjust the interest rate to the market. Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City has addressed this risk by maintaining its deposits at financial institutions that are insured by the FDIC and by requiring additional collateral to cover deposits in excess of that amount.

**CITY OF PAINTSVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE 3. PROPERTY TAXES**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1, and are due and payable at that time. All unpaid taxes levied October 1, become delinquent January 1, of the following year.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end.

**NOTE 4. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2020, consisted of the following:

**Primary Government**

<b>Governmental Activities</b>	<b>Balance July 1, 2019</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2020</b>
<b>Capital assets, not being depreciated:</b>				
Land and land improvements	\$ 1,826,238	\$ 394,313	\$ -	\$ 2,220,551
Construction in progress	<u>31,875</u>	<u>5,122</u>	<u>-</u>	<u>36,997</u>
<b>Total capital assets, not being depreciated</b>	<u>1,858,113</u>	<u>399,435</u>	<u>-</u>	<u>2,257,548</u>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	8,126,348	119,185	-	8,245,533
Improvements other than buildings	850,566	-	42,508	808,058
Automobiles and trucks	2,846,374	32,995	105,400	2,773,969
Infrastructure	803,805	114,637	-	918,442
Machinery and equipment	<u>4,123,041</u>	<u>81,128</u>	<u>-</u>	<u>4,204,169</u>
<b>Total capital assets being depreciated</b>	<u>16,750,134</u>	<u>347,945</u>	<u>147,908</u>	<u>16,950,171</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(3,189,090)	(201,845)	-	(3,390,935)
Improvements other than buildings	(834,385)	(5,987)	(42,508)	(797,864)
Automobiles and trucks	(2,022,557)	(131,791)	(91,800)	(2,062,548)
Infrastructure	(394,969)	(68,961)	-	(463,930)
Machinery and equipment	<u>(3,180,771)</u>	<u>(190,978)</u>	<u>-</u>	<u>(3,371,749)</u>
<b>Total accumulated depreciation</b>	<u>(9,621,772)</u>	<u>(599,562)</u>	<u>(134,308)</u>	<u>(10,087,026)</u>
<b>Total capital assets being depreciated, net</b>	<u>7,128,362</u>	<u>(251,617)</u>	<u>13,600</u>	<u>6,863,145</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 8,986,475</u>	<u>\$ 147,818</u>	<u>\$ 13,600</u>	<u>\$ 9,120,693</u>

Depreciation was charged to governmental activities as follows:

General government	\$ 92,573
Public safety	184,651
Recreation	48,838
Streets	107,146
Sanitation	40,886
Tourism	<u>125,468</u>
<b>Total</b>	<u>\$ 599,562</u>

**NOTE 4. CAPITAL ASSETS (Continued)**

<b>Business-Type Activities</b>	<b>Balance July 1, 2019</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2020</b>
<b>Capital assets, not being depreciated:</b>				
Land and land improvements	\$ 816,089	\$ -	\$ -	\$ 816,089
Construction in progress	<u>7,926,797</u>	<u>337,595</u>	<u>7,637,860</u>	<u>626,532</u>
<b>Total capital assets, not being depreciated</b>	<b><u>8,742,886</u></b>	<b><u>337,595</u></b>	<b><u>7,637,860</u></b>	<b><u>1,442,621</u></b>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	1,096,870	7,237	-	1,104,107
Utility plants	105,397,151	8,004,436	-	113,401,587
Automobiles and trucks	800,101	23,950	25,512	798,539
Machinery and equipment	<u>318,511</u>	<u>28,880</u>	<u>-</u>	<u>347,391</u>
<b>Total capital assets being depreciated</b>	<b><u>107,612,633</u></b>	<b><u>8,064,503</u></b>	<b><u>25,512</u></b>	<b><u>115,651,624</u></b>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(345,236)	(25,114)	-	(370,350)
Utility plants	(33,205,428)	(2,444,203)	-	(35,649,631)
Automobiles and trucks	(553,486)	(72,854)	(25,512)	(600,828)
Machinery and equipment	<u>(254,906)</u>	<u>(17,404)</u>	<u>-</u>	<u>(272,310)</u>
<b>Total accumulated depreciation</b>	<b><u>(34,359,056)</u></b>	<b><u>(2,559,575)</u></b>	<b><u>(25,512)</u></b>	<b><u>(36,893,119)</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>73,253,577</u></b>	<b><u>5,504,928</u></b>	<b><u>-</u></b>	<b><u>78,758,505</u></b>
<b>Total capital assets, net</b>	<b><u>\$ 81,996,463</u></b>	<b><u>\$ 5,842,523</u></b>	<b><u>\$ 7,637,860</u></b>	<b><u>\$ 80,201,126</u></b>

Depreciation was charged to business-type activities as follows:

Water, gas, and sewer	<u>\$ 2,559,575</u>
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**NOTE 5. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City pays annual premiums to the Kentucky League of Cities Insurance Agency for its general liability coverage, public officials' liability, auto liability, workers' compensation, and property coverage. The City's workers' compensation coverage is retrospectively rated, whereby premiums are accrued based on the ultimate cost of the experience of the City. Kentucky League of Cities Insurance Agency pays claims as they arise. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

**NOTE 6. CAPITAL LEASES**

The City has entered into various lease agreements for financing capital assets. The lease agreements qualify as capital leases for accounting purposes, therefore the leases have been recorded at the present value of their future minimum lease payments as of the inception date.

