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CITY OF PAINTSVILLE, KENTUCKY

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

JUNE 30, 2022



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

Basis for Opinions

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

Change in Accounting Principle

As described in Note 14 to the financial statements, effective July 1, 2021, the City of Paintsville, Kentucky adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of 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 8, 2022 on our consideration of the City of Paintsville, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Paintsville, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Paintsville, Kentucky's internal control over financial reporting and compliance.

Wells & Company, PSC

Certified Public Accountants
Paintsville, Kentucky
December 8, 2022

CITY OF PAINTSVILLE, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2022

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	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,124,372	\$ 5,612,063	\$ 12,736,435
Certificates of deposit	104,547	748,551	853,098
Taxes receivable	100,607	-	100,607
Accounts receivable	97,898	845,052	942,950
Lease receivable	477,570	-	477,570
Grants receivable	14,057	189,938	203,995
Other receivable	52,745	-	52,745
Due from Paintsville Utilities	68,519	-	68,519
Unbilled revenues	-	341,234	341,234
Inventory	-	233,075	233,075
Prepaid items	32,620	36,218	68,838
Capital assets:			
Land and construction-in-progress	3,092,107	5,393,581	8,485,688
Other capital assets, net of accumulated depreciation	7,165,829	76,125,784	83,291,613
Total Assets	18,330,871	89,525,496	107,856,367
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows related to pensions & OPEB	1,742,957	1,474,844	3,217,801
LIABILITIES			
Accounts payable	137,015	427,227	564,242
Retainage payable	-	236,938	236,938
Accrued payroll taxes	47,326	11,004	58,330
Accrued vacation	64,465	61,103	125,568
Other accrued liabilities	184,262	476,586	660,848
Interim loan payable	-	1,304,994	1,304,994
Customer meter deposits payable	-	349,708	349,708
Interest payable on customer meter deposits	-	167,583	167,583
Long-term liabilities:			
Net pension liability	6,365,583	4,348,157	10,713,740
Net OPEB liability	1,910,927	1,305,310	3,216,237
Due within one year	176,974	1,074,523	1,251,497
Due in more than one year	2,378,220	26,204,885	28,583,105
Total Liabilities	11,264,772	35,968,018	47,232,790
DEFERRED INFLOW OF RESOURCES			
Deferred inflows related to pensions & OPEB	2,080,065	1,229,540	3,309,605
Deferred inflows related to lease	477,570	-	477,570
Total deferred inflows of resources	2,557,635	1,229,540	3,787,175
NET POSITION			
Net investment in capital assets	7,702,742	54,239,957	61,942,699
Restricted for:			
Public safety	4,344	-	4,344
Streets	193,289	-	193,289
Tourism	700,799	-	700,799
Debt service	69,669	7,883	77,552
Equipment replacement	-	179,443	179,443
Depreciation	-	1,050,999	1,050,999
Other purposes	68,336	1,283,715	1,352,051
Unrestricted (deficit)	(2,487,758)	(2,959,215)	(5,446,973)
Total Net Position	\$ 6,251,421	\$ 53,802,782	\$ 60,054,203

See accompanying notes to basic financial statements.

CITY OF PAINTSVILLE, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 1,208,719	\$ 119,478	\$ 1,051,303	\$ 391,913	\$ 353,975	\$ -	\$ 353,975
Public safety	3,648,672	1,958,367	84,886	13,750	(1,591,669)	-	(1,591,669)
Recreation	865,095	253,441	2,000	220,408	(389,246)	-	(389,246)
Streets	655,144	-	-	1,580	(653,564)	-	(653,564)
Sanitation	714,681	822,241	-	-	107,560	-	107,560
Tourism	659,530	55,324	-	-	(604,206)	-	(604,206)
Interest on long-term debt	70,319	-	-	-	(70,319)	-	(70,319)
Total governmental activities	7,822,160	3,208,851	1,138,189	627,651	(2,847,469)	-	(2,847,469)
Business-type activities:							
Water, gas, and sewer	10,543,994	9,670,062	-	466,663	-	(407,269)	(407,269)
Total business-type activities	10,543,994	9,670,062	-	466,663	-	(407,269)	(407,269)
Total primary government	\$ 18,366,154	\$ 12,878,913	\$ 1,138,189	\$ 1,094,314	(2,847,469)	(407,269)	(3,254,738)
General revenues:							
Property taxes					650,012	-	650,012
Occupational taxes					1,982,135	-	1,982,135
Insurance premium taxes					536,606	-	536,606
Motor vehicle taxes					31,930	-	31,930
Restaurant taxes					886,295	-	886,295
Room occupancy taxes					90,751	-	90,751
Franchise fees and taxes					196,598	-	196,598
Payments in lieu of taxes					51,466	-	51,466
ABC fees					197,241	-	197,241
Licenses and permits					585	-	585
Intergovernmental revenue					324,399	-	324,399
Interest income					9,297	8,856	18,153
Gain/(Loss) on sale of capital assets					6,517	135,211	141,728
Donation/contributions					71,384	-	71,384
Miscellaneous					139,929	-	139,929
Total general revenues and transfers					5,175,145	144,067	5,319,212
Change in net position					2,327,676	(263,202)	2,064,474
Net position - beginning, restated					3,923,745	54,065,984	57,989,729
Net position - ending					\$ 6,251,421	\$ 53,802,782	\$ 60,054,203

See accompanying notes to basic financial statements.

**CITY OF PAINTSVILLE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

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	<u>General Fund</u>	<u>Paintsville Tourism Commission</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 5,612,114	\$ 613,218	\$ 899,040	\$ 7,124,372
Certificate of deposit	-	104,547	-	104,547
Receivables:				
Property taxes	1,478	-	-	1,478
Accounts	97,898	-	-	97,898
Grants	14,057	-	-	14,057
Other	52,745	-	-	52,745
Due from Paintsville Utilities	68,519	-	-	68,519
Due from 911 Fund	618,297	-	-	618,297
Prepaid	32,620	-	-	32,620
Total Assets	<u><u>\$ 6,497,728</u></u>	<u><u>\$ 717,765</u></u>	<u><u>\$ 899,040</u></u>	<u><u>\$ 8,114,533</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 115,165	\$ 7,727	\$ 14,123	\$ 137,015
Accrued payroll taxes	38,087	9,239	-	47,326
Accrued vacation	59,470	-	4,995	64,465
Accrued retirement	70,654	-	-	70,654
Other accrued liabilities	34,269	-	-	34,269
Due to General Fund	-	-	618,297	618,297
Total Liabilities	<u>317,645</u>	<u>16,966</u>	<u>637,415</u>	<u>972,026</u>
Fund Balances:				
Restricted for:				
Public Safety	4,344	-	-	4,344
Streets	-	-	193,289	193,289
Tourism	-	700,799	-	700,799
Debt Service	69,669	-	-	69,669
Other	-	-	68,336	68,336
Committed for capital projects	1,346,100	-	-	1,346,100
Unassigned	4,759,970	-	-	4,759,970
Total Fund Balances	<u>6,180,083</u>	<u>700,799</u>	<u>261,625</u>	<u>7,142,507</u>
Total Liabilities and Fund Balances	<u><u>\$ 6,497,728</u></u>	<u><u>\$ 717,765</u></u>	<u><u>\$ 899,040</u></u>	<u><u>\$ 8,114,533</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, 2022

