

**CITY OF PAINTSVILLE, KENTUCKY**

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

**JUNE 30, 2023**



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

*Certified Public Accountants*

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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 Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Paintsville, Kentucky as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Paintsville, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Paintsville, Kentucky, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

***Required Supplementary Information***

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 49-54 and the County Employees' Retirement System's Schedules of the Proportionate Share of the Net Position Liability and Contributions, on pages 55 and 56, respectively, and the County Employees' Retirement System's Schedules of the Proportionate Share of the Net OPEB Liability and Contributions, on pages 57 and 58, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited

procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Paintsville, Kentucky's basic financial statements. The combining and individual non-major fund financial statements, and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2023 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 & Cope, PSC*

Certified Public Accountants  
Paintsville, Kentucky  
December 11, 2023

**CITY OF PAINTSVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

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	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,681,605	\$ 4,703,108	\$ 12,384,713
Certificates of deposit	104,953	2,787,846	2,892,799
Taxes receivable	109,353	-	109,353
Accounts receivable	83,478	860,969	944,447
Lease receivable	382,598	-	382,598
Grants receivable	-	336,813	336,813
Other receivable	13,574	-	13,574
Due from Paintsville Utilities	67,079	-	67,079
Unbilled revenues	-	379,078	379,078
Inventory	-	264,833	264,833
Prepaid items	28,578	26,590	55,168
Capital assets:			
Land and construction-in-progress	3,138,577	3,274,363	6,412,940
Other capital assets, net of accumulated depreciation	7,309,993	77,553,099	84,863,092
<b>Total Assets</b>	<b>18,919,788</b>	<b>90,186,699</b>	<b>109,106,487</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred outflows related to pensions & OPEB	1,716,611	1,197,664	2,914,275
<b>LIABILITIES</b>			
Accounts payable	221,183	392,767	613,950
Retainage payable	-	160,736	160,736
Accrued payroll taxes	47,195	9,885	57,080
Accrued vacation	62,338	60,034	122,372
Other accrued liabilities	163,216	470,907	634,123
Interim loan payable	-	1,781,969	1,781,969
Customer meter deposits payable	-	348,915	348,915
Interest payable on customer meter deposits	-	167,354	167,354
Long-term liabilities:			
Net pension liability	7,319,015	4,850,740	12,169,755
Net OPEB liability	1,997,729	1,324,149	3,321,878
Due within one year	179,800	955,908	1,135,708
Due in more than one year	2,159,032	25,471,089	27,630,121
<b>Total Liabilities</b>	<b>12,149,508</b>	<b>35,994,453</b>	<b>48,143,961</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred inflows related to pensions & OPEB	948,395	587,989	1,536,384
Deferred inflows related to lease	382,598	-	382,598
<b>Total deferred inflows of resources</b>	<b>1,330,993</b>	<b>587,989</b>	<b>1,918,982</b>
<b>NET POSITION</b>			
Net investment in capital assets	8,109,738	54,400,465	62,510,203
Restricted for:			
Public safety	4,208	-	4,208
Streets	72,781	-	72,781
Tourism	796,806	-	796,806
Debt service	70,602	872,512	943,114
Equipment replacement	-	682,550	682,550
Depreciation	-	1,064,828	1,064,828
Other purposes	270,087	758,423	1,028,510
Unrestricted (deficit)	(2,168,324)	(2,976,857)	(5,145,181)
<b>Total Net Position</b>	<b>\$ 7,155,898</b>	<b>\$ 54,801,921</b>	<b>\$ 61,957,819</b>

See accompanying notes to basic financial statements.

CITY OF PAINTSVILLE, KENTUCKY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and		
		Charges for	Operating	Capital	Changes in Net Position		
		Services	Grants and	Grants and	Governmental	Business-Type	Total
			Contributions	Contributions	Activities	Activities	
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 1,184,301	\$ 103,972	\$ 31,000	\$ -	\$ (1,049,329)	\$ -	\$ (1,049,329)
Public safety	3,742,503	1,833,350	38,893	73,100	(1,797,160)	-	(1,797,160)
Recreation	992,719	290,433	-	73,047	(629,239)	-	(629,239)
Streets	836,337	-	-	534,677	(301,660)	-	(301,660)
Sanitation	809,859	822,125	-	-	12,266	-	12,266
Tourism	844,098	84,127	-	55,094	(704,877)	-	(704,877)
Interest on long-term debt	62,225	-	-	-	(62,225)	-	(62,225)
Total governmental activities	<u>8,472,042</u>	<u>3,134,007</u>	<u>69,893</u>	<u>735,918</u>	<u>(4,532,224)</u>	<u>-</u>	<u>(4,532,224)</u>
Business-type activities:							
Water, gas, and sewer	10,646,855	10,019,371	-	1,175,049	-	547,565	547,565
Total business-type activities	<u>10,646,855</u>	<u>10,019,371</u>	<u>-</u>	<u>1,175,049</u>	<u>-</u>	<u>547,565</u>	<u>547,565</u>
<b>Total primary government</b>	<u>\$ 19,118,897</u>	<u>\$ 13,153,378</u>	<u>\$ 69,893</u>	<u>\$ 1,910,967</u>	<u>(4,532,224)</u>	<u>547,565</u>	<u>(3,984,659)</u>
<b>General revenues:</b>							
Property taxes					613,188	-	613,188
Occupational taxes					2,094,635	-	2,094,635
Insurance premium taxes					520,742	-	520,742
Motor vehicle taxes					36,087	-	36,087
Restaurant taxes					921,233	-	921,233
Room occupancy taxes					113,306	-	113,306
Franchise fees and taxes					202,587	-	202,587
Payments in lieu of taxes					35,726	-	35,726
ABC fees					207,780	-	207,780
Licenses and permits					3,299	-	3,299
Intergovernmental revenue					325,786	-	325,786
Interest income					25,944	53,522	79,466
Gain/(Loss) on sale of capital assets					14,800	149,414	164,214
Donation/contributions					61,245	-	61,245
Miscellaneous					260,343	-	260,343
Total general revenues and transfers					<u>5,436,701</u>	<u>202,936</u>	<u>5,639,637</u>
Change in net position					904,477	750,501	1,654,978
Net position - beginning, restated					<u>6,251,421</u>	<u>54,051,420</u>	<u>60,302,841</u>
Net position - ending					<u>\$ 7,155,898</u>	<u>\$ 54,801,921</u>	<u>\$61,957,819</u>

See accompanying notes to basic financial statements.



**CITY OF PAINTSVILLE, KENTUCKY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023**

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	<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	\$ 6,668,988	\$ 711,709	\$ 300,908	\$ 7,681,605
Certificate of deposit	-	104,953	-	104,953
Receivables:				
Property taxes	7,338	-	-	7,338
Accounts	83,478	-	-	83,478
Grants	-	-	-	-
Other	13,574	-	-	13,574
Due from Paintsville Utilities	67,079	-	-	67,079
Due from 911 Fund	112,995	-	-	112,995
Due from Tourism Fund	6,286	-	-	6,286
Prepaid	28,578	-	-	28,578
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 6,988,316</u>	<u>\$ 816,662</u>	<u>\$ 300,908</u>	<u>\$ 8,105,886</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 204,533	\$ 6,762	\$ 9,888	\$ 221,183
Accrued payroll taxes	40,387	6,808	-	47,195
Accrued vacation	58,899	-	3,439	62,338
Accrued retirement	70,402	-	-	70,402
Other accrued liabilities	6,138	-	-	6,138
Due to General Fund	-	6,286	112,995	119,281
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>380,359</u>	<u>19,856</u>	<u>126,322</u>	<u>526,537</u>
<b>Fund Balances:</b>				
Restricted for:				
Public Safety	4,208	-	-	4,208
Streets	-	-	72,781	72,781
Tourism	-	796,806	-	796,806
Debt Service	70,602	-	-	70,602
Other	168,282	-	101,805	270,087
Committed for capital projects	1,303,822	-	-	1,303,822
Unassigned	5,061,043	-	-	5,061,043
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balances	<u>6,607,957</u>	<u>796,806</u>	<u>174,586</u>	<u>7,579,349</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 6,988,316</u></u>	<u><u>\$ 816,662</u></u>	<u><u>\$ 300,908</u></u>	<u><u>\$ 8,105,886</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, 2023**

