

CITY OF PAINTSVILLE, KENTUCKY

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2024



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, 2024, 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, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 43-48 and the County Employees' Retirement System's Schedules of the Proportionate Share of the Net Position Liability and Contributions, on pages 49 and 50, respectively, and the County Employees' Retirement System's Schedules of the Proportionate Share of the Net OPEB Liability and Contributions, on pages 51 and 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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 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 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 9, 2024 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 9, 2024

CITY OF PAINTSVILLE, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2024

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	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,259,770	\$ 4,537,502	\$ 11,797,272
Certificates of deposit	106,147	2,908,899	3,015,046
Taxes receivable	114,358	-	114,358
Accounts receivable	155,333	921,367	1,076,700
Lease receivable	284,738	-	284,738
Grants receivable	-	211,393	211,393
Other receivable	69,432	-	69,432
Due from Paintsville Utilities	70,414	-	70,414
Unbilled revenues	-	348,598	348,598
Inventory	-	346,770	346,770
Prepaid items	26,957	24,841	51,798
Capital assets:			
Land and construction-in-progress	3,749,530	5,692,308	9,441,838
Other capital assets, net of accumulated depreciation	7,464,280	75,948,194	83,412,474
	<u>19,300,959</u>	<u>90,939,872</u>	<u>110,240,831</u>
Total Assets			
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows related to pensions & OPEB	<u>1,732,450</u>	<u>988,708</u>	<u>2,721,158</u>
LIABILITIES			
Accounts payable	481,340	1,900,448	2,381,788
Retainage payable	-	324,087	324,087
Accrued payroll taxes	55,805	36,421	92,226
Accrued vacation	79,756	77,250	157,006
Other accrued liabilities	157,263	490,099	647,362
Interim loan payable	-	1,791,969	1,791,969
Customer meter deposits payable	-	347,718	347,718
Interest payable on customer meter deposits	-	167,168	167,168
Long-term liabilities:			
Net pension and OPEB liability	6,533,601	4,217,106	10,750,707
Due within one year	152,494	1,161,409	1,313,903
Due in more than one year	2,000,988	24,473,808	26,474,796
	<u>9,461,247</u>	<u>34,987,483</u>	<u>44,448,730</u>
Total Liabilities			
DEFERRED INFLOW OF RESOURCES			
Deferred inflows related to pensions & OPEB	3,044,446	1,977,350	5,021,796
Deferred inflows related to lease	<u>284,738</u>	<u>-</u>	<u>284,738</u>
	<u>3,329,184</u>	<u>1,977,350</u>	<u>5,306,534</u>
Total deferred inflows of resources			
NET POSITION			
Net investment in capital assets	9,060,328	54,213,316	63,273,644
Restricted for:			
Public safety	3,885	-	3,885
Streets	138,177	-	138,177
Tourism	645,456	-	645,456
Debt service	77,461	825,717	903,178
Equipment replacement	-	682,550	682,550
Depreciation	-	1,064,828	1,064,828
Other purposes	460,518	758,423	1,218,941
Unrestricted (deficit)	<u>(2,142,847)</u>	<u>(2,581,087)</u>	<u>(4,723,934)</u>
Total Net Position	<u>\$ 8,242,978</u>	<u>\$ 54,963,747</u>	<u>\$ 63,206,725</u>

See accompanying notes to basic financial statements.