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Fund Balances - Total Governmental Funds **\$ 7,142,507**

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	21,081,960
Less: accumulated depreciation	(10,824,024)

Pension & OPEB contributions after measurement date are reported as a deferred outflow of resources:	759,269
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Other OPEB related accruals	(56,501)
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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:	(8,276,510)
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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	983,688
Deferred pension & OPEB inflows of resources	(2,080,065)
Deferred lease inflow of resources	(477,570)

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

Bond payable	(2,200,000)
Bond premium	(51,389)
Loans payable	(262,358)
Leases payable	(41,447)

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.	(22,838)
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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	477,570
Delinquent property taxes	99,129

Net Position of Governmental Activities	\$ 6,251,421
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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, 2022

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	General Fund	Paintsville Tourism	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Property	\$ 639,769	\$ -	\$ -	\$ 639,769
Occupational	1,982,135	-	-	1,982,135
Insurance premium	536,606	-	-	536,606
Motor vehicle	31,930	-	-	31,930
Franchise	157,375	-	-	157,375
Restaurant	-	886,295	-	886,295
Room occupancy	-	90,751	-	90,751
Payments in lieu of taxes	51,466	-	-	51,466
ABC fees	197,241	-	-	197,241
Franchise fees	39,223	-	-	39,223
Licenses and permits	585	-	-	585
Intergovernmental revenues	197,605	-	104,044	301,649
Grants	1,760,456	-	28,134	1,788,590
Charges for services	2,669,923	55,324	483,604	3,208,851
Interest income	9,190	105	2	9,297
Contributions	71,384	-	-	71,384
Miscellaneous revenues	62,869	31,407	-	94,276
Total revenues	8,407,757	1,063,882	615,784	10,087,423
Expenditures:				
Current:				
General government	1,178,793	-	-	1,178,793
Public safety	3,034,125	-	498,810	3,532,935
Recreation	793,787	-	4,607	798,394
Streets	505,943	-	19,556	525,499
Sanitation	669,703	-	4,838	674,541
Tourism	-	532,031	-	532,031
Debt service:				
Principal	175,265	11,523	-	186,788
Interest	45,707	4,994	-	50,701
Capital outlay	1,172,062	14,510	91,082	1,277,654
Total expenditures	7,575,385	563,058	618,893	8,757,336
Excess of revenues over (under) expenditures	832,372	500,824	(3,109)	1,330,087
Other financing sources (uses):				
Operating transfers in	312,881	-	-	312,881
Operating transfers out	-	(312,881)	-	(312,881)
Proceeds from sale of capital assets	31,101	-	-	31,101
Proceeds from insurance	45,653	-	-	45,653
Proceeds from borrowing	1,495,000	-	-	1,495,000
Total other financing sources (uses)	1,884,635	(312,881)	-	1,571,754
Net change in fund balances	2,717,007	187,943	(3,109)	2,901,841
Fund balances - beginning	3,463,076	512,856	264,734	4,240,666
Fund balances - ending	\$ 6,180,083	\$ 700,799	\$ 261,625	\$ 7,142,507

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, 2022

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Net Change in Fund Balances - Total Governmental Funds **\$ 2,901,841**

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	1,277,654
Depreciation expense	(583,660)

The net effect of various miscellaneous transactions involving capital assets:	(24,584)
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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	10,243
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Changes in pension & OPEB expense are reported only in the statement of activities	74,012
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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. (22,838)

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	186,788
Loan proceeds	(1,495,000)
Amortization of bond premium	3,220

Change in Net Position of Governmental Activities	<u>\$ 2,327,676</u>
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See accompanying notes to basic financial statements.

CITY OF PAINTSVILLE, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUND - PAINTSVILLE UTILITIES
JUNE 30, 2022

10

ASSETS

Current assets:

Cash and cash equivalents	\$ 2,816,283
Accounts receivable, net	845,052
Grant receivable	189,938
Unbilled revenues	341,234
Inventory	233,075
Prepaid items	36,218

Total current assets	4,461,800
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Non-current assets:

Restricted assets:

Cash and cash equivalents:	
Bond and interest sinking fund	512,883
Depreciation reserve fund	1,050,999
Equipment replacement fund	179,443
Operations and maintenance	1,052,455
Investments:	
Operations and maintenance	748,551

Total restricted assets	3,544,331
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Capital assets:

Land and land improvements	720,089
Construction work in progress	4,673,492
Capital assets, net of depreciation	76,125,784

Total capital assets	81,519,365
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Total assets	89,525,496
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DEFERRED OUTFLOWS

Deferred outflows related to pensions	729,638
Deferred outflows related to OPEB	745,206

Total deferred outflows of resources	1,474,844
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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, 2022

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LIABILITIES

Current liabilities:

Accounts payable	427,227
Retainage payable	236,938
Compensated absences	61,103
Accrued interest payable	251,701
Other accrued liabilities	235,889
Interim loan payable	1,304,994
Current portion of long-term liabilities	569,523

Total current liabilities	3,087,375
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Payable from restricted assets:

Current portion of bonds	505,000
Customer meter deposits	349,708
Interest payable on customer meter deposits	167,583

Total liabilities payable from restricted assets	1,022,291
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Long-term liabilities:

Net pension liability	4,348,157
Net OPEB liability	1,305,310
Bonds payable, net of premium	21,263,000
Notes payable	5,448,938
Leases payable	402,164
Unamortized bond premium	165,306
	32,932,875
Less current portion	(1,074,523)

Total long-term liabilities	31,858,352
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Total liabilities	35,968,018
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DEFERRED INFLOWS

Deferred inflows related to pensions	625,029
Deferred inflows related to OPEB	604,511

Total deferred inflows of resources	1,229,540
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NET POSITION:

Net investment in capital assets	54,239,957
Restricted	
Debt service	7,883
Depreciation	1,050,999
Equipment replacement	179,443
Operations and maintenance	1,283,715
Unrestricted	(2,959,215)

Total net position	\$ 53,802,782
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**CITY OF PAINTSVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND - PAINTSVILLE UTILITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Operating revenues:

Gas revenues	\$ 2,546,581
Water revenues	4,366,726
Wastewater revenues	2,268,754
Other operating revenues	<u>488,001</u>
Total operating revenues	9,670,062
Cost of sales	<u>1,421,305</u>
Net operating revenues	<u>8,248,757</u>

Operating expenses:

Salaries and wages	1,929,769
Payroll taxes	146,101
Employee pension and benefits	1,325,897
Materials and supplies	348,785
Legal and professional	116,255
Miscellaneous general expense	322,181
Telephone and utilities	815,018
Insurance	128,910
Motor vehicle expenses	135,027
Repairs and maintenance	426,445
Depreciation	<u>2,794,288</u>
Total operating expenses	<u>8,488,676</u>
Utility operating income (loss)	<u>(239,919)</u>

Non-operating revenues (expenses):

Interest income	8,856
Interest expense	<u>(562,629)</u>
Total non-operating revenues (expenses)	<u>(553,773)</u>

Net income (loss) before contributions from (to)

	(793,692)
Contributions in aid of construction	466,663
Gain on sale of equipment	135,211
Contribution to the City of Paintsville	<u>(71,384)</u>

Change in net position	(263,202)
Net position, beginning of year, restated	<u>54,065,984</u>

Net position, end of year	<u>\$ 53,802,782</u>
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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, 2022**

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Cash flows from operating activities:

Cash inflows:

Payments received from customers	<u>\$ 9,493,400</u>
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Total cash provided	<u>9,493,400</u>
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Cash outflows:

Payments for salaries and benefits	3,142,724
------------------------------------	-----------

Payments to suppliers for goods and services	<u>3,663,169</u>
--	------------------

Total cash used	<u>6,805,893</u>
------------------------	------------------

Net cash provided (used) by operating activities	<u>2,687,507</u>
---	------------------

Cash flows from noncapital financing activities:

Interest paid on customer deposits	<u>(58,789)</u>
------------------------------------	-----------------

Net cash provided (used) by noncapital financing activities	<u>(58,789)</u>
--	-----------------

Cash flows from capital and related financing activities:

Purchase and construction of utility plant	(3,796,016)
--	-------------

Proceeds from sale of assets	330,871
------------------------------	---------

Proceeds from loans and bonds	3,469,886
-------------------------------	-----------

Principal payments on long-term debt	(2,419,944)
--------------------------------------	-------------

Payments on capital leases	(157,286)
----------------------------	-----------

Interest paid on long-term debt and capital leases	(540,006)
--	-----------

Contributions-in-aid of construction	<u>647,917</u>
--------------------------------------	----------------

Net cash provided (used) by capital and related financing activities	<u>(2,464,578)</u>
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Cash flows from investing activities:

Interest received	<u>6,864</u>
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Net cash provided (used) by investing activities	<u>6,864</u>
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Net cash inflow (outflow) from all activities

171,004

Cash and cash equivalents at beginning of period

5,441,059

Cash and cash equivalents at end of period

\$ 5,612,063

See accompanying notes to basic financial statements.

CITY OF PAINTSVILLE, KENTUCKY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2022

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

Utility operating income	\$ (239,919)
Depreciation and amortization	2,794,288
Contribution of utility services	(71,384)
(Increase) decrease in:	
Accounts receivable	(84,592)
Unbilled revenue	(20,686)
Inventory	27,271
Other assets and deferred outflows	184,000
Increase (decrease) in:	
Accounts payable	266,196
Accrued liabilities and other liabilities	(167,667)

Net cash provided (used) by operating activities

\$ 2,687,507

Schedule of cash and cash equivalents:

Beginning of period:

Unrestricted cash and cash equivalents	\$ 1,960,267
Restricted cash and cash equivalents	3,480,792

\$ 5,441,059

End of period:

Unrestricted cash and cash equivalents	\$ 2,816,283
Restricted cash and cash equivalents	2,795,780

\$ 5,612,063

See accompanying notes to basic financial statements.

CITY OF PAINTSVILLE, KENTUCKY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2022

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

CITY OF PAINTSVILLE, KENTUCKY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2022

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	<u>Custodial Fund</u>
Additions:	
Property and franchise taxes collected for Paintsville Independent School District	<u>\$ 2,426,380</u>
Total additions	<u>2,426,380</u>
Deductions:	
Payments of property and franchise taxes to Paintsville Independent School District	<u>2,426,380</u>
Total deductions	<u>2,426,380</u>
Change in net position	-
Net position, beginning of year	<u>-</u>
Net position, end of year	<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, 2022, are net of allowance for uncollectable. The allowance for uncollectable was \$213,336 at June 30, 2022.

G. Capital Assets

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

H. Compensated Absences

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

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

I. Estimates

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

J. Restricted Assets

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

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2022, 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 \$103,298 of lease rental revenue and \$4,702 of interest revenue for fiscal year end June 30, 2022.

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, 2022 are as follows:

Account	Bank Balance	Category			Carrying Amount
		1	2	3	
Cash	<u>\$13,627,777</u>	<u>\$1,706,830</u>	<u>\$11,588,724</u>	<u>\$332,223</u>	<u>\$13,589,533</u>

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

CITY OF PAINTSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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NOTE 3. PROPERTY TAXES

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

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

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2022, consisted of the following:

Primary Government

Governmental Activities	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022
Capital assets, not being depreciated:				
Land and land improvements	\$ 2,672,432	\$ 275,977	\$ -	\$ 2,948,409
Construction in progress	<u>39,795</u>	<u>103,903</u>	<u>-</u>	<u>143,698</u>
Total capital assets, not being depreciated	<u>2,712,227</u>	<u>379,880</u>	<u>-</u>	<u>3,092,107</u>
Capital assets, being depreciated:				
Buildings and improvements	8,327,123	401,580	72,703	8,656,000
Improvements other than buildings	1,040,065	241,397	14,714	1,266,748
Automobiles and trucks	2,760,972	30,800	270,743	2,521,029
Infrastructure	1,111,491	86,189	-	1,197,680
Machinery and equipment	<u>4,222,018</u>	<u>137,808</u>	<u>11,430</u>	<u>4,348,396</u>
Total capital assets being depreciated	<u>17,461,669</u>	<u>897,774</u>	<u>369,590</u>	<u>17,989,853</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,594,870)	(208,998)	(53,128)	(3,750,740)
Improvements other than buildings	(808,997)	(26,014)	(14,714)	(820,297)
Automobiles and trucks	(2,085,398)	(99,184)	(265,735)	(1,918,847)
Infrastructure	(548,333)	(94,450)	-	(642,783)
Machinery and equipment	<u>(3,547,773)</u>	<u>(155,014)</u>	<u>(11,430)</u>	<u>(3,691,357)</u>
Total accumulated depreciation	<u>(10,585,371)</u>	<u>(583,660)</u>	<u>(345,007)</u>	<u>(10,824,024)</u>
Total capital assets being depreciated, net	<u>6,876,298</u>	<u>314,114</u>	<u>24,583</u>	<u>7,165,829</u>
Governmental activities capital assets, net	<u>\$ 9,588,525</u>	<u>\$ 693,994</u>	<u>\$ 24,583</u>	<u>\$ 10,257,936</u>