**NOTE 6. CAPITAL LEASES (Continued)**

The future minimum lease obligations and net present value of these minimum lease payments as of June 30, 2020, were as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2021	\$ 31,940	\$ 15,032
2022	31,940	-
2023	31,940	-
2024	10,646	-
2025	-	-
Total minimum lease payments	106,466	15,032
Less amount representing interest	(6,699)	(32)
Present value of net minimum lease payments	<u>\$ 99,767</u>	<u>\$ 15,000</u>

Following is a summary of property held by the City under capital leases at June 30, 2020:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Equipment	\$ 145,057	\$1,070,990
Less accumulated depreciation	<u>(21,759)</u>	<u>(879,997)</u>
	<u>\$ 123,298</u>	<u>\$ 190,993</u>

	<u>Amount Outstanding 6/30/2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/2020</u>	<u>Amounts Due Within One Year</u>
Governmental activities leases	\$ 156,156	\$ -	\$ (56,389)	\$ 99,767	\$ 28,600
Business-type activities leases	\$ 75,000	\$ -	\$ (60,000)	\$ 15,000	\$ 15,000

**NOTE 7. LONG-TERM DEBT**

Long-term debt at June 30, 2020 consists of the following:

**Governmental Activities**

On April 14, 2011, the City issued \$1,295,000 in Revenue Bonds (Series 2011 A) with variable interest. The proceeds were to be used for improvements to land that were set forth in an Agreement dated February 7, 2011 between the City and Midway College, Inc. and the refinancing of a loan with Citizens National Bank in Paintsville, Kentucky, the proceeds of which were used to finance the Entrepreneur Center.

**NOTE 7. LONG-TERM DEBT (Continued)**

On July 8, 2014, the City borrowed \$160,000 from Mountain Association for Community Economic Development, Inc. to upgrade city properties. The loan agreement provides for 120 monthly payments of \$1,821 to be made beginning August 8, 2014 with final payment due on July 7, 2024. The loan bears interest at 5.00%.

On December 18, 2015, Tourism borrowed \$200,000 from Peoples Bank to fund the purchase of the historic Stafford House. The loan agreement provides for 180 monthly payments of \$1,260 to be made beginning January 18, 2016 with final payment due on December 18, 2030. The loan bears interest at 2.05%.

On August 24, 2017, the City borrowed \$7,939 from Peoples Bank to fund the purchase of a golf course Workman GTX cart. The loan agreement provides for 36 monthly payments of \$232 to be made beginning September 24, 2017 with final payment due on August 24, 2020. The loan bears interest at 3.19%.

On August 2, 2017, the City borrowed \$15,000 from Peoples Bank to fund the purchase of a police cruiser. The loan agreement provides for 36 monthly payments of \$438 to be made beginning September 2, 2017 with final payment due on September 2, 2020. The loan bears interest at 3.19%.

On August 24, 2017, the City borrowed \$18,505 from Peoples Bank to fund the purchase of a golf course greens mower. The loan agreement provides for 36 monthly payments of \$540 to be made beginning September 24, 2017 with final payment due on August 24, 2020. The loan bears interest at 3.19%.

On December 14, 2018, the City borrowed \$80,000 from Citizens Bank of Kentucky to fund the purchase of three Freightliner ambulances. The loan agreement provides for 60 monthly payments of \$1,456 to be made beginning January 20, 2019 with final payment due on December 20, 2023. The loan bears interest at 3.45%.

On March 14, 2019, the City borrowed \$35,000 from Peoples Bank to partially fund the purchase of 30 golf carts. The loan agreement provides for 36 monthly payments of \$1,025 to be made beginning April 14, 2019 with final payment due on March 14, 2022. The loan bears interest at 3.387%.

On September 24, 2019, the City borrowed \$15,000 from Peoples Bank to fund the purchase of a police cruiser. The loan agreement provides for 36 monthly payments of \$441 to be made beginning October 24, 2019 with final payment due on September 24, 2022. The loan bears interest at 3.63%.

<b>Bonds:</b>	<b><u>Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Maturity Date</u></b>
City of Paintsville, Kentucky Revenue Bonds, Series 2011 Issue. Principal due in February of each year, interest payable semi-annually in February and August of each year.	\$860,000	Variable	01/2031
<b>Less:</b>			
Unamortized discount	<u>15,236</u>		
	<b><u>\$ 844,764</u></b>		

**NOTE 7. LONG-TERM DEBT (Continued)**

Changes in long-term obligations for the year ended June 30, 2020, are as follows:

<b>Governmental Activities</b>	<b>Balance 6/30/2019</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 6/30/2020</b>	<b>Due Within One Year</b>
Revenue Bond – Series 2011	\$ 920,000	\$ -	\$ (60,000)	\$ 860,000	\$ 60,000
Sipp Theatre loan payable	10,000	-	(10,000)	-	-
Ambulance/police cruiser loan payable	12,605	-	(12,605)	-	-
Ambulances loan payable	72,570	-	(15,242)	57,328	15,769
Police cruiser loan payable	5,163	-	(5,163)	-	-
Police cruiser loan payable	6,007	-	(5,135)	872	872
Police cruiser loan payable	-	15,000	(3,592)	11,408	4,951
Stafford House loan payable	155,437	-	(10,325)	145,112	10,890
MACED loan payable	97,845	-	(17,361)	80,484	18,263
Workman cart loan payable	3,179	-	(2,717)	462	462
Greens mower loan payable	7,410	-	(6,334)	1,076	1,076
Golf carts loan payable	32,219	-	(11,365)	20,854	11,763
Compensated absences	57,856	76,004	(57,856)	76,004	76,004
Net pension liability	6,524,239	812,844	-	7,337,083	-
Net OPEB liability	<u>1,901,912</u>	<u>-</u>	<u>(147,700)</u>	<u>1,754,212</u>	<u>-</u>
	9,806,442	903,848	(365,395)	10,344,895	200,050
Unamortized bond discount	<u>(16,287)</u>	<u>-</u>	<u>1,051</u>	<u>(15,236)</u>	<u>-</u>
Total governmental activities	<u>\$ 9,790,155</u>	<u>\$ 903,848</u>	<u>\$ (364,344)</u>	<u>\$10,329,659</u>	<u>\$ 200,050</u>

Repayment of principal and interest maturities is principally made from various taxes and service fees collected. Also, for governmental activities, the pension obligations and other post-employment benefit obligations are generally liquidated by the general fund.