CITY OF PAINTSVILLE, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

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	\$ 1,059,734	\$ 110,612	\$ -	\$ -	\$ (949,122)	\$ -	\$ (949,122)
Public safety	3,852,736	2,105,991	30,539	17,500	(1,698,706)	-	(1,698,706)
Recreation	933,079	350,798	-	-	(582,281)	-	(582,281)
Streets	688,084	-	-	-	(688,084)	-	(688,084)
Sanitation	735,818	840,371	-	-	104,553	-	104,553
Tourism	1,036,803	106,326	-	-	(930,477)	-	(930,477)
Interest on long-term debt	58,410	-	-	-	(58,410)	-	(58,410)
Total governmental activities	<u>8,364,664</u>	<u>3,514,098</u>	<u>30,539</u>	<u>17,500</u>	<u>(4,802,527)</u>	<u>-</u>	<u>(4,802,527)</u>
Business-type activities:							
Water, gas, and sewer	<u>10,425,463</u>	<u>10,055,854</u>	<u>-</u>	<u>326,132</u>	<u>-</u>	<u>(43,477)</u>	<u>(43,477)</u>
Total business-type activities	<u>10,425,463</u>	<u>10,055,854</u>	<u>-</u>	<u>326,132</u>	<u>-</u>	<u>(43,477)</u>	<u>(43,477)</u>
Total primary government	<u>\$ 18,790,127</u>	<u>\$ 13,569,952</u>	<u>\$ 30,539</u>	<u>\$ 343,632</u>	<u>(4,802,527)</u>	<u>(43,477)</u>	<u>(4,846,004)</u>
General revenues:							
Property taxes					615,920	-	615,920
Occupational taxes					2,493,152	-	2,493,152
Insurance premium taxes					578,617	-	578,617
Motor vehicle taxes					35,780	-	35,780
Restaurant taxes					991,757	-	991,757
Room occupancy taxes					95,143	-	95,143
Franchise fees and taxes					171,327	-	171,327
Payments in lieu of taxes					42,104	-	42,104
ABC fees					197,332	-	197,332
Licenses and permits					3,612	-	3,612
Intergovernmental revenue					304,964	-	304,964
Interest income					30,548	145,477	176,025
Gain/(Loss) on sale of capital assets					-	59,826	59,826
Donation/contributions					68,818	-	68,818
Miscellaneous					260,533	-	260,533
Total general revenues and transfers					<u>5,889,607</u>	<u>205,303</u>	<u>6,094,910</u>
Change in net position					1,087,080	161,826	1,248,906
Net position - beginning					<u>7,155,898</u>	<u>54,801,921</u>	<u>61,957,819</u>
Net position - ending					<u>\$ 8,242,978</u>	<u>\$ 54,963,747</u>	<u>\$ 63,206,725</u>

See accompanying notes to basic financial statements.

CITY OF PAINTSVILLE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024

	<u>General Fund</u>	<u>Paintsville Tourism Commission</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 6,303,892	\$ 571,894	\$ 383,984	\$ 7,259,770
Certificate of deposit	-	106,147	-	106,147
Receivables:				
Property taxes	8,999	-	-	8,999
Accounts	155,333	-	-	155,333
Other	69,432	-	-	69,432
Due from Paintsville Utilities	70,414	-	-	70,414
Due from 911 Fund	78,527	-	-	78,527
Due from Tourism Fund	12,472	-	-	12,472
Due from Coal and Mineral Fund	246	-	-	246
Prepaid	26,957	-	-	26,957
	<u>\$ 6,726,272</u>	<u>\$ 678,041</u>	<u>\$ 383,984</u>	<u>\$ 7,788,297</u>
Total Assets				
	<u>\$ 6,726,272</u>	<u>\$ 678,041</u>	<u>\$ 383,984</u>	<u>\$ 7,788,297</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 431,553	\$ 8,574	\$ 41,213	\$ 481,340
Accrued payroll taxes	48,035	7,770	-	55,805
Accrued vacation	71,075	3,769	4,912	79,756
Accrued retirement	82,670	-	-	82,670
Other accrued liabilities	6,870	-	-	6,870
Due to General Fund	-	12,472	78,773	91,245
	<u>640,203</u>	<u>32,585</u>	<u>124,898</u>	<u>797,686</u>
Total Liabilities				
	<u>640,203</u>	<u>32,585</u>	<u>124,898</u>	<u>797,686</u>
Fund Balances:				
Restricted for:				
Public Safety	3,885	-	-	3,885
Streets	-	-	138,177	138,177
Tourism	-	645,456	-	645,456
Debt Service	77,461	-	-	77,461
Other	339,609	-	120,909	460,518
Committed for capital projects	699,632	-	-	699,632
Unassigned	4,965,482	-	-	4,965,482
	<u>6,086,069</u>	<u>645,456</u>	<u>259,086</u>	<u>6,990,611</u>
Total Fund Balances				
	<u>6,086,069</u>	<u>645,456</u>	<u>259,086</u>	<u>6,990,611</u>
Total Liabilities and Fund Balances	<u>\$ 6,726,272</u>	<u>\$ 678,041</u>	<u>\$ 383,984</u>	<u>\$ 7,788,297</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, 2024**