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**Fund Balances - Total Governmental Funds** **\$ 7,579,349**

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	21,643,711
Less: accumulated depreciation	(11,195,141)

Pension & OPEB contributions after measurement date are reported as a deferred outflow of resources:	816,201
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Other OPEB related accruals	(64,621)
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Net pension & net OPEB liability is not due and payable in the current period and, therefore, is not reported in governmental funds:	(9,316,744)
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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	900,410
Deferred pension & OPEB inflows of resources	(948,395)
Deferred lease inflow of resources	(382,598)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Bond payable	(2,095,000)
Bond premium	(42,067)
Loans payable	(191,203)
Leases payable	(10,562)

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.	(22,055)
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Lease revenue	382,598
Delinquent property taxes	102,015

<b>Net Position of Governmental Activities</b>	<b>\$ 7,155,898</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, 2023**

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	General Fund	Paintsville Tourism	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
<b>Taxes:</b>				
Property	\$ 610,302	\$ -	\$ -	\$ 610,302
Occupational	2,094,635	-	-	2,094,635
Insurance premium	520,742	-	-	520,742
Motor vehicle	36,087	-	-	36,087
Franchise	163,357	-	-	163,357
Restaurant	-	921,233	-	921,233
Room occupancy	-	113,306	-	113,306
Payments in lieu of taxes	35,726	-	-	35,726
ABC fees	207,780	-	-	207,780
Franchise fees	39,230	-	-	39,230
Licenses and permits	3,299	-	-	3,299
Intergovernmental revenues	196,531	-	129,255	325,786
Grants	750,717	55,094	-	805,811
Charges for services	2,634,029	84,127	415,851	3,134,007
Interest income	25,535	406	3	25,944
Contributions	61,245	-	-	61,245
Miscellaneous revenues	225,104	14,835	10,853	250,792
<b>Total revenues</b>	<b>7,604,319</b>	<b>1,189,001</b>	<b>555,962</b>	<b>9,349,282</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,160,019	-	-	1,160,019
Public safety	3,094,120	-	524,212	3,618,332
Recreation	898,575	-	7,225	905,800
Streets	679,189	-	19,489	698,678
Sanitation	768,790	-	-	768,790
Tourism	-	713,064	-	713,064
<b>Debt service:</b>				
Principal	195,674	11,366	-	207,040
Interest	67,247	5,083	-	72,330
<b>Capital outlay</b>	<b>536,253</b>	<b>66,904</b>	<b>189,581</b>	<b>792,738</b>
<b>Total expenditures</b>	<b>7,399,867</b>	<b>796,417</b>	<b>740,507</b>	<b>8,936,791</b>
<b>Excess of revenues over (under) expenditures</b>	<b>204,452</b>	<b>392,584</b>	<b>(184,545)</b>	<b>412,491</b>
<b>Other financing sources (uses):</b>				
Operating transfers in	296,577	-	-	296,577
Operating transfers out	-	(296,577)	-	(296,577)
Proceeds from sale of capital assets	14,800	-	-	14,800
Proceeds from insurance	9,551	-	-	9,551
Intragovernmental forgiveness of debt	(97,506)	-	97,506	-
<b>Total other financing sources (uses)</b>	<b>223,422</b>	<b>(296,577)</b>	<b>97,506</b>	<b>24,351</b>
<b>Net change in fund balances</b>	<b>427,874</b>	<b>96,007</b>	<b>(87,039)</b>	<b>436,842</b>
<b>Fund balances - beginning</b>	<b>6,180,083</b>	<b>700,799</b>	<b>261,625</b>	<b>7,142,507</b>
<b>Fund balances - ending</b>	<b>\$ 6,607,957</b>	<b>\$ 796,806</b>	<b>\$ 174,586</b>	<b>\$ 7,579,349</b>

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, 2023**

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**Net Change in Fund Balances - Total Governmental Funds** **\$ 436,842**

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	792,738
Depreciation expense	(602,104)

The net effect of various miscellaneous transactions involving capital assets: -

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	2,886
---------------------------------------	-------

Changes in pension & OPEB expense are reported only in the statement of activities 56,970

In the statement of activities, interest is accrued on outstanding long-term  
debt, whereas in the governmental funds, interest is not reported until due.  
This amount represents the net change in accrued interest payable. 783

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 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	207,040
Loan proceeds	-
Amortization of bond premium	9,322
	9,322

**Change in Net Position of Governmental Activities** **\$ 904,477**

See accompanying notes to basic financial statements.

**CITY OF PAINTSVILLE, KENTUCKY  
STATEMENT OF NET POSITION  
PROPRIETARY FUND - PAINTSVILLE UTILITIES  
JUNE 30, 2023**

**10**

**ASSETS**

**Current assets:**

Cash and cash equivalents	\$ 3,592,141
Accounts receivable, net	860,969
Grant receivable	336,813
Unbilled revenues	379,078
Inventory	264,833
Prepaid items	26,590

<b>Total current assets</b>	<b><u>5,460,424</u></b>
-----------------------------	-------------------------

**Non-current assets:**

**Restricted assets:**

Cash and cash equivalents:	
Bond and interest sinking fund	631,496
Depreciation reserve fund	303,211
Equipment replacement fund	176,260
Investments:	
Bond and interest sinking fund	761,516
Depreciation reserve fund	761,617
Equipment replacement fund	506,290
Operations and maintenance	758,423

<b>Total restricted assets</b>	<b><u>3,898,813</u></b>
--------------------------------	-------------------------

**Capital assets:**

Land and land improvements	720,089
Construction work in progress	2,554,274
Capital assets, net of depreciation	<u>77,553,099</u>

<b>Total capital assets</b>	<b><u>80,827,462</u></b>
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<b>Total assets</b>	<b><u>90,186,699</u></b>
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**DEFERRED OUTFLOWS**

Deferred outflows related to pensions	675,703
Deferred outflows related to OPEB	<u>521,961</u>

<b>Total deferred outflows of resources</b>	<b><u>1,197,664</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, 2023**

11

**LIABILITIES**

**Current liabilities:**

Accounts payable	392,767
Retainage payable	160,736
Compensated absences	60,034
Accrued interest payable	244,287
Other accrued liabilities	236,505
Interim loan payable	1,781,969
Current portion of long-term liabilities	<u>435,408</u>

<b>Total current liabilities</b>	<u><b>3,311,706</b></u>
----------------------------------	-------------------------

**Payable from restricted assets:**

Current portion of bonds	520,500
Customer meter deposits	348,915
Interest payable on customer meter deposits	<u>167,354</u>

<b>Total liabilities payable from restricted assets</b>	<u><b>1,036,769</b></u>
---	-------------------------

**Long-term liabilities:**

Net pension liability	4,850,740
Net OPEB liability	1,324,149
Bonds payable, net of premium	20,758,000
Notes payable	5,018,040
Leases payable	502,845
Unamortized bond premium	<u>148,112</u>

	<u>32,601,886</u>
Less current portion	<u>(955,908)</u>

<b>Total long-term liabilities</b>	<u><b>31,645,978</b></u>
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<b>Total liabilities</b>	<u><b>35,994,453</b></u>
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**DEFERRED INFLOWS**

Deferred inflows related to pensions	84,275
Deferred inflows related to OPEB	<u>503,714</u>

<b>Total deferred inflows of resources</b>	<u><b>587,989</b></u>
--	-----------------------

**NET POSITION:**

Net investment in capital assets	54,400,465
Restricted	
Debt service	872,512
Depreciation	1,064,828
Equipment replacement	682,550
Operations and maintenance	758,423
Unrestricted	<u>(2,976,857)</u>

<b>Total net position</b>	<u><b>\$ 54,801,921</b></u>
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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, 2023**