Principal and interest payments to be made on all long-term debt at June 30, 2020, for each of the next five years and thereafter are as follows:

<b>Year Ending June 30</b>	<b>Bonds</b>	<b>Notes</b>	<b>Total Principal</b>	<b>Total Interest</b>	<b>Total</b>
2021	\$ 60,000	\$ 64,046	\$ 124,046	\$ 53,994	\$ 178,040
2022	65,000	61,254	126,254	48,760	175,014
2023	65,000	50,545	115,545	43,932	159,477
2024	70,000	42,243	112,243	39,049	151,292
2025	75,000	14,861	89,861	34,649	124,510
2026-2030	425,000	74,383	499,383	106,527	605,910
2031	<u>100,000</u>	<u>10,264</u>	<u>110,264</u>	<u>5,635</u>	<u>115,899</u>
	<u>\$ 860,000</u>	<u>\$ 317,596</u>	<u>\$ 1,177,596</u>	<u>\$ 332,546</u>	<u>\$ 1,510,142</u>

**NOTE 7. LONG-TERM DEBT (Continued)**

**Business-Type Activities**

<b>Bonds:</b>	<b><u>Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Maturity Date</u></b>
City of Paintsville, Kentucky Water Revenue Bond, Series 2006. Principal installments due in January of each year, and interest payable semi-annually in January and July of each year.	\$ 206,500	4.125%	07/2046
City of Paintsville Combined Utility Revenue Bonds, Series 2011 Issue. Principal installments due in January of each year, interest payable semi-annually in January and July of each year.	11,934,000	2.00%	01/2051
City of Paintsville Combined Utility Revenue Bond, Series 2018 Issue. Principal installments due in January of each year, interest payable semi-annually in January and July of each year.	4,821,000	2.00%	01/2057
City of Paintsville, Kentucky Public Projects Bond, Series 2020D. Principal installments due in January of each year, and interest payable semi-annually in January and July of each year. (Paintsville Lake Water Storage Space – Dept of Army)	3,115,000	variable	07/2040
Add:			
Unamortized premium	<u>204,404</u>		
	20,280,904		
<b>Notes:</b>			
Note payable to Kentucky Infrastructure Authority, due in monthly installments of principal and interest. (B98-02)	792,637	1.30%	06/2032
Note payable to Kentucky Infrastructure Authority, due in semi-annual installments of principal and interest, in June and December of each year. (F08-10)	5,009,511	1.00%	06/2035
Note payable to Kentucky Infrastructure Authority, due in semi-annual installments of principal and interest, in June and December of each year. (A209-34)	357,043	1.00%	12/2032
Note payable to Kentucky Infrastructure Authority, due in semi-annual installments of principal and interest, in June and December of each year. (A05-04)	<u>138,203</u>	1.00%	06/2026
	<u>6,297,394</u>		
	<u>\$26,373,894</u>		

The Utility Revenue Bonds and the Kentucky Water Revenue Bonds are obligations payable solely from the revenues of the Commission and are further secured by a statutory mortgage lien on the Commission's utility plant. The bond covenants require the establishment of various sinking funds, reserve funds, depreciation funds and an operations and maintenance fund which are restricted for specific purposes. The bond resolutions also require the Commission to maintain a debt service coverage ratio of 1.2 to 1. The debt service coverage ratio was 1.41 at June 30, 2020.



**CITY OF PAINTSVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE 7. LONG-TERM DEBT (Continued)**

The Commission defeased Public Projects Revenue Bond Series 2011(B) to reduce debt in order to mitigate rate increases required for additional financing for the I & I sewer system improvement project. The amount of the defeased debt was \$670,000. There was \$146,448 in escrow at June 30, 2020. The amount of cash flows required to service the defeased debt at June 30, 2020 was \$123,398.

Changes in long-term obligations for the year ended June 30, 2019, are as follows:

<b>Business-Type Activities</b>	<b>Balance 6/30/2019</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 6/30/2020</b>	<b>Due Within One Year</b>
Water Revenue Bond – Series 2006	\$ 211,000	\$ -	\$ (4,500)	\$ 206,500	\$ 4,500
Combined Utility Revenue Bonds – Series 2011	12,176,500	-	(242,500)	11,934,000	249,000
Combined Utility Revenue Bond – Series 2018	4,900,000	-	(79,000)	4,821,000	81,000
Public Projects Bonds – 2020D	-	3,115,000	-	3,115,000	50,000
Add: Unamortized Bond Premium	-	204,404	-	204,404	-
Citizens National Bank (sewer plant upgrade)	437,139	-	(437,139)	-	-
Citizens National Bank (Dept of the Army loan)	3,308,899	-	(3,308,899)	-	-
KIA Loan Payable (Honey Branch)	853,293	-	(60,656)	792,637	61,448
KIA Loan Payable (Paintsville Lake water plant)	5,317,577	-	(308,066)	5,009,511	311,154
KIA Loan Payable (wastewater treatment plant)	383,730	-	(26,687)	357,043	26,954
KIA Loan Payable (wastewater treatment plant)	160,443	-	(22,240)	138,203	22,463
Compensated Absences	45,972	62,249	(45,972)	62,249	62,249
Net Pension Liability	3,826,782	543,763	-	4,370,545	-
Net OPEB Liability	1,115,570	-	(70,622)	1,044,948	-
<b>Total business-type activities</b>	<b>\$32,736,905</b>	<b>\$ 3,925,416</b>	<b>\$ (4,606,281)</b>	<b>\$32,056,040</b>	<b>\$ 868,768</b>

The Commission's future water, sewer, and gas revenues, net of specified operating expenses, will repay these revenue bonds and loans payable.