Depreciation was charged to governmental activities as follows:

General government	\$ 84,668
Public safety	129,370
Recreation	68,882
Streets	131,472
Sanitation	41,769
Tourism	<u>127,499</u>
Total	<u>\$ 583,660</u>

CITY OF PAINTSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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NOTE 4. CAPITAL ASSETS (Continued)

Business-Type Activities	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022
Capital assets, not being depreciated:				
Land and land improvements	\$ 816,089	\$ -	\$ 96,000	\$ 720,089
Construction in progress	<u>2,584,299</u>	<u>2,089,193</u>	<u>-</u>	<u>4,673,492</u>
Total capital assets, not being depreciated	<u>3,400,388</u>	<u>2,089,193</u>	<u>96,000</u>	<u>5,393,581</u>
Capital assets, being depreciated:				
Buildings and improvements	1,106,113	318,485	116,180	1,308,418
Utility plants	114,673,698	605,159	8,613	115,270,244
Automobiles and trucks	1,486,919	188,391	128,677	1,546,633
Machinery and equipment	<u>351,455</u>	<u>7,279</u>	<u>-</u>	<u>358,734</u>
Total capital assets being depreciated	<u>117,618,185</u>	<u>1,119,314</u>	<u>253,470</u>	<u>118,484,029</u>
Less accumulated depreciation for:				
Buildings and improvements	(395,926)	(11,418)	(16,520)	(390,824)
Utility plants	(38,173,409)	(2,542,628)	(8,613)	(40,707,424)
Automobiles and trucks	(856,283)	(219,500)	(128,677)	(947,106)
Machinery and equipment	<u>(292,149)</u>	<u>(20,742)</u>	<u>-</u>	<u>(312,891)</u>
Total accumulated depreciation	<u>(39,717,767)</u>	<u>(2,794,288)</u>	<u>(153,810)</u>	<u>(42,358,245)</u>
Total capital assets being depreciated, net	<u>77,900,418</u>	<u>(1,674,974)</u>	<u>99,660</u>	<u>76,125,784</u>
Total capital assets, net	<u>\$ 81,300,806</u>	<u>\$ 414,219</u>	<u>\$ 195,660</u>	<u>\$ 81,519,365</u>

Depreciation was charged to business-type activities as follows:

Water, gas, and sewer	<u>\$ 2,794,288</u>
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NOTE 5. RISK MANAGEMENT

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

NOTE 6. CAPITAL LEASES

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

**CITY OF PAINTSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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NOTE 6. CAPITAL LEASES (Continued)

The future minimum lease obligations and net present value of these minimum lease payments as of June 30, 2022, were as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2023	\$ 31,940	\$ 151,606
2024	10,646	121,433
2025	-	96,338
2026	-	50,297
2027	-	8,497
Total minimum lease payments	42,586	428,171
Less amount representing interest	(1,139)	(26,007)
Present value of net minimum lease payments	<u>\$ 41,447</u>	<u>\$ 402,164</u>

Following is a summary of property held by the City under capital leases at June 30, 2022:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Equipment	\$ 145,057	\$ 929,850
Less accumulated depreciation	(50,770)	(442,909)
	<u>\$ 94,287</u>	<u>\$ 486,941</u>

	<u>Amount Outstanding 6/30/2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/2022</u>	<u>Amounts Due Within One Year</u>
Governmental activities leases	\$ 71,168	\$ -	\$ (29,721)	\$ 41,447	\$ 30,885
Business-type activities leases	\$ 456,558	\$ 102,892	\$ (157,286)	\$ 402,164	\$ 138,625

NOTE 7. LONG-TERM DEBT

Long-term debt at June 30, 2022 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%.

**CITY OF PAINTSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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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.

Bonds:	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</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.	\$ 710,000	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.	\$ 1,490,000	Variable	01/2050
Add:			
Unamortized premium	<u>51,389</u>		
	<u>\$ 2,251,389</u>		

CITY OF PAINTSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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NOTE 7. LONG-TERM DEBT (Continued)

Changes in long-term obligations for the year ended June 30, 2022, are as follows:

Governmental Activities	Balance 6/30/2021	Additions	Reductions	Balance 6/30/2022	Due Within One Year
Revenue Bond – Series 2020F	\$ 780,000	\$ -	\$ (70,000)	\$ 710,000	\$ 35,000
Revenue Bond – Series 2021E	-	1,495,000	(5,000)	1,490,000	70,000
Garbage truck loan payable	90,874	-	(20,813)	70,061	21,429
Ambulances loan payable	41,559	-	(16,314)	25,245	16,877
Police cruiser loan payable	6,457	-	(5,141)	1,316	1,316
Stafford House loan payable	134,222	-	(11,522)	122,700	12,185
MACED loan payable	62,221	-	(19,185)	43,036	20,167
Golf carts loan payable	9,092	-	(9,092)	-	-
Compensated absences	61,202	64,465	(61,202)	64,465	64,465
Net pension liability	7,954,241	-	(1,588,658)	6,365,583	-
Net OPEB liability	2,503,484	-	(592,557)	1,910,927	-
	<u>11,643,352</u>	<u>1,559,465</u>	<u>(2,399,484)</u>	<u>10,803,333</u>	<u>241,439</u>
Unamortized bond premium	54,609	-	(3,220)	51,389	-
Total governmental activities	<u>\$ 11,697,961</u>	<u>\$ 1,559,465</u>	<u>\$ (2,402,704)</u>	<u>\$ 10,854,722</u>	<u>\$ 241,439</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, 2022, for each of the next five years and thereafter are as follows:

Year Ending June 30	Bonds	Notes	Total Principal	Total Interest	Total
2023	\$ 105,000	\$ 71,974	\$ 176,974	\$ 64,439	\$ 241,413
2024	105,000	64,307	169,307	58,957	228,264
2025	115,000	37,578	152,578	54,254	206,832
2026	115,000	17,573	132,573	50,205	182,778
2027	120,000	14,277	134,277	46,587	180,864
2028-2032	555,000	56,649	611,649	175,054	786,703
2033-2037	235,000	-	235,000	122,494	357,494
2038-2042	265,000	-	265,000	95,425	360,425
2043-2047	310,000	-	310,000	60,675	370,675
2048-2052	275,000	-	275,000	18,244	293,244
	<u>\$ 2,200,000</u>	<u>\$ 262,358</u>	<u>\$ 2,462,358</u>	<u>\$ 746,334</u>	<u>\$ 3,208,692</u>

CITY OF PAINTSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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NOTE 7. LONG-TERM DEBT (Continued)

Business-Type Activities

Bonds:	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
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.	\$ 197,000	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.	11,429,000	2.00%	01/2051
City of Paintsville Combined Utility Revenue Bond, Series 2018 Issue. Principal installments due in January of each year, interest payable semi-annually in January and July of each year.	4,657,000	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.	2,025,000	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)	2,955,000	variable	07/2040
Add:			
Unamortized premium	<u>165,306</u>		
	21,428,306		

Notes:

Note payable to Kentucky Infrastructure Authority, due in monthly installments of principal and interest. (B98-02)	668,940	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)	4,384,082	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)	302,865	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>93,051</u>	1.00%	06/2026
	<u>5,448,938</u>		
	<u>\$26,877,244</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 1.63 at June 30, 2022.