Fund Balances - Total Governmental Funds	\$ 6,990,611
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	23,095,761
Less: accumulated depreciation	(11,881,951)
Pension & OPEB contributions after measurement date are reported as a deferred outflow of resources:	793,366
Other OPEB related accruals	(46,835)
Net pension & net OPEB liability is not due and payable in the current period and, therefore, is not reported in governmental funds:	(6,533,601)
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	939,084
Deferred pension & OPEB inflows of resources	(3,044,446)
Deferred lease inflow of resources	(284,738)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bond payable	(1,990,000)
Bond premium	(36,126)
Loans payable	(127,356)
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.	(20,888)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Lease revenue	284,738
Delinquent property taxes	105,359
Net Position of Governmental Activities	<u>\$ 8,242,978</u>

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, 2024

	General Fund	Paintsville Tourism	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Property	\$ 612,576	\$ -	\$ -	\$ 612,576
Occupational	2,493,152	-	-	2,493,152
Insurance premium	578,617	-	-	578,617
Motor vehicle	35,780	-	-	35,780
Franchise	132,097	-	-	132,097
Restaurant	-	991,757	-	991,757
Room occupancy	-	95,143	-	95,143
Payments in lieu of taxes	42,104	-	-	42,104
ABC fees	197,332	-	-	197,332
Franchise fees	39,230	-	-	39,230
Licenses and permits	3,612	-	-	3,612
Intergovernmental revenues	191,668	-	113,296	304,964
Grants	30,539	-	17,500	48,039
Charges for services	2,986,346	106,326	421,426	3,514,098
Interest income	29,350	1,193	5	30,548
Contributions	68,818	-	-	68,818
Miscellaneous revenues	206,736	20,710	-	227,446
Total revenues	7,647,957	1,215,129	552,227	9,415,313
Expenditures:				
Current:				
General government	1,118,339	-	-	1,118,339
Public safety	3,501,392	-	635,648	4,137,040
Recreation	850,132	-	13,421	863,553
Streets	567,531	-	12,239	579,770
Sanitation	720,617	-	3,138	723,755
Tourism	-	917,704	-	917,704
Debt service:				
Principal	167,191	12,218	-	179,409
Interest	61,287	4,231	-	65,518
Capital outlay	1,405,008	-	47,042	1,452,050
Total expenditures	8,391,497	934,153	711,488	10,037,138
Excess of revenues over (under) expenditures	(743,540)	280,976	(159,261)	(621,825)
Other financing sources (uses):				
Operating transfers in	432,326	-	-	432,326
Operating transfers out	-	(432,326)	-	(432,326)
Proceeds from insurance	33,087	-	-	33,087
Intragovernmental forgiveness of debt	(243,761)	-	243,761	-
Total other financing sources (uses)	221,652	(432,326)	243,761	33,087
Net change in fund balances	(521,888)	(151,350)	84,500	(588,738)
Fund balances - beginning	6,607,957	796,806	174,586	7,579,349
Fund balances - ending	\$ 6,086,069	\$ 645,456	\$ 259,086	\$ 6,990,611

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, 2024**

Net Change in Fund Balances - Total Governmental Funds \$ (588,738)

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	1,452,050
Depreciation expense	(686,810)

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

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

Increase/(decrease) in property taxes	3,344
---------------------------------------	-------

Changes in pension & OPEB expense are reported only in the statement of activities 720,717

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. 1,167

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	179,409
Loan proceeds	-
Amortization of bond premium	5,941
	<hr/>

Change in Net Position of Governmental Activities \$ 1,087,080

See accompanying notes to basic financial statements.