Principal and interest payments to be made on all long-term debt at June 30, 2020, for each of the next five years and thereafter are as follows:

<b>Year Ending June 30</b>	<b>Bonds</b>	<b>Notes</b>	<b>Total Principal</b>	<b>Total Interest</b>	<b>Total</b>
2021	\$ 334,500	\$ 422,019	\$ 806,519	\$ 519,858	\$ 1,326,377
2022	454,000	426,436	880,436	538,192	1,418,628
2023	467,500	430,898	898,398	520,373	1,418,771
2024	482,000	435,409	917,409	502,053	1,419,462
2025	497,000	439,966	936,966	483,225	1,420,191
2026-2030	2,731,500	2,173,063	4,904,563	2,117,789	7,022,352
2031-2035	3,180,500	1,969,603	5,150,103	1,616,887	6,766,990
2036-2040	3,641,000	357,789	3,641,000	1,151,985	4,792,985
2041-2045	3,014,000	-	3,014,000	750,904	3,764,904
2046-2050	3,388,000	-	3,388,000	408,250	3,796,250
2051-2055	890,000	-	890,000	116,100	1,006,100
2056-2057	946,500	-	946,500	20,105	966,605
	<b>\$20,076,500</b>	<b>\$ 6,297,394</b>	<b>\$26,373,894</b>	<b>\$ 8,745,721</b>	<b>\$35,119,615</b>

**NOTE 8. INTERFUND TRANSFERS**

The following is a schedule of interfund transfers:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Tourism Fund	Operating	\$ 214,460
Subtotal – Fund Financial Statements			214,460
Less: Fund Eliminations			(214,460)
Total Transfers – Government-wide Statement of Activities			<u>\$ -</u>

**NOTE 9. COMMITMENTS AND CONTINGENCIES**

**Litigation**

The City is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of its operations. It is the opinion of City management and the City Attorney that any losses not covered by insurance which may ultimately be incurred as a result of the suits and claims will not be material.

**NOTE 10. GRANTS**

The City receives financial assistance from numerous federal, state and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any unallowed disbursements resulting from such audits could become a liability of the City. In the opinion of City management, no material refunds will be required as a result of unallowed disbursements (if any), by the grantor agencies.

**NOTE 11. SUBSEQUENT EVENT**

Management has evaluated and has not recognized any subsequent events through December 14, 2020, the date the financial statements were available to be issued.

**NOTE 12. DEFINED PENSION**

**General Information about the Pension Plan**

***Plan Description***

Employees of the City of Paintsville, Kentucky are provided with pensions through a cost-sharing multiple-employer defined benefit plan administered by the County Employee's Retirement System. Section 61.645 of the Kentucky Revised Statutes grants to CERS Board of Trustees and the Kentucky Legislature the authority to review administration, benefit terms, investments, and funding of the plan. The plan, created under Kentucky Revised Statute (KRS) 78.520, provides for retirement, disability, and death benefits to plan members. CERS issues a publicly available financial report that can be obtained at [kyret.ky.gov](http://kyret.ky.gov).

**NOTE 12. DEFINED PENSION (Continued)**

***Benefits Provided***

CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's spouse will receive the higher of the normal death benefit or \$10,000 plus 75% of the decedent's monthly average pay until the spouse's death or remarriage. If surviving spouse remarries, the monthly payment shall be recalculated to 25% of the deceased member's monthly average pay. Each eligible dependent child will receive a monthly benefit equal to 50% of the decedent's monthly average pay. The amount increases to 65% if the decedent has two (2) dependent children; and 75% if three (3) or more children. Payments will be divided equally among all the dependent children. Five years' service is required for nonservice-related disability benefits.

***Contributions***

Per State Statutes, contribution requirements of the active employees are established and may be amended by the CERS Board. Employees hired before 9/1/08 are required to contribute 5.00 percent of their annual pay and employees hired after 9/1/08 are required to contribute 6.00 percent of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2020, was 19.30 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$834,528 for the year ended June 30, 2020.

**NOTE 12. DEFINED PENSION (Continued)**

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

At June 30, 2020, the City reported a liability of \$11,707,628 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the City's proportion was 0.166 percent, which was a decrease of 0.004 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$1,996,047. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 298,931	\$ 49,468
Changes of assumptions	1,187,945	-
Net difference between projected and actual earnings on pension plan investments	-	188,732
Changes in proportion and differences between City contributions and proportionate share of contributions	129,059	139,438
City contributions subsequent to the measurement date	<u>834,528</u>	<u>-</u>
Total	<u>\$ 2,447,463</u>	<u>\$ 377,638</u>

\$834,528 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2021	\$ 835,879
2022	286,854
2023	99,174
2024	13,390
2025	-
Thereafter	-

**NOTE 12. DEFINED PENSION (Continued)**

***Actuarial Methods and Assumptions***

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2019 are as follows:

Inflation	2.30%
Payroll Growth Rate	2.00% for CERS non-hazardous
Salary Increase	3.30% to 11.55%, varies by source
Investment Rate of Return	6.25%

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

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%

**NOTE 12. DEFINED PENSION (Continued)**

***Discount Rate***

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

***Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the City's proportionate share of the Net Pension Liability using the discount rate of 6.25%, as well as what the City's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage-point lower (5.25%) or one percentage-point higher (7.25%) than the current rate:

	<u>1.0% Decrease (5.25%)</u>	<u>Current Discount Rate (6.25%)</u>	<u>1.0% Increase (7.25%)</u>
City's proportionate share of the net pension liability	\$14,642,922	\$11,707,628	\$9,261,089

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued KRS 2019 Comprehensive Annual Financial Report at [kyret.ky.gov](http://kyret.ky.gov).

***Payable to the Pension Plan***

At June 30, 2020, the City reported a payable of \$101,655 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020. The payable includes both the pension and insurance contribution allocation.

**NOTE 13. OPEB PLAN**

**General Information about the OPEB plan**

***Plan Description and Benefits Provided***

The City of Paintsville, Kentucky participates in the County Employees Retirement System (CERS) Insurance Fund, a multiple-employer defined benefit Other Post-Employment Benefits (OPEB) plan for members that cover all regular full-time members employed by the City. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

***Contributions***

The City's contractually required contribution rate for the year ended June 30, 2020, was 4.76 percent of covered payroll. Contributions to the OPEB plan from the City were \$205,821 for the year ended June 30, 2020.