12

<b>Operating revenues:</b>	
Gas revenues	\$ 2,452,466
Water revenues	4,644,779
Wastewater revenues	2,460,120
Other operating revenues	<u>462,006</u>
<b>Total operating revenues</b>	<b>10,019,371</b>
Cost of sales	<u>1,029,512</u>
<b>Net operating revenues</b>	<b><u>8,989,859</u></b>
<b>Operating expenses:</b>	
Salaries and wages	1,999,025
Payroll taxes	155,501
Employee pension and benefits	1,428,987
Materials and supplies	461,894
Legal and professional	131,061
Miscellaneous general expense	420,249
Telephone and utilities	857,497
Insurance	144,796
Motor vehicle expenses	134,091
Repairs and maintenance	353,833
Depreciation	<u>2,885,832</u>
<b>Total operating expenses</b>	<b><u>8,972,766</u></b>
<b>Utility operating income (loss)</b>	<b><u>17,093</u></b>
<b>Non-operating revenues (expenses):</b>	
Interest income	53,522
Interest expense	<u>(583,332)</u>
<b>Total non-operating revenues (expenses)</b>	<b><u>(529,810)</u></b>
<b>Net income (loss) before contributions from (to)</b>	<b>(512,717)</b>
Contributions in aid of construction	1,175,049
Gain on sale of equipment	149,414
Contribution to the City of Paintsville	<u>(61,245)</u>
<b>Change in net position</b>	<b>750,501</b>
<b>Net position, beginning of year, restated</b>	<b><u>54,051,420</u></b>
<b>Net position, end of year</b>	<b><u>\$ 54,801,921</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, 2023**

13

**Cash flows from operating activities:**

**Cash inflows:**

Payments received from customers	<u>\$ 9,904,365</u>
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<b>Total cash provided</b>	<u>9,904,365</u>
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**Cash outflows:**

Payments for salaries and benefits	3,426,798
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Payments to suppliers for goods and services	<u>3,342,024</u>
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<b>Total cash used</b>	<u>6,768,822</u>
------------------------	------------------

<b>Net cash provided (used) by operating activities</b>	<u>3,135,543</u>
---	------------------

**Cash flows from noncapital financing activities:**

Interest paid on customer deposits	<u>(229)</u>
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<b>Net cash provided (used) by noncapital financing activities</b>	<u>(229)</u>
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**Cash flows from capital and related financing activities:**

Purchase and construction of utility plant	(2,367,676)
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Proceeds from sale of assets	246,961
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Proceeds from loans and bonds	810,116
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Principal payments on long-term debt	(935,898)
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Payments on capital leases	(232,460)
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Interest paid on long-term debt and capital leases	(607,711)
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Contributions-in-aid of construction	<u>1,028,174</u>
--------------------------------------	------------------

<b>Net cash provided (used) by capital and related financing activities</b>	<u>(2,058,494)</u>
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**Cash flows from investing activities:**

Investments purchased	(3,527,000)
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Investments matured	1,506,209
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Interest received	<u>35,016</u>
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<b>Net cash provided (used) by investing activities</b>	<u>(1,985,775)</u>
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**Net cash inflow (outflow) from all activities**

(908,955)

**Cash and cash equivalents at beginning of period**

5,612,063

**Cash and cash equivalents at end of period**

\$ 4,703,108

See accompanying notes to basic financial statements.



**CITY OF PAINTSVILLE, KENTUCKY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2023**

14

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

Utility operating income	\$ 17,093
Depreciation and amortization	2,885,832
Vendor credits	248,638
Contribution of utility services	(61,245)
(Increase) decrease in:	
Accounts receivable	(15,917)
Unbilled revenue	(37,844)
Inventory	(31,758)
Other assets and deferred outflows	286,808
Increase (decrease) in:	
Accounts payable	(34,460)
Accrued liabilities and other liabilities	(121,604)

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

**\$ 3,135,543**

**Schedule of cash and cash equivalents:**

**Beginning of period:**

Unrestricted cash and cash equivalents	\$ 2,816,283
Restricted cash and cash equivalents	<u>2,795,780</u>
	<b><u>\$ 5,612,063</u></b>

**End of period:**

Unrestricted cash and cash equivalents	\$ 3,592,141
Restricted cash and cash equivalents	<u>1,110,967</u>
	<b><u>\$ 4,703,108</u></b>

See accompanying notes to basic financial statements.

**CITY OF PAINTSVILLE, KENTUCKY  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2023**

**15**

	<b><u>Custodial Fund</u></b>
<b>ASSETS</b>	
Due from General Fund	<b><u>\$ -</u></b>
Total Assets	<b><u>-</u></b>
<b>LIABILITIES</b>	
Due to Paintsville Independent School District	<b><u>-</u></b>
Total Liabilities	<b><u>-</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, 2023**

16

	<b><u>Custodial Fund</u></b>
<b>Additions:</b>	
Property and franchise taxes collected for Paintsville Independent School District	<u>\$ 2,382,112</u>
Total additions	<u>2,382,112</u>
<b>Deductions:</b>	
Payments of property and franchise taxes to Paintsville Independent School District	<u>2,382,112</u>
Total deductions	<u>2,382,112</u>
Change in net position	-
Net position, beginning of year	<u>-</u>
<b>Net position, end of year</b>	<u><u>\$ -</u></u>

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, 2023, are net of allowance for uncollectable. The allowance for uncollectable was \$186,952 at June 30, 2023.

**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 \$5,000 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 \$5,000 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, 2023, 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.

The City also has deferred inflows related to being a lessor of office space that it leases to the eKentucky Advanced Manufacturing Institute, Inc. at an annual amount of \$108,000. The current lease runs from March 1, 2022 to February 28, 2027 with an imputed 3.0% interest rate. The City recognized \$94,972 of lease rental revenue and \$13,028 of interest revenue for fiscal year end June 30, 2023.

**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

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

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.

*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, 2023 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	\$15,461,953	\$3,716,284	\$11,745,669	\$ -	\$15,277,512

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.

**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, 2023, consisted of the following:

**Primary Government**

<b>Governmental Activities</b>	<b>Balance July 1, 2022</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2023</b>
<b>Capital assets, not being depreciated:</b>				
Land and land improvements	\$ 2,948,409	\$ -	\$ -	\$ 2,948,409
Construction in progress	<u>143,698</u>	<u>46,470</u>	<u>-</u>	<u>190,168</u>
<b>Total capital assets, not being depreciated</b>	<u>3,092,107</u>	<u>46,470</u>	<u>-</u>	<u>3,138,577</u>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	8,656,000	31,075	-	8,687,075
Improvements other than buildings	1,266,748	19,906	-	1,286,654
Automobiles and trucks	2,521,029	163,270	-	2,684,299
Infrastructure	1,197,680	244,372	-	1,442,052
Machinery and equipment	<u>4,348,396</u>	<u>287,645</u>	<u>230,987</u>	<u>4,405,054</u>
<b>Total capital assets being depreciated</b>	<u>17,989,853</u>	<u>746,268</u>	<u>230,987</u>	<u>18,505,134</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(3,750,740)	(214,970)	-	(3,965,710)
Improvements other than buildings	(820,297)	(35,113)	-	(855,410)
Automobiles and trucks	(1,918,847)	(104,578)	-	(2,023,425)
Infrastructure	(642,783)	(92,274)	-	(735,057)
Machinery and equipment	<u>(3,691,357)</u>	<u>(155,169)</u>	<u>(230,987)</u>	<u>(3,615,539)</u>
<b>Total accumulated depreciation</b>	<u>(10,824,024)</u>	<u>(602,104)</u>	<u>(230,987)</u>	<u>(11,195,141)</u>
<b>Total capital assets being depreciated, net</b>	<u>7,165,829</u>	<u>144,164</u>	<u>-</u>	<u>7,309,993</u>
<b>Governmental activities capital assets, net</b>	<u>\$10,257,936</u>	<u>\$ 190,634</u>	<u>\$ -</u>	<u>\$ 10,448,570</u>

Depreciation was charged to governmental activities as follows:

General government	\$ 80,843
Public safety	124,445
Recreation	86,960
Streets	137,700
Sanitation	41,110
Tourism	<u>131,046</u>
<b>Total</b>	<u>\$ 602,104</u>

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

<b>Business-Type Activities</b>	<b>Balance July 1, 2022</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2023</b>
<b>Capital assets, not being depreciated:</b>				
Land and land improvements	\$ 720,089	\$ -	\$ -	\$ 720,089
Construction in progress	<u>4,673,492</u>	<u>750,596</u>	<u>2,869,814</u>	<u>2,554,274</u>
<b>Total capital assets, not being depreciated</b>	<u>5,393,581</u>	<u>750,596</u>	<u>2,869,814</u>	<u>3,274,363</u>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	1,308,418	50,314	-	1,358,732
Utility plants	115,270,244	3,686,099	-	118,956,343
Automobiles and trucks	1,546,633	644,558	358,818	1,832,373
Machinery and equipment	<u>358,734</u>	<u>29,723</u>	<u>-</u>	<u>388,457</u>
<b>Total capital assets being depreciated</b>	<u>118,484,029</u>	<u>4,410,694</u>	<u>358,818</u>	<u>122,535,905</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(390,824)	(38,252)	-	(429,076)
Utility plants	(40,707,424)	(2,563,469)	-	(43,270,893)
Automobiles and trucks	(947,106)	(260,224)	(261,271)	(946,059)
Machinery and equipment	<u>(312,891)</u>	<u>(23,887)</u>	<u>-</u>	<u>(336,778)</u>
<b>Total accumulated depreciation</b>	<u>(42,358,245)</u>	<u>(2,885,832)</u>	<u>(261,271)</u>	<u>(44,982,806)</u>
<b>Total capital assets being depreciated, net</b>	<u>76,125,784</u>	<u>1,524,862</u>	<u>97,547</u>	<u>77,553,099</u>
<b>Total capital assets, net</b>	<u>\$ 81,519,365</u>	<u>\$ 2,275,458</u>	<u>\$ 2,967,361</u>	<u>\$ 80,827,462</u>
Depreciation was charged to business-type activities as follows:				
Water, gas, and sewer				<u>\$ 2,885,832</u>

**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, 2023 were as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2024	\$ 10,646	\$ 161,222
2025	-	157,934
2026	-	123,071
2027	-	86,023
2028	-	41,661
Total minimum lease payments	10,646	569,911
Less amount representing interest	(84)	(67,066)
Present value of net minimum lease payments	<u>\$ 10,562</u>	<u>\$ 502,845</u>

Following is a summary of property held by the City under capital leases at June 30, 2023:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Equipment	\$ 145,057	\$ 1,062,795
Less accumulated depreciation	<u>(65,276)</u>	<u>(408,114)</u>
	<u>\$ 79,781</u>	<u>\$ 654,681</u>

	<u>Amount Outstanding 6/30/2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/2023</u>	<u>Amounts Due Within One Year</u>
Governmental activities leases	\$ 41,447	\$ -	\$ (30,885)	\$ 10,562	\$ 10,562
Business-type activities leases	\$ 402,164	\$ 333,141	\$ (232,460)	\$ 502,845	\$ 134,056

**NOTE 7. LONG-TERM DEBT**

Long-term debt at June 30, 2023 consists of the following:

**Governmental Activities**

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 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%.

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

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%.

On November 19, 2020, the City entered into a lease agreement for \$785,000 with the Kentucky Bond Corporation in conjunction with the Series 2020F bond issue for the refunding of called Series 2011 bond issue. The term of the lease is 11 years with monthly payments of principal and interest made into a sinking fund with the Bank of New York. Principal payments from the sinking fund are due February 1 and interest payments from the sinking fund are due semi-annually on February 1, and August 1.

On August 4, 2020, the City borrowed \$107,760 from Peoples Bank to fund the purchase of a 2020 Isuzu garbage packer. The loan agreement provides for 60 monthly payments of \$1,933 to be made beginning September 4, 2020 with final payment due on August 4, 2025. The loan bears interest at 2.88%.

On October 20, 2021, the City entered into a lease agreement for \$1,495,000 with the Kentucky Bond Corporation in conjunction with the Series 2021E bond issue for the new pool construction. The term of the lease is 29 years with monthly payments of principal and interest made into a sinking fund with the Bank of New York. Principal payments from the sinking fund are due February 1 and interest payments from the sinking fund are due semi-annually on February 1, and August 1.

<b>Bonds:</b>	<u><b>Interest    Maturity</b></u>		
	<u><b>Amount</b></u>	<u><b>Rate</b></u>	<u><b>Date</b></u>
City of Paintsville, Kentucky Revenue Bonds, Series 2020F Issue. Principal due in February of each year, interest payable semi-annually in February and August of each year.	\$ 640,000	Variable	01/2031
City of Paintsville, Kentucky Revenue Bonds, Series 2021E Issue. Principal due in February of each year, interest payable semi-annually in February and August of each year.	\$ 1,455,000	Variable	01/2050
<b>Add:</b>			
Unamortized premium	<u>42,067</u>		
	<u><b>\$ 2,137,067</b></u>		

**CITY OF PAINTSVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

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

Changes in long-term obligations for the year ended June 30, 2023, are as follows:

<b>Governmental Activities</b>	<b>Balance 6/30/2022</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 6/30/2023</b>	<b>Due Within One Year</b>
Revenue Bond – Series 2020F	\$ 710,000	\$ -	\$ (70,000)	\$ 640,000	\$ 70,000
Revenue Bond – Series 2021E	1,490,000	-	(35,000)	1,455,000	35,000
Garbage truck loan payable	70,061	-	(21,429)	48,632	22,064
Ambulances loan payable	25,245	-	(16,877)	8,368	8,368
Police cruiser loan payable	1,316	-	(1,316)	-	-
Stafford House loan payable	122,700	-	(11,366)	111,334	12,608
MACED loan payable	43,036	-	(20,167)	22,869	21,198
Compensated absences	64,465	62,338	(64,465)	62,338	62,338
Net pension liability	6,365,583	953,432	-	7,319,015	-
Net OPEB liability	<u>1,910,927</u>	<u>86,802</u>	<u>-</u>	<u>1,997,729</u>	<u>-</u>
	10,803,333	1,102,572	(240,620)	11,665,285	231,576
Unamortized bond premium	<u>51,389</u>	<u>-</u>	<u>(9,322)</u>	<u>42,067</u>	<u>-</u>
Total governmental activities	<u>\$ 10,854,722</u>	<u>\$ 1,102,572</u>	<u>\$ (249,942)</u>	<u>\$ 11,707,352</u>	<u>\$ 231,576</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, 2023, 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>
2024	\$ 105,000	\$ 64,238	\$ 169,238	\$ 64,439	\$ 233,677
2025	115,000	37,510	152,510	58,957	211,467
2026	115,000	17,507	132,507	54,254	186,761
2027	120,000	14,213	134,213	50,205	184,418
2028	120,000	14,792	134,792	46,587	181,379
2029-2033	480,000	42,943	522,943	175,054	697,997
2034-2038	240,000	-	240,000	122,494	362,494
2039-2043	275,000	-	275,000	95,425	370,425
2044-2048	315,000	-	315,000	60,675	375,675
2049-2052	<u>210,000</u>	<u>-</u>	<u>210,000</u>	<u>18,244</u>	<u>228,244</u>
	<u>\$ 2,095,000</u>	<u>\$ 191,203</u>	<u>\$ 2,286,203</u>	<u>\$ 746,334</u>	<u>\$ 3,032,537</u>



**CITY OF PAINTSVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

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

**Business-Type Activities**

	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
<b>Bonds:</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.	\$ 192,000	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.	11,166,500	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.	4,572,000	2.00%	01/2057
City of Paintsville Combined Utility Revenue Bond, Series 2020 Issue. Principal installments due in January of each year, interest payable semi-annually in January and July of each year.	1,987,500	1.375%	01/2059
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)	2,840,000	variable	07/2040
Add:			
Unamortized premium	<u>148,112</u>		
	20,906,112		
<b>Notes:</b>			
Note payable to Kentucky Infrastructure Authority, due in monthly installments of principal and interest. (B98-02)	605,879	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)	275,368	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)	4,066,658	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>70,135</u>	1.00%	06/2026
	<u>5,018,040</u>		
	<u>\$25,924,152</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 1.88 at June 30, 2023.