CITY OF PAINTSVILLE, KENTUCKY
 STATEMENT OF NET POSITION
 PROPRIETARY FUND - PAINTSVILLE UTILITIES
 JUNE 30, 2024

ASSETS

Current assets:

Cash and cash equivalents	\$ 3,489,847
Accounts receivable, net	921,367
Grant receivable	211,393
Unbilled revenues	348,598
Inventory	346,770
Prepaid items	24,841

Total current assets 5,342,816

Non-current assets:

Restricted assets:

Cash and cash equivalents:	
Bond and interest sinking fund	566,800
Depreciation reserve fund	304,590
Equipment replacement fund	176,265
Investments:	
Bond and interest sinking fund	794,917
Depreciation reserve fund	793,769
Equipment replacement fund	523,260
Operations and maintenance	796,953

Total restricted assets 3,956,554

Capital assets:

Land and land improvements	1,223,574
Construction work in progress	4,468,734
Capital assets, net of depreciation	75,948,194

Total capital assets 81,640,502

Total assets 90,939,872

DEFERRED OUTFLOWS

Deferred outflows related to pensions	709,304
Deferred outflows related to OPEB	279,404

Total deferred outflows of resources 988,708

See accompanying notes to basic financial statements.

CITY OF PAINTSVILLE, KENTUCKY
STATEMENT OF NET POSITION (Continued)
PROPRIETARY FUND - PAINTSVILLE UTILITIES
JUNE 30, 2024

LIABILITIES

Current liabilities:

Accounts payable	1,900,448
Retainage payable	324,087
Compensated absences	77,250
Accrued interest payable	237,382
Other accrued liabilities	289,138
Interim loan payable	1,791,969
Current portion of long-term liabilities	<u>625,409</u>

Total current liabilities 5,245,683

Payable from restricted assets:

Current portion of bonds	536,000
Customer meter deposits	347,718
Interest payable on customer meter deposits	<u>167,168</u>

Total liabilities payable from restricted assets 1,050,886

Long-term liabilities:

Net pension and OPEB liability	4,217,106
Bonds payable, net of premium	20,237,500
Notes payable	4,582,632
Leases payable	682,765
Unamortized bond premium	<u>132,320</u>

	29,852,323
Less current portion	<u>(1,161,409)</u>

Total long-term liabilities 28,690,914

Total liabilities 34,987,483

DEFERRED INFLOWS

Deferred inflows related to pensions	489,905
Deferred inflows related to OPEB	<u>1,487,445</u>

Total deferred inflows of resources 1,977,350

NET POSITION:

Net investment in capital assets	54,213,316
Restricted	
Debt service	825,717
Depreciation	1,064,828
Equipment replacement	682,550
Operations and maintenance	758,423
Unrestricted	<u>(2,581,087)</u>

Total net position \$ 54,963,747

See accompanying notes to basic financial statements.