**NOTE 13. OPEB PLAN (Continued)**

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

At June 30, 2020, the City reported a liability of \$2,799,160 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the City's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2019, the City's proportion was 0.166 percent, which was a decrease of 0.004 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized OPEB expense of \$308,334. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 844,571
Changes of assumptions	828,298	5,539
Net difference between projected and actual earnings On OPEB plan investments	-	124,326
Changes in proportion and differences between City contributions and proportionate share of contributions	62,307	66,499
City contributions subsequent to the measurement date	<u>205,821</u>	<u>-</u>
Total	<u>\$ 1,096,426</u>	<u>\$ 1,040,935</u>

\$205,821 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021.

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

**Year ended June 30:**

2021	\$(19,502)
2022	(19,502)
2023	20,026
2024	(55,704)
2025	(62,776)
Thereafter	(12,872)

**NOTE 13. OPEB PLAN (Continued)**

***Actuarial Methods and Assumptions***

A summary of the actuarial methods and assumptions used in determining the total OPEB liability as of June 30, 2019 are as follows:

Inflation	2.30%
Payroll Growth Rate	2.0% for CERS non-hazardous
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post - 65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%



**NOTE 13. OPEB PLAN (Continued)**

***Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend***

	<u>1.0% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1.0% Increase</u>
City's proportionate share of the net OPEB liability	\$2,081,749	\$2,799,160	\$3,669,105

***Discount Rate***

The projection of cash flows used to determine the discount rate of 5.68% for CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

***Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the City's proportionate share of the Net OPEB Liability using the discount rate of (5.68%), as well as what the City's proportionate share of the Net OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower (4.68%) or one percentage-point higher (6.68%) than the current rate:

	<u>1.0% Decrease (4.68%)</u>	<u>Current Discount Rate (5.68%)</u>	<u>1.0% Increase (6.68%)</u>
City's proportionate share of the net OPEB liability	\$3,749,723	\$2,799,160	\$2,015,959

***OPEB Plan Fiduciary Net Position***

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KRS 2019 Comprehensive Annual Financial Report at [kyret.ky.gov](http://kyret.ky.gov)

## **AUDITOR'S REPORTS**



WELLS & COMPANY, P.S.C.

*Certified Public Accountants*

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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***

The Honorable Bill Mike Runyon, Mayor  
Members of the City Council  
City of Paintsville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Paintsville, Kentucky, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Paintsville, Kentucky's basic financial statements and have issued our report thereon dated December 14, 2020, which included an explanatory paragraph regarding the omission of required Management Discussion and Analysis.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Paintsville, 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 the City of Paintsville, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Paintsville, 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 did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item 2020-001 that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Paintsville, 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 Paintsville, Kentucky's Response to Findings**

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

### **Purpose of this Report**

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

*Welch & Company, PSC*

Certified Public Accountants  
Paintsville, Kentucky  
December 14, 2020

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2020 – 001 Segregation of Duties**

Condition: Presently, the City has an absence of appropriate segregation of duties consistent with appropriate internal control objectives.

Criteria: The City should have appropriate segregation of duties to provide reasonable assurance that the safeguarding of assets and financial records be maximized.

Cause: Due to its small size and budget restrictions the City has limited options for establishing an adequate segregation of duties.

Effect: An improper segregation of duties can subject the City to intentional or unintentional losses due to errors or irregularities.

Views of Responsible Officials: The City should continue to review the internal control structure and segregate duties where possible.

Management Comment: Management of the City concurs with the finding and will continue strong oversight.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF PAINTSVILLE, KENTUCKY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

42

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Property taxes	\$ 644,800	\$ 644,800	\$ 557,106	\$ (87,694)
Payments in lieu of taxes	-	-	37,720	37,720
Franchise fees and taxes	174,000	174,000	185,442	11,442
Police court revenue	8,500	8,500	7,824	(676)
Police services	6,000	6,000	4,631	(1,369)
Building permits	5,000	5,000	2,453	(2,547)
Licenses	750	750	981	231
ABC fees	145,000	145,000	170,577	25,577
Garbage collection fees	800,000	800,000	787,866	(12,134)
Taxes on insurance premiums	515,000	515,000	572,090	57,090
Occupational taxes	1,670,000	1,670,000	1,744,585	74,585
Motor vehicle tax	25,000	25,000	27,381	2,381
Ambulance receipts	1,440,000	1,440,000	1,226,530	(213,470)
Firefighter and police incentive pay	128,000	128,000	146,645	18,645
Rental/Lease revenue	150,000	150,000	153,861	3,861
City pool and concession revenue	8,000	8,000	786	(7,214)
Golf course revenue	208,000	208,000	153,877	(54,123)
Miscellaneous intergovernmental revenue	69,050	69,050	67,855	(1,195)
Grants	40,000	40,000	547,482	507,482
Contributions	-	-	61,221	61,221
Other receipts	25,500	25,500	33,582	8,082
<b>Total revenues</b>	<u>6,062,600</u>	<u>6,062,600</u>	<u>6,490,495</u>	<u>427,895</u>
<b>Expenditures:</b>				
<b>General government:</b>				
Administrative salaries	328,000	328,000	337,350	(9,350)
Payroll tax expense	27,050	27,050	35,041	(7,991)
Employee benefits	157,400	157,400	125,746	31,654
City attorney's fees	30,000	30,000	32,201	(2,201)
Mayor's expense	1,500	1,500	45	1,455
Postage	4,000	4,000	1,717	2,283
Advertising	6,500	6,500	3,641	2,859
Office expenses	22,500	22,500	30,004	(7,504)
Telephone	13,200	13,200	22,107	(8,907)
Workmen's compensation insurance	1,400	1,400	1,452	(52)
Audit and accounting fees	15,000	15,000	2,700	12,300
Insurance and bonding	11,000	11,000	25,912	(14,912)
Utilities	215,000	215,000	226,096	(11,096)
Preparation of property tax bills	16,000	16,000	14,423	1,577
Senior Citizens	64,240	64,240	66,743	(2,503)
Big Sandy ADD dues	1,500	1,500	1,500	-
Main Street Program	15,000	15,000	15,000	-
Capital expenditures	-	-	519,667	(519,667)
Other general expenses	109,850	109,850	95,608	14,242

**CITY OF PAINTSVILLE, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE (Continued)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