CITY OF PAINTSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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NOTE 7. LONG-TERM DEBT (Continued)

Changes in long-term obligations for the year ended June 30, 2022, are as follows:

Business-Type Activities	Balance 6/30/2021	Additions	Reductions	Balance 6/30/2022	Due Within One Year
Water Revenue Bond – Series 2006	\$ 202,000	\$ -	\$ (5,000)	\$ 197,000	\$ 5,000
Combined Utility Revenue Bonds – Series 2011	11,685,000	-	(256,000)	11,429,000	262,500
Combined Utility Revenue Bonds – Series 2018	4,740,000	-	(83,000)	4,657,000	85,000
Combined Utility Revenue Bonds – Series 2020	-	2,062,000	(37,000)	2,025,000	37,500
Public Projects Bonds – 2020D	3,065,000	-	(110,000)	2,955,000	115,000
Add: Unamortized Bond Premium	184,025	-	(18,719)	165,306	-
KIA Loan Payable (Honey Branch)	731,189	-	(62,249)	668,940	63,061
KIA Loan Payable (Paintsville Lake water plant)	4,698,356	-	(314,274)	4,384,082	317,424
KIA Loan Payable (wastewater treatment plant)	330,089	-	(27,224)	302,865	27,497
KIA Loan Payable (wastewater treatment plant)	115,740	-	(22,689)	93,051	22,916
Compensated Absences	55,939	61,103	(55,939)	61,103	61,103
Net Pension Liability	4,988,898	-	(640,741)	4,348,157	-
Net OPEB Liability	1,570,180	-	(264,870)	1,305,310	-
	<u>\$32,366,416</u>	<u>\$ 2,123,103</u>	<u>\$ (1,897,705)</u>	<u>\$32,591,814</u>	<u>\$ 997,001</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, 2022, for each of the next five years and thereafter are as follows:

Year Ending June 30	Bonds	Notes	Total Principal	Total Interest	Total
2023	\$ 505,000	\$ 430,898	\$ 935,898	\$ 548,216	\$ 1,484,114
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
2028-2032	3,127,500	2,194,817	5,322,317	2,035,259	7,357,576
2033-2037	3,595,500	1,077,899	4,673,399	1,529,474	6,202,873
2038-2042	3,664,000	-	3,664,000	1,065,102	4,729,102
2043-2047	3,455,000	-	3,455,000	686,790	4,141,790
2048-2052	3,303,000	-	3,303,000	315,328	3,618,328
2053-2057	1,286,500	-	1,286,500	96,105	1,382,605
2058-2059	150,000	-	150,000	3,094	153,094
	<u>\$21,263,000</u>	<u>\$ 5,448,938</u>	<u>\$26,711,938</u>	<u>\$ 8,278,675</u>	<u>\$34,990,613</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, 2022 was \$1,304,994.

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	\$ 312,881
Subtotal – Fund Financial Statements			312,881
Less: Fund Eliminations			(312,881)
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 8, 2022 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.

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, 2022, was 21.17 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 \$989,003 for the year ended June 30, 2022.

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

At June 30, 2022, the City reported a liability of \$10,713,740 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021, the City's proportion was 0.168 percent, which was a decrease of 0.001 from its proportion measured as of June 30, 2020.

**CITY OF PAINTSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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NOTE 12. DEFINED PENSION (Continued)

For the year ended June 30, 2022, the City recognized pension expense of \$1,074,504. At June 30, 2022, 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	\$ 123,026	\$ 103,984
Changes of assumptions	143,791	-
Net difference between projected and actual earnings on pension plan investments	-	1,427,962
Changes in proportion and differences between City contributions and proportionate share of contributions City contributions subsequent to the measurement date	228,776	194,500
	<u>989,003</u>	<u>-</u>
Total	<u>\$ 1,484,596</u>	<u>\$ 1,726,446</u>

\$989,003 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, 2023. 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:

2023	\$ (123,766)
2024	(338,429)
2025	(321,494)
2026	(447,164)
2027	-
Thereafter	-

Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2021 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>
Growth	68.50%	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Expected Real Rate	100.00%	5.00%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		7.30%

NOTE 12. DEFINED PENSION (Continued)

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for CERS non-hazardous 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 30 years (closed) amortization period of the unfunded actuarial accrued liability.

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	\$13,740,880	\$10,713,740	\$8,208,853

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KRS 2021 Comprehensive Annual Financial Report at kyret.ky.gov.

Payable to the Pension Plan

At June 30, 2022, the City reported a payable of \$122,878 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022. 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, 2022, was 5.78 percent of covered payroll. Contributions to the OPEB plan from the City were \$270,025 for the year ended June 30, 2022.

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, 2022, the City reported a liability of \$3,216,237 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2021, the City's proportion was 0.168 percent, which was a decrease of 0.001 from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized OPEB expense of \$417,924. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 505,754	\$ 960,261
Changes of assumptions	852,686	2,991
Net difference between projected and actual earnings On OPEB plan investments	-	503,136
Changes in proportion and differences between City contributions and proportionate share of contributions	104,740	116,771
City contributions subsequent to the measurement date	<u>270,025</u>	<u>-</u>
Total	<u>\$ 1,733,205</u>	<u>\$ 1,583,159</u>

\$270,025 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, 2023.

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:

2023	\$ 83,026
2024	6,570
2025	(12,370)
2026	(197,205)
2027	-
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, 2021 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 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
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>
Growth	68.50%	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%

NOTE 13. OPEB PLAN (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Expected Real Rate	100.00%	5.00%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		7.30%

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	\$2,315,309	\$3,216,237	\$4,303,673

Single discount rates of 5.20% for CERS non-hazardous system was used to measure the total OPEB liability as of June 30, 2021. 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 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2020. 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 plans actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plans 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 (5.20%), 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 (4.20%) or one percentage-point higher (6.20%) than the current rate:

	<u>1.0% Decrease (4.20%)</u>	<u>Current Discount Rate (5.20%)</u>	<u>1.0% Increase (6.20%)</u>
City's proportionate share of the net OPEB liability	\$4,415,870	\$3,216,237	\$2,231,740

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 2021 Comprehensive Annual Financial Report at kyret.ky.gov.

NOTE 14. CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2021, the City elected to adopt Government Accounting Standards Board ("GASB") Statement No. 87, *Leases*, as it relates to accounting and financial reporting for leases. This statement increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases.