**CITY OF PAINTSVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

Changes in long-term obligations for the year ended June 30, 2023, are as follows:

<b>Business-Type Activities</b>	<b>Balance 6/30/2022</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 6/30/2023</b>	<b>Due Within One Year</b>
Water Revenue Bond – Series 2006	\$ 197,000	\$ -	\$ (5,000)	\$ 192,000	\$ 5,000
Combined Utility Revenue Bonds – Series 2011	11,429,000	-	(262,500)	11,166,500	270,000
Combined Utility Revenue Bonds – Series 2018	4,657,000	-	(85,000)	4,572,000	87,000
Combined Utility Revenue Bonds – Series 2020	2,025,000	-	(37,500)	1,987,500	38,500
Public Projects Bonds – 2020D	2,955,000	-	(115,000)	2,840,000	120,000
Add: Unamortized Bond Premium	165,306	-	(17,194)	148,112	-
KIA Loan Payable (Honey Branch)	668,940	-	(63,061)	605,879	63,883
KIA Loan Payable (Paintsville Lake water plant)	4,384,082	-	(317,424)	4,066,658	320,606
KIA Loan Payable (wastewater treatment plant)	302,865	-	(27,497)	275,368	27,773
KIA Loan Payable (wastewater treatment plant)	93,051	-	(22,916)	70,135	23,146
Compensated Absences	61,103	60,034	(61,103)	60,034	60,034
Net Pension Liability	4,348,157	502,583	-	4,850,740	-
Net OPEB Liability	1,305,310	18,839	-	1,324,149	-
	<u>\$32,591,814</u>	<u>\$ 581,456</u>	<u>\$ (1,014,195)</u>	<u>\$32,159,075</u>	<u>\$ 1,015,942</u>

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, 2023, 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>
2024	\$ 520,500	\$ 435,408	\$ 955,908	\$ 529,381	\$ 1,485,289
2025	536,000	439,966	975,966	510,024	1,485,990
2026	551,500	444,572	996,072	490,128	1,486,200
2027	568,500	425,378	993,878	469,774	1,463,652
2028	589,500	429,843	1,019,343	449,062	1,468,405
2029-2033	3,220,000	2,130,848	5,350,848	1,931,555	7,282,403
2034-2038	3,690,500	712,025	4,402,525	1,433,898	5,836,423
2039-2043	3,544,500	-	3,544,500	981,156	4,525,656
2044-2048	3,533,500	-	3,533,500	614,214	4,147,714
2049-2053	2,813,000	-	2,813,000	252,316	3,065,316
2054-2058	1,115,500	-	1,115,500	67,919	1,183,419
2059	75,000	-	75,000	1,031	76,031
	<u>\$20,758,000</u>	<u>\$ 5,018,040</u>	<u>\$25,776,040</u>	<u>\$ 7,730,458</u>	<u>\$33,506,498</u>

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

**Advances for Construction**

On December 11, 2018, the Commission through the City entered into a loan assistance agreement (F19-009) with the Kentucky Infrastructure Authority (KIA) to provide financing for miscellaneous waterline projects.

The total loan assistance is \$2,010,000 of which \$1,005,000 will be forgiven upon release of liens on all contracts and disbursement of the final draw request by KIA to the borrower. The loan contract carries a .5% interest rate. Debt service requirements to maturity have not been presented for this obligation because construction has not been completed and all financing has yet to be received. Total assistance received through June 30, 2023 was \$1,781,969.

**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	\$ 296,577
Subtotal – Fund Financial Statements			296,577
Less: Fund Eliminations			(296,577)
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 11, 2023 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 beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all 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, 2023, was 23.40 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 \$1,168,684 for the year ended June 30, 2023.

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

At June 30, 2023, the City reported a liability of \$12,169,755 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the City's proportion was 0.168 percent, which was unchanged from its proportion measured as of June 30, 2021.

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

For the year ended June 30, 2023, the City recognized pension expense of \$1,026,512. At June 30, 2023, 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	\$ 13,011	\$ 108,377
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	311,988	-
Changes in proportion and differences between City contributions and proportionate share of contributions City contributions subsequent to the measurement date	171,346	128,881
	<u>1,168,684</u>	<u>-</u>
Total	<u>\$ 1,665,029</u>	<u>\$ 237,258</u>

\$1,168,684 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, 2024. 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:**

2024	\$ (1,053)
2025	16,692
2026	(102,268)
2027	345,716
2028	-
Thereafter	-

***Actuarial Methods and Assumptions***

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2022 are as follows:

Inflation	2.30%
Payroll Growth Rate	2.00% for CERS non-hazardous
Salary Increase	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return	6.25% for CERS non-hazardous

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

***Actuarial Methods and Assumptions***

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-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 non-disabled 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>Equity</b>	<b>60.00%</b>	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
<b>Fixed Income</b>	<b>20.00%</b>	
Core Bonds	10.00%	0.28%
Cash	0.00%	-0.91%
Specialty Credit/High Yield	10.00%	2.28%
<b>Inflation Protected</b>	<b>20.00%</b>	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
<b>Expected Real Rate</b>	<b>100.00%</b>	<b>4.28%</b>
<b>Long Term Inflation Assumption</b>		<b>2.30%</b>
<b>Expected Nominal Return for Portfolio</b>		<b>6.58%</b>

***Discount Rate***

The projection of cash flows used to determine the discount rate of 6.25% for CERS non-hazardous and CERS hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statue as amended by House Bill 362 (passed in 2018) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate

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

determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the Annual Comprehensive Financial Report (ACFR).

***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	\$15,210,684	\$12,169,755	\$9,654,655

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued KRS 2022 Comprehensive Annual Financial Report at [kyret.ky.gov](http://kyret.ky.gov).

***Payable to the Pension Plan***

At June 30, 2023, the City reported a payable of \$117,802 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023. 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, 2023, was 3.39 percent of covered payroll. Contributions to the OPEB plan from the City were \$169,310 for the year ended June 30, 2023.

**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, 2023, the City reported a liability of \$3,321,878 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2022, the City's proportion was 0.168 percent, which was unchanged from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized OPEB expense of \$506,429. At June 30, 2023, 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	\$ 334,375	\$ 761,784
Changes of assumptions	525,378	432,909
Net difference between projected and actual earnings On OPEB plan investments	134,827	-
Changes in proportion and differences between City contributions and proportionate share of contributions	85,356	104,433
City contributions subsequent to the measurement date	<u>169,310</u>	<u>-</u>
Total	<u>\$ 1,249,246</u>	<u>\$ 1,299,126</u>

\$169,310 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, 2024.

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:**

2024	\$ (3,592)
2025	(22,549)
2026	(207,743)
2027	14,694
2028	-
Thereafter	-



**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, 2022 are as follows:

Inflation	2.30%
Payroll Growth Rate	2.00% for CERS non-hazardous
Salary Increase	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return	6.25% for CERS non-hazardous
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 9.00% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-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>Equity</b>	<b>60.00%</b>	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
<b>Fixed Income</b>	<b>20.00%</b>	
Core Bonds	10.00%	0.28%
Cash	0.00%	-0.91%
Specialty Credit/High Yield	10.00%	2.28%

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
<b>Inflation Protected</b>	<b>20.00%</b>	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
<b>Expected Real Rate</b>	<b>100.00%</b>	<b>4.28%</b>
<b>Long Term Inflation Assumption</b>		<b>2.30%</b>
<b>Expected Nominal Return for Portfolio</b>		<b>6.58%</b>

***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	\$2,469,742	\$3,321,878	\$4,345,132

Single discount rates of 5.70% for CERS non-hazardous system was used to measure the total OPEB liability as of June 30, 2022. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projected of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the ACFR.