43

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Debt service:</b>				
Interest expense	50,802	50,802	51,726	(924)
Principal retirement	77,361	77,361	77,361	-
Building inspector expense	1,200	1,200	423	777
Total general government	<u>1,168,503</u>	<u>1,168,503</u>	<u>1,686,463</u>	<u>(517,960)</u>
<b>Police:</b>				
Salaries and wages	351,000	351,000	340,710	10,290
Payroll tax expense	28,050	28,050	23,406	4,644
Employee benefits	190,100	190,100	160,465	29,635
Gasoline and oil	26,000	26,000	18,122	7,878
Repairs and maintenance	5,000	5,000	4,519	481
Workmen's compensation insurance	7,800	7,800	8,040	(240)
Insurance and bonding	29,000	29,000	30,880	(1,880)
Utilities	-	-	4,543	(4,543)
Training	2,000	2,000	662	1,338
Telephone	12,500	12,500	12,414	86
Uniforms and uniforms cleaning	5,000	5,000	2,598	2,402
<b>Debt service:</b>				
Interest expense	-	-	590	(590)
Principal retirement	16,000	16,000	18,628	(2,628)
Capital expenditures	11,500	11,500	15,000	(3,500)
Other expenditures	6,800	6,800	12,767	(5,967)
Total police	<u>690,750</u>	<u>690,750</u>	<u>653,344</u>	<u>37,406</u>
<b>Fire/EMS:</b>				
Salaries and wages	1,193,000	1,193,000	1,185,055	7,945
Payroll tax expense	94,500	94,500	84,627	9,873
Employee benefits	578,400	578,400	490,876	87,524
Gasoline and oil	45,000	45,000	42,910	2,090
Repairs and maintenance	28,000	28,000	25,939	2,061
Insurance	34,000	34,000	33,348	652
Telephone	15,000	15,000	11,081	3,919
Utilities	17,000	17,000	21,886	(4,886)
Uniforms and uniforms cleaning	10,000	10,000	4,591	5,409
Training	1,500	1,500	600	900
Training center expenses	6,000	6,000	8,329	(2,329)
Workmen's compensation insurance	83,000	83,000	77,856	5,144
Billing service	93,600	93,600	73,606	19,994
Medical supplies	36,000	36,000	35,982	18
<b>Debt service:</b>				
Interest expense	-	-	2,436	(2,436)
Principal retirement	9,000	9,000	23,109	(14,109)
Other expenses	16,300	16,300	66,315	(50,015)
Total fire/ems	<u>2,260,300</u>	<u>2,260,300</u>	<u>2,188,546</u>	<u>71,754</u>



**CITY OF PAINTSVILLE, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE (Continued)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

44

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Recreation:</b>				
Recreation salaries	147,000	147,000	112,298	34,702
Payroll tax expense	12,735	12,735	8,775	3,960
Employee benefits	62,000	62,000	48,283	13,717
Insurance	16,000	16,000	24,074	(8,074)
Supplies	17,500	17,500	19,803	(2,303)
Recreational programs	8,000	8,000	5,763	2,237
Workmen's compensation insurance	4,000	4,000	4,356	(356)
Utilities	25,000	25,000	40,668	(15,668)
Other expenses	56,900	56,900	29,837	27,063
Total recreation	<u>349,135</u>	<u>349,135</u>	<u>293,857</u>	<u>55,278</u>
<b>Streets:</b>				
Salaries and wages	199,500	199,500	205,940	(6,440)
Payroll tax expense	16,735	16,735	16,043	692
Employee benefits	120,000	120,000	125,898	(5,898)
Uniforms	3,200	3,200	1,873	1,327
Gasoline and oil	25,000	25,000	22,868	2,132
Insurance	35,500	35,500	31,985	3,515
Supplies and parts	16,500	16,500	15,263	1,237
Workmen's compensation insurance	12,000	12,000	12,792	(792)
Capital expenditures	97,737	97,737	63,543	34,194
Other expenses	17,000	17,000	15,901	1,099
Total streets	<u>543,172</u>	<u>543,172</u>	<u>512,106</u>	<u>31,066</u>
<b>Sanitation:</b>				
Salaries and wages	226,000	226,000	244,837	(18,837)
Payroll tax expense	18,275	18,275	19,209	(934)
Employee benefits	144,000	144,000	130,462	13,538
Gasoline and oil	23,000	23,000	22,074	926
Truck repairs and maintenance	16,000	16,000	12,819	3,181
Workmen's compensation insurance	14,300	14,300	15,984	(1,684)
Hauling and dumping expense	215,000	215,000	213,355	1,645
Insurance	14,000	14,000	16,178	(2,178)
Uniforms	3,600	3,600	1,065	2,535
Utilities	-	-	3,594	(3,594)
Garage expenses	8,000	8,000	6,059	1,941
Debt service:				
Interest expense	5,111	5,111	5,048	63
Principal retirement	56,389	56,389	56,389	-
Other expenses	6,500	6,500	8,561	(2,061)
Total sanitation	<u>750,175</u>	<u>750,175</u>	<u>755,634</u>	<u>(5,459)</u>

CITY OF PAINTSVILLE, KENTUCKY  
BUDGETARY COMPARISON SCHEDULE (Continued)  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020