GASB 87 required retrospective application. Since the City only presents one year of financial information, the beginning net position balance was adjusted to reflect the retrospective application. The adjustment resulted in a \$73,948 decrease in the beginning net position of the business-type activities proprietary fund.

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, 2022, 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 8, 2022, 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 2022-001 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.

Wells & Company, PSC

Certified Public Accountants

Paintsville, Kentucky

December 8, 2022



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, 2022. 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, 2022.

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.

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.

City of Paintsville, Kentucky
December 8, 2022
Page 3

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.

Wells & Company, PSC

Certified Public Accountants
Paintsville, Kentucky
December 8, 2022

CITY OF PAINTSVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

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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? ☒ yes ☐ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ 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 ☒ no

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

21.027

Coronavirus State and Local Fiscal Recovery Funds

66.468

Capitalization Grants for Drinking Water State Revolving Funds

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

Auditee qualified as low-risk auditee?

☐ yes ☒ no

CITY OF PAINTSVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
YEAR ENDED JUNE 30, 2022

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SECTION II - FINANCIAL STATEMENT FINDINGS

2022 - 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, 2022**

48

There were no findings and recommendations for the year ended June 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PAINTSVILLE, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

49

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Property taxes	\$ 624,354	\$ 624,354	\$ 639,769	\$ 15,415
Payments in lieu of taxes	-	-	51,466	51,466
Franchise fees and taxes	168,000	168,000	196,598	28,598
Police court revenue	5,000	5,000	6,998	1,998
Police services	5,000	5,000	3,180	(1,820)
Building permits	5,000	5,000	355	(4,645)
Licenses	1,500	1,500	230	(1,270)
ABC fees	165,000	165,000	197,241	32,241
Garbage collection fees	795,000	795,000	822,241	27,241
Taxes on insurance premiums	540,000	540,000	536,606	(3,394)
Occupational taxes	1,715,000	1,715,000	1,982,135	267,135
Motor vehicle tax	29,600	29,600	31,930	2,330
Ambulance receipts	1,392,000	1,392,000	1,471,583	79,583
Firefighter and police incentive pay	112,000	112,000	115,774	3,774
Rental/Lease revenue	149,680	149,680	119,478	(30,202)
Golf course revenue	161,500	161,500	253,441	91,941
Miscellaneous intergovernmental revenue	68,000	68,000	74,833	6,833
Grants	1,535,000	1,535,000	1,760,456	225,456
Contributions	-	-	71,384	71,384
Other receipts	55,500	55,500	72,059	16,559
Total revenues	<u>7,527,134</u>	<u>7,527,134</u>	<u>8,407,757</u>	<u>880,623</u>
Expenditures:				
General government:				
Administrative salaries	353,000	353,000	392,312	(39,312)
Payroll tax expense	26,681	26,681	36,108	(9,427)
Employee benefits	129,000	129,000	147,398	(18,398)
City attorney's fees	35,000	35,000	26,891	8,109
Mayor's expense	1,000	1,000	157	843
Postage	4,000	4,000	3,217	783
Advertising	7,000	7,000	7,015	(15)
Office expenses	22,400	22,400	20,901	1,499
Telephone	13,200	13,200	13,040	160
Workmen's compensation insurance	5,275	5,275	5,280	(5)
Audit and accounting fees	15,000	15,000	2,700	12,300
Insurance and bonding	13,791	13,791	14,592	(801)
Utilities	215,000	215,000	228,611	(13,611)
Preparation of property tax bills	5,000	5,000	2,948	2,052
Senior Citizens	64,240	64,240	67,775	(3,535)
Big Sandy ADD dues	1,500	1,500	1,500	-
Capital expenditures	1,500,000	1,500,000	-	1,500,000
Other general expenses	206,065	206,065	207,816	(1,751)

CITY OF PAINTSVILLE, KENTUCKY
BUDGETARY COMPARISON SCHEDULE (Continued)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

50

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Debt service:				
Interest expense	27,068	27,068	28,476	(1,408)
Principal retirement	89,185	89,185	89,185	-
Building inspector expense	1,000	1,000	532	468
Total general government	<u>2,734,405</u>	<u>2,734,405</u>	<u>1,296,454</u>	<u>1,437,951</u>
Police:				
Salaries and wages	370,000	370,000	367,785	2,215
Payroll tax expense	28,756	28,756	26,168	2,588
Employee benefits	185,000	185,000	158,806	26,194
Gasoline and oil	24,000	24,000	28,593	(4,593)
Repairs and maintenance	5,000	5,000	7,908	(2,908)
Workmen's compensation insurance	14,540	14,540	14,544	(4)
Insurance and bonding	21,789	21,789	22,901	(1,112)
Utilities	-	-	5,419	(5,419)
Training	5,500	5,500	3,475	2,025
Telephone	13,000	13,000	12,570	430
Uniforms and uniforms cleaning	5,000	5,000	4,251	749
Debt service:				
Interest expense	156	156	156	-
Principal retirement	21,344	21,344	5,141	16,203
Capital expenditures	-	-	15,800	(15,800)
Other expenditures	6,800	6,800	10,082	(3,282)
Total police	<u>700,885</u>	<u>700,885</u>	<u>683,599</u>	<u>17,286</u>
Fire/EMS:				
Salaries and wages	1,192,000	1,192,000	1,249,548	(57,548)
Payroll tax expense	92,350	92,350	91,421	929
Employee benefits	560,000	560,000	505,193	54,807
Gasoline and oil	45,000	45,000	55,191	(10,191)
Repairs and maintenance	38,000	38,000	33,342	4,658
Insurance	58,545	58,545	61,527	(2,982)
Telephone	12,000	12,000	10,272	1,728
Utilities	17,000	17,000	28,831	(11,831)
Uniforms and uniforms cleaning	24,500	24,500	19,885	4,615
Training	1,500	1,500	596	904
Training center expenses	6,000	6,000	6,668	(668)
Workmen's compensation insurance	77,923	77,923	77,928	(5)
Billing service	90,480	90,480	87,974	2,506
Health care provider tax	-	-	82,548	(82,548)
Medical supplies	33,000	33,000	37,465	(4,465)
Debt service:				
Interest expense	1,161	1,161	1,160	1
Principal retirement	16,314	16,314	16,314	-
Capital expenditures	-	-	87,801	(87,801)
Other expenses	16,850	16,850	23,234	(6,384)
Total fire/ems	<u>2,282,623</u>	<u>2,282,623</u>	<u>2,476,898</u>	<u>(194,275)</u>

CITY OF PAINTSVILLE, KENTUCKY
BUDGETARY COMPARISON SCHEDULE (Continued)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