**CITY OF PAINTSVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND - PAINTSVILLE UTILITIES
FOR THE YEAR ENDED JUNE 30, 2024**

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Operating revenues:	
Gas revenues	\$ 2,037,011
Water revenues	5,020,240
Wastewater revenues	2,512,833
Other operating revenues	<u>485,770</u>
Total operating revenues	10,055,854
Cost of sales	<u>573,263</u>
Net operating revenues	<u>9,482,591</u>
Operating expenses:	
Salaries and wages	2,180,985
Payroll taxes	175,200
Employee pension and benefits	1,159,041
Materials and supplies	592,178
Legal and professional	261,820
Miscellaneous general expense	359,206
Telephone and utilities	857,257
Insurance	150,962
Motor vehicle expenses	130,365
Repairs and maintenance	375,933
Depreciation	<u>2,964,133</u>
Total operating expenses	<u>9,207,080</u>
Utility operating income (loss)	<u>275,511</u>
Non-operating revenues (expenses):	
Interest income	145,477
Interest expense	<u>(576,302)</u>
Total non-operating revenues (expenses)	<u>(430,825)</u>
Net income (loss) before contributions from (to)	(155,314)
Contributions in aid of construction	326,132
Gain on sale of equipment	59,826
Contribution to the City of Paintsville	<u>(68,818)</u>
Change in net position	161,826
Net position, beginning of year	<u>54,801,921</u>
Net position, end of year	<u>\$ 54,963,747</u>

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, 2024**

13

Cash flows from operating activities:

Cash inflows:

Payments received from customers \$ 9,957,118

Total cash provided 9,957,118

Cash outflows:

Payments for salaries and benefits 3,807,466

Payments to suppliers for goods and services 3,590,079

Total cash used 7,397,545

Net cash provided (used) by operating activities 2,559,573

Cash flows from noncapital financing activities:

Interest paid on customer deposits (186)

Net cash provided (used) by noncapital financing activities (186)

Cash flows from capital and related financing activities:

Purchase and construction of utility plant (1,912,048)

Proceeds from sale of assets 75,879

Proceeds from loans and bonds 380,909

Principal payments on long-term debt (955,908)

Payments on capital leases (190,988)

Interest paid on long-term debt and capital leases (598,813)

Contributions-in-aid of construction 451,552

Net cash provided (used) by capital and related financing activities (2,749,417)

Cash flows from investing activities:

Investments purchased (2,527,000)

Investments matured 2,527,000

Interest received 24,424

Net cash provided (used) by investing activities 24,424

Net cash inflow (outflow) from all activities (165,606)

Cash and cash equivalents at beginning of period 4,703,108

Cash and cash equivalents at end of period \$ 4,537,502

See accompanying notes to basic financial statements.

**CITY OF PAINTSVILLE, KENTUCKY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2024**

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

Utility operating income	\$ 275,511
Depreciation and amortization	2,964,133
Contribution of utility services	(68,818)
(Increase) decrease in:	
Accounts receivable	(60,398)
Unbilled revenue	30,480
Inventory	(81,937)
Other assets and deferred outflows	210,705
Increase (decrease) in:	
Accounts payable	(210,147)
Accrued liabilities and other liabilities	(499,956)
	<u>\$ 2,559,573</u>

Schedule of cash and cash equivalents:

Beginning of period:

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

End of period:

Unrestricted cash and cash equivalents	\$ 3,489,847
Restricted cash and cash equivalents	<u>1,047,655</u>
	<u>\$ 4,537,502</u>

See accompanying notes to basic financial statements.

**CITY OF PAINTSVILLE, KENTUCKY
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
 JUNE 30, 2024**

	<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>

See accompanying notes to basic financial statements.

**CITY OF PAINTSVILLE, KENTUCKY
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 JUNE 30, 2024**

	<u>Custodial Fund</u>
Additions:	
Property and franchise taxes collected for Paintsville Independent School District	<u>\$ 2,349,803</u>
Total additions	<u>2,349,803</u>
Deductions:	
Payments of property and franchise taxes to Paintsville Independent School District	<u>2,349,803</u>
Total deductions	<u>2,349,803</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, 2024, are net of allowance for uncollectable. The allowance for uncollectable was \$243,734 at June 30, 2024.