45

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Golf Course:</b>				
Salaries and wages	158,000	158,000	138,277	19,723
Payroll tax expense	10,840	10,840	11,032	(192)
Employee benefits	39,000	39,000	43,672	(4,672)
Workmen's compensation insurance	2,750	2,750	3,276	(526)
Maintenance and repairs	58,000	58,000	58,467	(467)
Gasoline and oil	10,000	10,000	9,814	186
Insurance	16,000	16,000	9,545	6,455
Utilities and telephone	15,000	15,000	31,915	(16,915)
Debt service:				
Interest expense	-	-	1,141	(1,141)
Principal retirement	9,300	9,300	20,417	(11,117)
Capital expenditures	30,000	30,000	12,150	17,850
Other expenses	36,750	36,750	48,029	(11,279)
Total golf course	<u>385,640</u>	<u>385,640</u>	<u>387,735</u>	<u>(2,095)</u>
 Total Expenditures	 <u>6,147,675</u>	 <u>6,147,675</u>	 <u>6,477,685</u>	 <u>(330,010)</u>
 Excess of revenues over (under) expenditures	 <u>(85,075)</u>	 <u>(85,075)</u>	 <u>12,810</u>	 <u>97,885</u>
<b>Other Financing Sources/(Uses):</b>				
Transfer in from Tourism	250,000	250,000	214,460	(35,540)
Intragovernmental forgiveness of debt	(85,725)	(85,725)	(77,822)	7,903
Proceeds from sale of capital assets	-	-	11,590	11,590
Proceeds from insurance	-	-	57,756	57,756
Proceeds from borrowing	-	-	15,000	15,000
 Total other financing sources (uses)	 <u>164,275</u>	 <u>164,275</u>	 <u>220,984</u>	 <u>56,709</u>
 Net change in fund balance	 <u>\$ 79,200</u>	 <u>\$ 79,200</u>	 233,794	 <u>\$ 154,594</u>
 Fund balance - beginning			 <u>1,967,845</u>	
 Fund balance - ending			 <u>\$ 2,201,639</u>	

**CITY OF PAINTSVILLE, KENTUCKY  
BUDGETARY COMPARISON SCHEDULE  
PAINTSVILLE TOURISM COMMISSION  
FOR THE YEAR ENDED JUNE 30, 2020**

**46**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Taxes:				
Restaurant tax	\$ 720,000	\$ 720,000	\$ 730,165	\$ 10,165
Room occupancy tax	60,000	60,000	70,137	10,137
Country Music Museum:				
Gift Shop/Rental/Ticket Sales	47,400	47,400	7,643	(39,757)
Interest	-	-	2,515	2,515
Miscellaneous revenues	30,574	30,574	65,233	34,659
<b>Total revenues</b>	<u>857,974</u>	<u>857,974</u>	<u>875,693</u>	<u>17,719</u>
<b>Expenditures:</b>				
Salaries and wages	134,000	134,000	114,092	19,908
Payroll tax expense	15,200	15,200	10,234	4,966
Employee benefits	20,000	20,000	14,632	5,368
Contract labor	5,500	5,500	7,122	(1,622)
Administration	12,000	12,000	10,053	1,947
Telephone and utilities	37,000	37,000	29,634	7,366
Donations	50,495	50,495	28,483	22,012
Postage	1,000	1,000	817	183
General office expense	8,000	8,000	11,860	(3,860)
Gift shop expense	7,000	7,000	2,369	4,631
Advertising and promotional	78,200	78,200	69,535	8,665
Membership dues	3,525	3,525	4,853	(1,328)
Van and bus expense	4,400	4,400	4,609	(209)
Legal and professional expense	13,500	13,500	9,962	3,538
Taxes and licenses	1,700	1,700	1,687	13
Maintenance and repairs	14,480	14,480	12,253	2,227
Mountain Homeplace	45,000	45,000	45,000	-
Bank charges	-	-	-	-
Insurance	22,200	22,200	22,095	105
Security	3,410	3,410	4,282	(872)
Sipp expenses	7,300	7,300	6,713	587
Stafford house expenses	37,600	37,600	5,316	32,284
Other expense	81,134	81,134	39,474	41,660
Debt service:				
Interest expense	-	-	9,124	(9,124)
Principal retirement	26,850	26,850	20,324	6,526
Capital outlay	-	-	67,931	(67,931)
<b>Total expenditures</b>	<u>629,494</u>	<u>629,494</u>	<u>552,454</u>	<u>77,040</u>
<b>Excess of revenues over (under) expenditures</b>	<u>228,480</u>	<u>228,480</u>	<u>323,239</u>	<u>94,759</u>

**CITY OF PAINTSVILLE, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE (Continued)**  
**PAINTSVILLE TOURISM COMMISSION**  
**FOR THE YEAR ENDED JUNE 30, 2020**

47

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Other financing sources (uses):</b>				
Proceeds from insurance	-	-	11,126	11,126
Transfer out to General Fund	<u>(228,480)</u>	<u>(228,480)</u>	<u>(214,460)</u>	<u>14,020</u>
Total other financing sources (uses)	<u>(228,480)</u>	<u>(228,480)</u>	<u>(203,334)</u>	<u>25,146</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	119,905	<u>\$ 119,905</u>
Fund balance - beginning			<u>204,918</u>	
Fund balance - ending			<u>\$ 324,823</u>	

**CITY OF PAINTSVILLE, KENTUCKY  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY (CERS)  
JUNE 30, 2020**

**48**

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>
City's proportion of the net pension liability (asset)	0.169852%	0.173853%	0.167811%
City's proportionate share of the net pension liability (asset)	\$ 5,510,000	\$ 7,474,872	\$ 8,262,404
City's covered-employee payroll	\$ 4,078,483	\$ 4,030,252	\$ 4,006,221
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	135.10%	185.47%	206.24%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%
	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
City's proportion of the net pension liability (asset)	0.163673%	0.169953%	0.166466%
City's proportionate share of the net pension liability (asset)	\$ 9,580,284	\$ 10,351,021	\$ 11,707,628
City's covered-employee payroll	\$ 4,224,008	\$ 4,195,198	\$ 4,323,980
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	226.81%	246.73%	270.76%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	53.54%	50.45%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF PAINTSVILLE, KENTUCKY  
SCHEDULE OF CITY PENSION CONTRIBUTIONS (CERS)  
JUNE 30, 2020**

49

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>
Contractually required contribution	\$ 520,007	\$ 500,557	\$ 558,868
Contributions in relation to the contractually required contribution	<u>520,007</u>	<u>500,557</u>	<u>558,868</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 4,078,483	\$ 4,030,252	\$ 4,006,221
Contributions as a percentage of covered-employee payroll	12.75%	12.42%	13.95%
	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
Contractually required contribution	\$ 611,636	\$ 680,461	\$ 834,528
Contributions in relation to the contractually required contribution	<u>611,636</u>	<u>680,461</u>	<u>834,528</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 4,224,008	\$ 4,195,198	\$ 4,323,980
Contributions as a percentage of covered-employee payroll	14.48%	16.22%	19.30%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF PAINTSVILLE, KENTUCKY  
NOTES TO REQUIRED PENSION SUPPLEMENTARY INFORMATION (CERS)  
FOR THE YEAR ENDED JUNE 30, 2020**

**50**

**NOTE A – CHANGES OF BENEFIT TERMS**

There was no legislation enacted that had a material change in benefit provisions for CERS.