51

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Recreation:				
Recreation salaries	134,000	134,000	120,043	13,957
Payroll tax expense	10,825	10,825	9,234	1,591
Employee benefits	60,000	60,000	54,569	5,431
Insurance	10,877	10,877	21,721	(10,844)
Supplies	17,500	17,500	1,931	15,569
Recreational programs	8,000	8,000	2,478	5,522
Workmen's compensation insurance	4,839	4,839	4,836	3
Utilities	30,000	30,000	56,405	(26,405)
Debt service:				
Interest expense	-	-	11,187	(11,187)
Principal retirement	-	-	5,000	(5,000)
Capital expenditures	48,000	48,000	376,245	(328,245)
Other expenses	54,700	54,700	34,213	20,487
Total recreation	<u>378,741</u>	<u>378,741</u>	<u>697,862</u>	<u>(319,121)</u>
Streets:				
Salaries and wages	239,000	239,000	265,309	(26,309)
Payroll tax expense	19,181	19,181	20,938	(1,757)
Employee benefits	138,000	138,000	122,059	15,941
Uniforms	3,000	3,000	2,582	418
Gasoline and oil	22,000	22,000	26,240	(4,240)
Insurance	27,560	27,560	28,967	(1,407)
Supplies and parts	16,500	16,500	13,562	2,938
Workmen's compensation insurance	11,341	11,341	11,340	1
Capital expenditures	15,000	15,000	635,848	(620,848)
Other expenses	16,700	16,700	14,946	1,754
Total streets	<u>508,282</u>	<u>508,282</u>	<u>1,141,791</u>	<u>(633,509)</u>
Sanitation:				
Salaries and wages	216,000	216,000	204,895	11,105
Payroll tax expense	17,181	17,181	16,378	803
Employee benefits	136,000	136,000	112,275	23,725
Gasoline and oil	23,000	23,000	35,039	(12,039)
Truck repairs and maintenance	14,000	14,000	9,458	4,542
Workmen's compensation insurance	15,845	15,845	15,840	5
Hauling and dumping expense	215,000	215,000	236,502	(21,502)
Insurance	18,060	18,060	18,979	(919)
Uniforms	2,000	2,000	2,618	(618)
Utilities	-	-	4,287	(4,287)
Garage expenses	8,000	8,000	4,430	3,570
Debt service:				
Interest expense	5,466	5,466	4,596	870
Principal retirement	50,534	50,534	50,534	-
Capital expenditures	-	-	-	-
Other expenses	6,500	6,500	9,002	(2,502)
Total sanitation	<u>727,586</u>	<u>727,586</u>	<u>724,833</u>	<u>2,753</u>

CITY OF PAINTSVILLE, KENTUCKY
BUDGETARY COMPARISON SCHEDULE (Continued)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

52

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Golf Course:				
Salaries and wages	167,000	167,000	202,174	(35,174)
Payroll tax expense	13,681	13,681	16,078	(2,397)
Employee benefits	73,600	73,600	60,898	12,702
Workmen's compensation insurance	4,166	4,166	4,164	2
Maintenance and repairs	68,500	68,500	65,078	3,422
Gasoline and oil	12,000	12,000	17,367	(5,367)
Insurance	10,065	10,065	10,580	(515)
Utilities and telephone	15,000	15,000	30,882	(15,882)
Debt service:				
Interest expense	132	132	132	-
Principal retirement	17,468	17,468	9,091	8,377
Capital expenditures	20,000	20,000	56,368	(36,368)
Other expenses	23,000	23,000	81,136	(58,136)
Total golf course	<u>424,612</u>	<u>424,612</u>	<u>553,948</u>	<u>(129,336)</u>
 Total Expenditures	 <u>7,757,134</u>	 <u>7,757,134</u>	 <u>7,575,385</u>	 <u>181,749</u>
 Excess of revenues over (under) expenditures	 <u>(230,000)</u>	 <u>(230,000)</u>	 <u>832,372</u>	 <u>1,062,372</u>
 Other Financing Sources/(Uses):				
Transfer in from Tourism	230,000	230,000	312,881	82,881
Proceeds from sale of capital assets	-	-	31,101	31,101
Proceeds from insurance	-	-	45,653	45,653
Proceeds from borrowing	-	-	1,495,000	1,495,000
Total other financing sources (uses)	<u>230,000</u>	<u>230,000</u>	<u>1,884,635</u>	<u>1,654,635</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>\$ -</u>	 <u>2,717,007</u>	 <u>\$ 2,717,007</u>
 Fund balance - beginning			<u>3,463,076</u>	
 Fund balance - ending			<u>\$ 6,180,083</u>	

**CITY OF PAINTSVILLE, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
PAINTSVILLE TOURISM COMMISSION
FOR THE YEAR ENDED JUNE 30, 2022**

53

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes:				
Restaurant tax	\$ 650,000	\$ 650,000	\$ 886,295	\$ 236,295
Room occupancy tax	40,000	40,000	90,751	50,751
Country Music Museum:				
Gift Shop/Rental/Ticket Sales	43,500	43,500	55,324	11,824
Interest	-	-	105	105
Miscellaneous revenues	60,500	60,500	31,407	(29,093)
Total revenues	<u>794,000</u>	<u>794,000</u>	<u>1,063,882</u>	<u>269,882</u>
Expenditures:				
Salaries and wages	95,000	95,000	115,624	(20,624)
Payroll tax expense	13,000	13,000	16,787	(3,787)
Employee benefits	20,000	20,000	14,449	5,551
Contract labor	10,900	10,900	5,374	5,526
Administration	10,350	10,350	14,664	(4,314)
Telephone and utilities	36,200	36,200	36,967	(767)
Donations	67,000	67,000	56,882	10,118
Postage	1,500	1,500	456	1,044
General office expense	5,100	5,100	5,608	(508)
Gift shop expense	2,000	2,000	10,018	(8,018)
Advertising and promotional	97,000	97,000	64,138	32,862
Membership dues	3,525	3,525	2,157	1,368
Van and bus expense	4,500	4,500	3,055	1,445
Legal and professional expense	13,500	13,500	15,260	(1,760)
Taxes and licenses	1,450	1,450	381	1,069
Maintenance and repairs	9,315	9,315	20,423	(11,108)
Mountain Homeplace	57,500	57,500	90,000	(32,500)
Insurance	22,200	22,200	16,168	6,032
Security	760	760	1,203	(443)
Sipp expenses	8,000	8,000	11,603	(3,603)
Stafford house expenses	6,000	6,000	1,513	4,487
Other expense	71,950	71,950	29,301	42,649
Debt service:				
Interest expense	4,927	4,927	4,994	(67)
Principal retirement	11,523	11,523	11,523	-
Capital outlay	-	-	14,510	(14,510)
Total expenditures	<u>573,200</u>	<u>573,200</u>	<u>563,058</u>	<u>10,142</u>
Excess of revenues over (under) expenditures	<u>220,800</u>	<u>220,800</u>	<u>500,824</u>	<u>280,024</u>

CITY OF PAINTSVILLE, KENTUCKY
BUDGETARY COMPARISON SCHEDULE (Continued)
PAINTSVILLE TOURISM COMMISSION
FOR THE YEAR ENDED JUNE 30, 2022