***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 (5.70%), 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 (4.70%) or one percentage-point higher (6.70%) than the current rate:

	<u>1.0% Decrease (4.70%)</u>	<u>Current Discount Rate (5.70%)</u>	<u>1.0% Increase (6.70%)</u>
City's proportionate share of the net OPEB liability	\$4,440,821	\$3,321,878	\$2,396,884

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

***OPEB Plan Fiduciary Net Position***

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KRS 2022 Comprehensive Annual Financial Report at [kyret.ky.gov](http://kyret.ky.gov).

**NOTE 14. PRIOR PERIOD ADJUSTMENT**

After a retrospective review of gas purchases from Diversified Energy, it was determined that Paintsville Utilities was overcharged for fiscal year June 30, 2022 in the amount of \$248,638. The adjustment resulted in beginning net position of \$53,802,782 being restated to \$54,051,420.

## **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, 2023, 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 11, 2023, which included an explanatory paragraph regarding the omission of required Management Discussion and Analysis.

**Report On 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of 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 and questioned costs as item 2023-001 that we consider to be a material weakness.

### **Report On Compliance and Other Matters**

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

### **City of Paintsville, Kentucky's Response to Findings**

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

### **Purpose of this Report**

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



Certified Public Accountants  
Paintsville, Kentucky  
December 11, 2023



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

*Certified Public Accountants*

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

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

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

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

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

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

***Basis for Opinion on Each Major Federal Program***

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

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

***Other Matters – Federal Expenditures Not Included in the Compliance Audit***

The City of Paintsville, Kentucky's basic financial statements include the operations of the Paintsville Utilities Commission, a component unit of the City of Paintsville, Kentucky, which expended \$1,504,665 in federal awards which is not included in the City of Paintsville, Kentucky's schedule of expenditures of federal awards during the year ended June 30, 2023. Our audit, described below, did not include the operations of the Paintsville Utilities Commission because a separate Uniform Guidance compliance audit was conducted.

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control over Compliance**


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



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

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

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

  
Certified Public Accountants  
Paintsville, Kentucky  
December 11, 2023

**CITY OF PAINTSVILLE, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:

*unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?   X  yes       no
- Significant deficiency(ies) identified?       yes   X  none reported

Noncompliance material to financial statements noted?

      yes   X  no

*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified?       yes   X  no
- Significant deficiency(ies) identified?       yes   X  none reported

Type of auditor's report issued on compliance for major federal programs: *unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

      yes   X  no

Identification of major federal programs:

CFDA Number(s)

97.036

Name of Federal Program or Cluster

Disaster Grants – Public Assistance

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?

      yes   X  no

**CITY OF PAINTSVILLE, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
YEAR ENDED JUNE 30, 2023**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2023 – 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.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**CITY OF PAINTSVILLE, KENTUCKY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2023**

**48**

There were no findings and recommendations for the year ended June 30, 2022.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF PAINTSVILLE, KENTUCKY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2023**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Property taxes	\$ 635,000	\$ 635,000	\$ 610,302	\$ (24,698)
Payments in lieu of taxes	-	-	35,726	35,726
Franchise fees and taxes	174,000	174,000	202,587	28,587
Police court revenue	6,000	6,000	8,013	2,013
Police services	3,000	3,000	2,400	(600)
Building permits	-	-	3,119	3,119
Licenses	-	-	180	180
ABC fees	180,000	180,000	207,780	27,780
Garbage collection fees	810,000	810,000	822,125	12,125
Taxes on insurance premiums	540,000	540,000	520,742	(19,258)
Occupational taxes	1,750,000	1,750,000	2,094,635	344,635
Motor vehicle tax	30,000	30,000	36,087	6,087
Ambulance receipts	1,500,000	1,500,000	1,415,099	(84,901)
Firefighter and police incentive pay	112,000	112,000	113,712	1,712
Rental/Lease revenue	152,400	152,400	114,372	(38,028)
Golf course revenue	173,000	173,000	280,033	107,033
Miscellaneous intergovernmental revenue	68,500	68,500	74,806	6,306
Grants	554,623	554,623	750,717	196,094
Interest Income	-	-	25,535	25,535
Contributions	-	-	61,245	61,245
Other revenues	85,000	85,000	225,104	140,104
<b>Total revenues</b>	<b>6,773,523</b>	<b>6,773,523</b>	<b>7,604,319</b>	<b>830,796</b>
<b>Expenditures:</b>				
<b>General government:</b>				
Administrative salaries	361,100	361,100	389,473	(28,373)
Payroll tax expense	27,432	27,432	36,634	(9,202)
Employee benefits	165,195	165,195	154,328	10,867
City attorney's fees	35,000	35,000	31,978	3,022
Postage	4,000	4,000	1,893	2,107
Advertising	7,000	7,000	8,470	(1,470)
Office expenses	23,500	23,500	22,074	1,426
Telephone	13,200	13,200	13,370	(170)
Workmen's compensation insurance	5,275	5,275	9,864	(4,589)
Audit and accounting fees	15,000	15,000	2,900	12,100
Insurance and bonding	13,791	13,791	18,829	(5,038)
Utilities	220,000	220,000	217,509	2,491
Preparation of property tax bills	5,000	5,000	16,436	(11,436)
Senior Citizens	66,240	66,240	73,240	(7,000)
Big Sandy ADD dues	1,500	1,500	1,500	-
Other general expenses	369,550	369,550	160,698	208,852

**CITY OF PAINTSVILLE, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE (Continued)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Debt service:</b>				
Interest expense	24,411	24,411	25,220	(809)
Principal retirement	90,167	90,167	90,167	-
Building inspector expense	1,000	1,000	823	177
Total general government	<u>1,448,361</u>	<u>1,448,361</u>	<u>1,275,406</u>	<u>172,955</u>
<b>Police:</b>				
Salaries and wages	401,000	401,000	412,858	(11,858)
Payroll tax expense	31,540	31,540	30,285	1,255
Employee benefits	226,576	226,576	180,757	45,819
Gasoline and oil	25,000	25,000	39,151	(14,151)
Repairs and maintenance	8,000	8,000	10,261	(2,261)
Workmen's compensation insurance	14,540	14,540	16,638	(2,098)
Insurance and bonding	21,789	21,789	29,114	(7,325)
Utilities	-	-	4,649	(4,649)
Training	5,500	5,500	3,271	2,229
Telephone	13,000	13,000	12,358	642
Uniforms and uniforms cleaning	5,000	5,000	4,420	580
<b>Debt service:</b>				
Interest expense	484	484	8	476
Principal retirement	1,316	1,316	1,316	-
Capital expenditures	30,000	30,000	15,153	14,847
Other expenditures	6,800	6,800	9,450	(2,650)
Total police	<u>790,545</u>	<u>790,545</u>	<u>769,689</u>	<u>20,856</u>
<b>Fire/EMS:</b>				
Salaries and wages	1,270,400	1,270,400	1,250,935	19,465
Payroll tax expense	98,388	98,388	89,999	8,389
Employee benefits	585,953	585,953	499,377	86,576
Gasoline and oil	45,000	45,000	63,748	(18,748)
Repairs and maintenance	31,000	31,000	23,442	7,558
Insurance	58,545	58,545	57,364	1,181
Telephone	12,000	12,000	11,981	19
Utilities	22,950	22,950	25,785	(2,835)
Uniforms and uniforms cleaning	24,500	24,500	14,790	9,710
Training	1,500	1,500	485	1,015
Training center expenses	6,000	6,000	6,354	(354)
Workmen's compensation insurance	77,923	77,923	79,024	(1,101)
Billing service	97,500	97,500	95,177	2,323
Health care provider tax	-	-	53,934	(53,934)
Medical supplies	37,950	37,950	33,326	4,624
<b>Debt service:</b>				
Interest expense	598	598	597	1
Principal retirement	16,877	16,877	16,877	-
Capital expenditures	-	-	176,495	(176,495)
Other expenses	16,550	16,550	35,187	(18,637)
Total fire/ems	<u>2,403,634</u>	<u>2,403,634</u>	<u>2,534,877</u>	<u>(131,243)</u>