**NOTE B – CHANGES OF ASSUMPTIONS**

The following changes in assumptions were modified as of the June 30, 2017 valuation:

- the assumed investment rate of return was decreased from 7.50% to 6.25%
- the assumed rate of inflation was reduced from 3.25% to 2.30%
- payroll growth assumption was reduced from 4.00% to 2.00%

**Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for the Fiscal Year 2019**

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2019:

Valuation Date	June 30, 2017
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	26 years, closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25% for CERS non-hazardous

**CITY OF PAINTSVILLE, KENTUCKY  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY (CERS)  
JUNE 30, 2020**

**51**

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
City's proportion of the net OPEB liability (asset)	0.163673%	0.169953%	0.166466%
City's proportionate share of the net OPEB liability (asset)	\$ 3,290,387	\$ 3,017,482	\$ 2,799,160
City's covered-employee payroll	\$ 4,224,008	\$ 4,195,198	\$ 4,323,980
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	77.90%	71.92%	64.74%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	57.62%	60.44%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.



**CITY OF PAINTSVILLE, KENTUCKY  
SCHEDULE OF CITY OPEB CONTRIBUTIONS (CERS)  
JUNE 30, 2020**

**52**

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
Contractually required contribution	\$ 198,529	\$ 220,668	\$ 205,821
Contributions in relation to the contractually required contribution	<u>198,529</u>	<u>220,668</u>	<u>205,821</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 4,224,008	\$ 4,195,198	\$ 4,323,980
Contributions as a percentage of covered-employee payroll	4.70%	5.26%	4.76%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF PAINTSVILLE, KENTUCKY**  
**NOTES TO REQUIRED OPEB SUPPLEMENTARY INFORMATION (CERS)**  
**FOR THE YEAR ENDED JUNE 30, 2020**

53

**NOTE A – CHANGES OF BENEFIT TERMS**

There was no legislation enacted that had a material change in benefit provisions for CERS.

**NOTE B – CHANGES OF ASSUMPTIONS**

The following changes in assumptions were modified as of the June 30, 2017 valuation:

- the assumed investment rate of return was decreased from 7.50% to 6.25%
- the assumed rate of inflation was reduced from 3.25% to 2.30%
- payroll growth assumption was reduced from 4.00% to 2.00%

**Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for the Fiscal Year 2019**

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2019:

Valuation Date	June 30, 2017
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	26 years, closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre – 65	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

**SUPPLEMENTARY  
AND  
OTHER INFORMATION**

**CITY OF PAINTSVILLE, KENTUCKY  
COMBINING BALANCE SHEET  
NON-MAJOR FUNDS  
JUNE 30, 2020**

54

	<b>Special Revenue Funds</b>			
	<b>Coal and Mineral Tax Severance Fund</b>	<b>Municipal Road Aid Fund</b>	<b>911 Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 43,737	\$ 142,547	\$ 67,759	\$ 254,043
Due from General Fund	-	-	-	-
Total Assets	<u>\$ 43,737</u>	<u>\$ 142,547</u>	<u>\$ 67,759</u>	<u>\$ 254,043</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 157	\$ 666	\$ 5,954	\$ 6,777
Accrued vacation	-	-	5,905	5,905
Due to General Fund	-	-	45,929	45,929
Total Liabilities	<u>157</u>	<u>666</u>	<u>57,788</u>	<u>58,611</u>
<b>Fund Balances:</b>				
Restricted for:				
Streets	-	141,881	-	141,881
Other	43,580	-	9,971	53,551
Unassigned	-	-	-	-
Total Fund Balances	<u>43,580</u>	<u>141,881</u>	<u>9,971</u>	<u>195,432</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 43,737</u>	<u>\$ 142,547</u>	<u>\$ 67,759</u>	<u>\$ 254,043</u>

**CITY OF PAINTSVILLE, KENTUCKY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NON-MAJOR FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

55

	<b>Special Revenue Funds</b>			
	<b>Coal and Mineral Tax Severance Fund</b>	<b>Municipal Road Aid Fund</b>	<b>911 Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>Revenues:</b>				
Intergovernmental revenues	\$ 43,010	\$ 68,656	\$ -	\$ 111,666
Charges for services	-	-	369,790	369,790
Interest	-	1	1	2
Total revenues	<u>43,010</u>	<u>68,657</u>	<u>369,791</u>	<u>481,458</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	-	-	447,613	447,613
Streets	7,395	1,040	-	8,435
Sanitation	3,905	-	-	3,905
Recreation	5,596	-	-	5,596
<b>Capital outlay</b>	<u>-</u>	<u>69,089</u>	<u>-</u>	<u>69,089</u>
Total expenditures	<u>16,896</u>	<u>70,129</u>	<u>447,613</u>	<u>534,638</u>
Excess of revenues over (under) expenditures	26,114	(1,472)	(77,822)	(53,180)
<b>Other financing sources (uses):</b>				
Intragovernmental forgiveness of debt	<u>-</u>	<u>-</u>	<u>77,822</u>	<u>77,822</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>77,822</u>	<u>77,822</u>
Net change in fund balances	26,114	(1,472)	-	24,642
Fund balances - beginning	<u>17,466</u>	<u>143,353</u>	<u>9,971</u>	<u>170,790</u>
<b>Fund balances - ending</b>	<u>\$ 43,580</u>	<u>\$ 141,881</u>	<u>\$ 9,971</u>	<u>\$ 195,432</u>