54

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Other financing sources (uses):				
Transfer out to General Fund	<u>(220,800)</u>	<u>(220,800)</u>	<u>(312,881)</u>	<u>(92,081)</u>
Total other financing sources (uses)	<u>(220,800)</u>	<u>(220,800)</u>	<u>(312,881)</u>	<u>(92,081)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	187,943	<u>\$ 187,943</u>
Fund balance - beginning			<u>512,856</u>	
Fund balance - ending			<u>\$ 700,799</u>	

CITY OF PAINTSVILLE, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (CERS)
JUNE 30, 2022

55

	6/30/2015	6/30/2016	6/30/2017
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%

	6/30/2018	6/30/2019	6/30/2020
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%

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

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, 2022

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>
Contractually required contribution	\$ 832,484	\$ 989,003
Contributions in relation to the contractually required contribution	<u>832,484</u>	<u>989,003</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 4,313,388	\$ 4,671,719
Contributions as a percentage of covered-employee payroll	19.30%	21.17%

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, 2022

57

	6/30/2018	6/30/2019	6/30/2020
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%

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

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, 2022

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>
Contractually required contribution	\$ 205,318	\$ 270,025
Contributions in relation to the contractually required contribution	<u>205,318</u>	<u>270,025</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 4,313,388	\$ 4,671,719
Contributions as a percentage of covered-employee payroll	4.76%	5.78%

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, 2022**

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, 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:

- 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.

**CITY OF PAINTSVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CERS)
FOR THE YEAR ENDED JUNE 30, 2022**

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NOTE B – CHANGES OF ASSUMPTIONS (Continued)

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).
- 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:

**CITY OF PAINTSVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CERS)
FOR THE YEAR ENDED JUNE 30, 2022**

61

NOTE B – CHANGES OF ASSUMPTIONS (Continued)

- 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, 2022**

62

	Special Revenue Funds			
	Coal and Mineral Tax Severance Fund	Municipal Road Aid Fund	911 Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 50,870	\$ 194,979	\$ 653,191	\$ 899,040
Total Assets	<u>\$ 50,870</u>	<u>\$ 194,979</u>	<u>\$ 653,191</u>	<u>\$ 899,040</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 5,434	\$ 1,690	\$ 6,999	\$ 14,123
Accrued vacation	-	-	4,995	4,995
Due to General Fund	-	-	618,297	618,297
Total Liabilities	<u>5,434</u>	<u>1,690</u>	<u>630,291</u>	<u>637,415</u>
Fund Balances:				
Restricted for:				
Streets	-	193,289	-	193,289
Other	45,436	-	22,900	68,336
Unassigned	-	-	-	-
Total Fund Balances	<u>45,436</u>	<u>193,289</u>	<u>22,900</u>	<u>261,625</u>
Total Liabilities and Fund Balances	<u>\$ 50,870</u>	<u>\$ 194,979</u>	<u>\$ 653,191</u>	<u>\$ 899,040</u>

**CITY OF PAINTSVILLE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

63

	Special Revenue Funds			
	Coal and Mineral Tax Severance Fund	Municipal Road Aid Fund	911 Fund	Total Non-Major Governmental Funds
Revenues:				
Intergovernmental revenues	\$ 35,112	\$ 68,932	\$ -	\$ 104,044
Charges for services	-	-	483,604	483,604
Grants	-	-	28,134	28,134
Interest	-	1	1	2
Total revenues	<u>35,112</u>	<u>68,933</u>	<u>511,739</u>	<u>615,784</u>
Expenditures:				
Current:				
Public safety	-	-	498,810	498,810
Streets	16,520	3,036	-	19,556
Sanitation	4,838	-	-	4,838
Recreation	4,607	-	-	4,607
Capital outlay	<u>2,098</u>	<u>88,984</u>	<u>-</u>	<u>91,082</u>
Total expenditures	<u>28,063</u>	<u>92,020</u>	<u>498,810</u>	<u>618,893</u>
Excess of revenues over (under) expenditures	7,049	(23,087)	12,929	(3,109)
Other financing sources (uses):				
Transfer in from General Fund	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	7,049	(23,087)	12,929	(3,109)
Fund balances - beginning	<u>38,387</u>	<u>216,376</u>	<u>9,971</u>	<u>264,734</u>
Fund balances - ending	<u>\$ 45,436</u>	<u>\$ 193,289</u>	<u>\$ 22,900</u>	<u>\$ 261,625</u>

**CITY OF PAINTSVILLE, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

64

FEDERAL GRANTOR/PASS - THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PASSED THROUGH TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
USDA Rural Utility Services				
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	\$ -	\$ 300,880
Community Facilities Loans and Grants	10.766	N/A	-	22,750
Total U.S. Department of Agriculture			-	323,630
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Pass-through program from Kentucky Transportation Cabinet				
Highway Planning & Construction	20.205	1800000553	-	1,580
Total U.S. Department of Transportation			-	1,580
<u>U.S. DEPARTMENT OF THE TREASURY</u>				
Pass-through program from Kentucky Dept for Local Government				
Coronavirus Relief Fund	21.019	C3-131	-	30,069
Total Coronavirus Relief Fund				30,069
Pass-through program from Kentucky Dept for Local Government				
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	-	234,935
Total Coronavirus State and Local Fiscal Recovery Funds				234,935
Total U.S. Department of the Treasury			-	265,004
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass-through from Kentucky Infrastructure Authority				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	F19-009	-	1,043,522
Total U.S. Environmental Protection Agency			-	1,043,522
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-through program from Kentucky Dept of Military Affairs				
Disaster Grants - Public Assistance	97.036	FEMA-DR-4428-KY	-	42,726
Disaster Grants - Public Assistance	97.036	FEMA-DR-4592-KY	-	48,655
Disaster Grants - Public Assistance	97.036	FEMA-DR-4595-KY	-	162,196
Total Disaster Grants - Public Assistance			-	253,577
Pass-through program from Johnson County Fiscal Court				
Emergency Management Performance Grants	97.042	EMPG-3	-	6,796
Total U.S. Department of Homeland Security			-	260,373
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 1,894,109

CITY OF PAINTSVILLE, KENTUCKY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED June 30, 2022

65

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, 2022. 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 elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D – FEDERAL LOANS AND LOAN GUARANTEE PROGRAMS OUTSTANDING:

The City received funding from the U.S. Department of Agriculture Rural Utility Services for CFDA #10.760 Water and Water Disposal Systems for Rural Communities in fiscal year ending June 30, 2021. The balance of the loan outstanding at June 30, 2022 is \$2,025,000.

The City received funding from the Environmental Protection Agency passed through the Kentucky Infrastructure Authority for CFDA #66.468 Capitalization Grants for Drinking Water State Revolving Funds in fiscal year ending June 30, 2022. The balance of the loan outstanding at June 30, 2022 is \$1,304,994.