**CITY OF PAINTSVILLE, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE (Continued)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Recreation:</b>				
Recreation salaries	156,900	156,900	131,700	25,200
Payroll tax expense	12,270	12,270	10,186	2,084
Employee benefits	82,739	82,739	71,329	11,410
Insurance	10,877	10,877	25,313	(14,436)
Supplies	13,000	13,000	3,749	9,251
Workmen's compensation insurance	4,839	4,839	5,620	(781)
Utilities	40,000	40,000	48,818	(8,818)
Debt service:				
Interest expense	38,279	38,279	38,606	(327)
Principal retirement	35,000	35,000	35,000	-
Capital expenditures	48,000	48,000	73,862	(25,862)
Other expenses	49,200	49,200	40,738	8,462
Total recreation	<u>491,104</u>	<u>491,104</u>	<u>484,921</u>	<u>6,183</u>
<b>Streets:</b>				
Salaries and wages	258,550	258,550	278,905	(20,355)
Payroll tax expense	20,340	20,340	21,800	(1,460)
Employee benefits	151,952	151,952	133,773	18,179
Uniforms	5,000	5,000	2,503	2,497
Gasoline and oil	23,000	23,000	25,218	(2,218)
Insurance	27,560	27,560	29,860	(2,300)
Supplies and parts	12,000	12,000	20,499	(8,499)
Workmen's compensation insurance	11,341	11,341	12,761	(1,420)
Capital expenditures	15,000	15,000	93,484	(78,484)
Other expenses	10,500	10,500	153,870	(143,370)
Total streets	<u>535,243</u>	<u>535,243</u>	<u>772,673</u>	<u>(237,430)</u>
<b>Sanitation:</b>				
Salaries and wages	229,600	229,600	257,076	(27,476)
Payroll tax expense	18,086	18,086	20,060	(1,974)
Employee benefits	159,955	159,955	134,406	25,549
Gasoline and oil	26,000	26,000	49,311	(23,311)
Truck repairs and maintenance	14,000	14,000	11,789	2,211
Workmen's compensation insurance	15,845	15,845	16,584	(739)
Hauling and dumping expense	215,000	215,000	224,905	(9,905)
Insurance	18,060	18,060	21,713	(3,653)
Uniforms	5,000	5,000	2,402	2,598
Utilities	2,500	2,500	3,678	(1,178)
Garage expenses	8,000	8,000	7,727	273
Debt service:				
Interest expense	-	-	2,816	(2,816)
Principal retirement	40,000	40,000	52,314	(12,314)
Other expenses	9,800	9,800	19,139	(9,339)
Total sanitation	<u>761,846</u>	<u>761,846</u>	<u>823,920</u>	<u>(62,074)</u>



CITY OF PAINTSVILLE, KENTUCKY  
BUDGETARY COMPARISON SCHEDULE (Continued)  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2023

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	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Golf Course:</b>				
Salaries and wages	207,500	207,500	225,642	(18,142)
Payroll tax expense	16,386	16,386	17,703	(1,317)
Employee benefits	81,389	81,389	63,851	17,538
Workmen's compensation insurance	4,166	4,166	5,266	(1,100)
Maintenance and repairs	76,500	76,500	110,308	(33,808)
Gasoline and oil	13,000	13,000	18,881	(5,881)
Insurance	10,065	10,065	11,678	(1,613)
Utilities and telephone	13,000	13,000	31,179	(18,179)
Capital expenditures	109,000	109,000	177,259	(68,259)
Other expenses	17,000	17,000	76,614	(59,614)
Total golf course	<u>548,006</u>	<u>548,006</u>	<u>738,381</u>	<u>(190,375)</u>
 Total Expenditures	 <u>6,978,739</u>	 <u>6,978,739</u>	 <u>7,399,867</u>	 <u>(421,128)</u>
 Excess of revenues over (under) expenditures	 <u>(205,216)</u>	 <u>(205,216)</u>	 <u>204,452</u>	 <u>409,668</u>
<b>Other Financing Sources/(Uses):</b>				
Transfer in from Tourism	230,000	230,000	296,577	66,577
Proceeds from sale of capital assets	-	-	14,800	14,800
Intragovernmental forgiveness of debt	-	-	(97,506)	(97,506)
Proceeds from insurance	<u>-</u>	<u>-</u>	<u>9,551</u>	<u>9,551</u>
Total other financing sources (uses)	<u>230,000</u>	<u>230,000</u>	<u>223,422</u>	<u>(6,578)</u>
 Net change in fund balance	 <u>\$ 24,784</u>	 <u>\$ 24,784</u>	 427,874	 <u>\$ 403,090</u>
 Fund balance - beginning			<u>6,180,083</u>	
 Fund balance - ending			<u>\$ 6,607,957</u>	

**CITY OF PAINTSVILLE, KENTUCKY  
BUDGETARY COMPARISON SCHEDULE  
PAINTSVILLE TOURISM COMMISSION  
FOR THE YEAR ENDED JUNE 30, 2023**

**53**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Taxes:				
Restaurant tax	\$ 800,000	\$ 800,000	\$ 921,233	\$ 121,233
Room occupancy tax	75,000	75,000	113,306	38,306
Country Music Museum:				
Gift Shop/Rental/Ticket Sales	39,000	39,000	84,127	45,127
Interest	-	-	406	406
Grants	-	-	55,094	55,094
Other revenues	15,000	15,000	14,835	(165)
<b>Total revenues</b>	<u>929,000</u>	<u>929,000</u>	<u>1,189,001</u>	<u>260,001</u>
<b>Expenditures:</b>				
Salaries and wages	150,000	150,000	202,560	(52,560)
Payroll tax expense	15,000	15,000	21,575	(6,575)
Employee benefits	24,000	24,000	12,668	11,332
Contract labor	12,000	12,000	8,630	3,370
Administration	13,500	13,500	11,324	2,176
Telephone and utilities	45,200	45,200	40,501	4,699
Donations	150,000	150,000	122,890	27,110
Postage	3,000	3,000	1,008	1,992
General office expense	7,500	7,500	8,314	(814)
Gift shop expense	6,000	6,000	7,469	(1,469)
Advertising and promotional	131,500	131,500	115,947	15,553
Membership dues	6,000	6,000	4,840	1,160
Van and bus expense	7,500	7,500	4,663	2,837
Legal and professional expense	20,000	20,000	14,590	5,410
Taxes and licenses	-	-	-	-
Maintenance and repairs	16,860	16,860	17,412	(552)
Mountain Homeplace	55,000	55,000	55,000	-
Insurance	25,000	25,000	15,500	9,500
Security	760	760	1,152	(392)
Sipp expenses	35,000	35,000	13,061	21,939
Stafford house expenses	6,000	6,000	637	5,363
Other expense	102,730	102,730	33,323	69,407
Debt service:				
Interest expense	5,084	5,084	5,083	1
Principal retirement	11,366	11,366	11,366	-
Capital outlay	-	-	66,904	(66,904)
<b>Total expenditures</b>	<u>849,000</u>	<u>849,000</u>	<u>796,417</u>	<u>52,583</u>
<b>Excess of revenues over (under) expenditures</b>	<u>80,000</u>	<u>80,000</u>	<u>392,584</u>	<u>312,584</u>

**CITY OF PAINTSVILLE, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE (Continued)**  
**PAINTSVILLE TOURISM COMMISSION**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**54**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Other financing sources (uses):</b>				
Transfer out to General Fund	<u>(280,000)</u>	<u>(280,000)</u>	<u>(296,577)</u>	<u>(16,577)</u>
Total other financing sources (uses)	<u>(280,000)</u>	<u>(280,000)</u>	<u>(296,577)</u>	<u>(16,577)</u>
Net change in fund balance	<u>\$ (200,000)</u>	<u>\$ (200,000)</u>	96,007	<u>\$ 296,007</u>
Fund balance - beginning			<u>700,799</u>	
Fund balance - ending			<u>\$ 796,806</u>	

**CITY OF PAINTSVILLE, KENTUCKY  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY (CERS)  
JUNE 30, 2023**

**55**

	<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%
	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
City's proportion of the net pension liability (asset)	0.168752%	0.168038%	0.168346%
City's proportionate share of the net pension liability (asset)	\$ 12,943,139	\$ 10,713,740	\$ 12,169,755
City's covered-employee payroll	\$ 4,313,388	\$ 4,671,719	\$ 4,994,377
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	300.07%	229.33%	243.67%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	57.33%	52.42%

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, 2023**

56

	<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%
	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
Contractually required contribution	\$ 832,484	\$ 1,064,218	\$ 1,168,684
Contributions in relation to the contractually required contribution	<u>832,484</u>	<u>1,064,218</u>	<u>1,168,684</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 4,313,388	\$ 4,671,719	\$ 4,994,377
Contributions as a percentage of covered-employee payroll	19.30%	22.78%	23.40%

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

**CITY OF PAINTSVILLE, KENTUCKY  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY (CERS)  
JUNE 30, 2023**

**57**

	<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%
	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
City's proportion of the net OPEB liability (asset)	0.168703%	0.167998%	0.168323%
City's proportionate share of the net OPEB liability (asset)	\$ 4,073,664	\$ 3,216,237	\$ 3,321,878
City's covered-employee payroll	\$ 4,313,388	\$ 4,671,719	\$ 4,994,377
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	94.44%	68.84%	66.51%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	62.91%	60.95%

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, 2023**

**58**

	<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%
	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
Contractually required contribution	\$ 205,318	\$ 194,810	\$ 169,310
Contributions in relation to the contractually required contribution	<u>205,318</u>	<u>194,810</u>	<u>169,310</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 4,313,388	\$ 4,671,719	\$ 4,994,377
Contributions as a percentage of covered-employee payroll	4.76%	4.17%	3.39%

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 SUPPLEMENTARY INFORMATION (CERS)  
FOR THE YEAR ENDED JUNE 30, 2023**

**59**

**NOTE A – GENERAL INFORMATION**

**Contributions**

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

**Payroll**

The City's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the City's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

**NOTE B – CHANGES OF ASSUMPTIONS**

**June 30, 2022 – Pension and OPEB – Non-hazardous**

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.30% to 6.20%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years. The initial healthcare trend rate for post-65 was changed from 6.30% to 9.00%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for pension.

**June 30, 2021 – Pension and OPEB – Non-hazardous**

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.40% to 6.30%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years. The initial healthcare trend rate for post-65 was changed from 2.90% to 6.30%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for pension.

**June 30, 2020 – Pension and OPEB – Non-hazardous**

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:



**CITY OF PAINTSVILLE, KENTUCKY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CERS)  
FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE B – CHANGES OF ASSUMPTIONS (Continued)**

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023 and then gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for pension.

**June 30, 2019 – Pension and OPEB Non-hazardous**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average.

**June 30, 2018 – Pension and OPEB – Non-hazardous**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018, for either pension or OPEB.

**June 30, 2017 – Pension – Non-hazardous**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%.

**June 30, 2016 – Pension and OPEB – Non-hazardous**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016, for either pension or OPEB.

**June 30, 2015 – Pension – Non-hazardous**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

**CITY OF PAINTSVILLE, KENTUCKY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CERS)  
FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE B – CHANGES OF ASSUMPTIONS (Continued)**

- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

**June 30, 2014 – Pension – Non-hazardous**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

**June 30, 2013 – Pension – Non-hazardous**

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2013:

- The assumed rate of return was 7.75%.
- The assumed rate of inflation was 3.5%.
- The assumed rate of wage inflation was 1%.
- Payroll growth assumption was 4.5%.
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.

**SUPPLEMENTARY  
AND  
OTHER INFORMATION**

**CITY OF PAINTSVILLE, KENTUCKY  
COMBINING BALANCE SHEET  
NON-MAJOR FUNDS  
JUNE 30, 2023**

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	<b>Special Revenue Funds</b>			<b>Total Non-Major Governmental Funds</b>
	<b>Coal and Mineral Tax Severance Fund</b>	<b>Municipal Road Aid Fund</b>	<b>911 Fund</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 79,976	\$ 74,703	\$ 146,229	\$ 300,908
Total Assets	<u>\$ 79,976</u>	<u>\$ 74,703</u>	<u>\$ 146,229</u>	<u>\$ 300,908</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,071	\$ 1,922	\$ 6,895	\$ 9,888
Accrued vacation	-	-	3,439	3,439
Due to General Fund	-	-	112,995	112,995
Total Liabilities	<u>1,071</u>	<u>1,922</u>	<u>123,329</u>	<u>126,322</u>
<b>Fund Balances:</b>				
Restricted for:				
Streets	-	72,781	-	72,781
Other	78,905	-	22,900	101,805
Unassigned	-	-	-	-
Total Fund Balances	<u>78,905</u>	<u>72,781</u>	<u>22,900</u>	<u>174,586</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 79,976</u>	<u>\$ 74,703</u>	<u>\$ 146,229</u>	<u>\$ 300,908</u>

**CITY OF PAINTSVILLE, KENTUCKY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NON-MAJOR FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

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	<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	\$ 59,024	\$ 70,231	\$ -	\$ 129,255
Charges for services	-	-	415,851	415,851
Other revenues	-	-	10,853	10,853
Interest	-	1	2	3
<b>Total revenues</b>	<b>59,024</b>	<b>70,232</b>	<b>426,706</b>	<b>555,962</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	-	-	524,212	524,212
Streets	18,330	1,159	-	19,489
Recreation	7,225	-	-	7,225
<b>Capital outlay</b>	<b>-</b>	<b>189,581</b>	<b>-</b>	<b>189,581</b>
<b>Total expenditures</b>	<b>25,555</b>	<b>190,740</b>	<b>524,212</b>	<b>740,507</b>
<b>Excess of revenues over (under) expenditures</b>	<b>33,469</b>	<b>(120,508)</b>	<b>(97,506)</b>	<b>(184,545)</b>
<b>Other financing sources (uses):</b>				
Intragovernmental forgiveness of debt	-	-	97,506	97,506
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>33,469</b>	<b>(120,508)</b>	<b>-</b>	<b>(87,039)</b>
<b>Fund balances - beginning</b>	<b>45,436</b>	<b>193,289</b>	<b>22,900</b>	<b>261,625</b>
<b>Fund balances - ending</b>	<b>\$ 78,905</b>	<b>\$ 72,781</b>	<b>\$ 22,900</b>	<b>\$ 174,586</b>

CITY OF PAINTSVILLE, KENTUCKY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023

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<u>FEDERAL GRANTOR/PASS - THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>PASSED THROUGH TO SUBRECIPIENTS</u>	<u>TOTAL FEDERAL EXPENDITURES</u>
<b><u>U.S. DEPARTMENT OF THE TREASURY</u></b>				
Pass-through program from Kentucky Dept for Local Government Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	-	473,912
Pass-through program from Kentucky Dept of Tourism Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	-	25,963
Total Coronavirus State and Local Fiscal Recovery Funds				499,875
Total U.S. Department of the Treasury			-	499,875
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>				
Pass-through program from Kentucky Dept of Military Affairs Disaster Grants - Public Assistance	97.036	FEMA-DR-4663-KY	-	42,835
Disaster Grants - Public Assistance	97.036	FEMA-DR-4595-KY	-	483,840
Total Disaster Grants - Public Assistance			-	526,675
Pass-through program from Johnson County Fiscal Court Emergency Management Performance Grants	97.042	EMPG-3	-	27,763
Pass-through program from Kentucky Office of Homeland Security Homeland Security Grant Program	97.067	2100001000	-	73,100
Total U.S. Department of Homeland Security			-	627,538
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ -</b>	<b>\$ 1,127,413</b>

**CITY OF PAINTSVILLE, KENTUCKY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED June 30, 2023**

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**NOTE A. – BASIS OF PRESENTATION**

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

**NOTE B. – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE C – INDIRECT COST RATE**

The City of Paintsville, Kentucky has not adopted an indirect cost rate and has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.