G. Capital Assets

Capital outlays are recorded as expenditures of the General, Special Revenue, Capital Project Funds, and Tourism Commission Component Unit, and as assets in the government-wide financial statements to the extent the City's capitalization threshold of \$5,000 is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

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

To the extent the City's capitalization threshold of \$5,000 is met, capital outlays of the Utilities Commission Component Unit are recorded as fixed assets and depreciated over their estimated useful lives on the government-wide basis using the straight-line method and the following estimated useful lives:

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

H. Compensated Absences

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

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

I. Estimates

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

J. Restricted Assets

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

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2024, 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 \$97,860 of lease rental revenue and \$10,140 of interest revenue for fiscal year end June 30, 2024.

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, 2024 are as follows:

<u>Account</u>	<u>Bank Balance</u>	<u>Category</u>			<u>Carrying Amount</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Cash	\$15,011,831	\$3,963,138	\$11,021,533	\$ 27,160	\$14,812,318

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

NOTE 3. PROPERTY TAXES

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

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

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2024, consisted of the following:

Primary Government

Governmental Activities	Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024
Capital assets, not being depreciated:				
Land and land improvements	\$ 2,948,409	\$ -	\$ -	\$ 2,948,409
Construction in progress	<u>190,168</u>	<u>610,953</u>	<u>-</u>	<u>801,121</u>
Total capital assets, not being depreciated	<u>3,138,577</u>	<u>610,953</u>	<u>-</u>	<u>3,749,530</u>
Capital assets, being depreciated:				
Buildings and improvements	8,687,075	-	-	8,687,075
Improvements other than buildings	1,286,654	-	-	1,286,654
Automobiles and trucks	2,684,299	534,712	-	3,219,011
Infrastructure	1,442,052	-	-	1,442,052
Machinery and equipment	<u>4,405,054</u>	<u>306,385</u>	<u>-</u>	<u>4,711,439</u>
Total capital assets being depreciated	<u>18,505,134</u>	<u>841,097</u>	<u>-</u>	<u>19,346,231</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,965,710)	(217,186)	-	(4,182,896)
Improvements other than buildings	(855,410)	(35,777)	-	(891,187)
Automobiles and trucks	(2,023,425)	(135,604)	-	(2,159,029)
Infrastructure	(735,057)	(111,704)	-	(846,761)
Machinery and equipment	<u>(3,615,539)</u>	<u>(186,539)</u>	<u>-</u>	<u>(3,802,078)</u>
Total accumulated depreciation	<u>(11,195,141)</u>	<u>(686,810)</u>	<u>-</u>	<u>(11,881,951)</u>
Total capital assets being depreciated, net	<u>7,309,993</u>	<u>154,287</u>	<u>-</u>	<u>7,464,280</u>
Governmental activities capital assets, net	<u>\$10,448,570</u>	<u>\$ 765,240</u>	<u>\$ -</u>	<u>\$ 11,213,810</u>

Depreciation was charged to governmental activities as follows:

General government	\$ 77,466
Public safety	146,750
Recreation	114,535
Streets	161,195
Sanitation	52,216
Tourism	<u>134,648</u>
Total	<u>\$ 686,810</u>

NOTE 4. CAPITAL ASSETS (Continued)

Business-Type Activities	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2024</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 720,089	\$ 503,485	\$ -	\$ 1,223,574
Construction in progress	<u>2,554,274</u>	<u>1,914,460</u>	<u>-</u>	<u>4,468,734</u>
Total capital assets, not being depreciated	<u>3,274,363</u>	<u>2,417,945</u>	<u>-</u>	<u>5,692,308</u>
Capital assets, being depreciated:				
Buildings and improvements	1,358,732	83,022	-	1,441,754
Utility plants	118,956,343	824,011	-	119,780,354
Automobiles and trucks	1,832,373	461,382	109,699	2,184,056
Machinery and equipment	<u>388,457</u>	<u>6,866</u>	<u>-</u>	<u>395,323</u>
Total capital assets being depreciated	<u>122,535,905</u>	<u>1,375,281</u>	<u>109,699</u>	<u>123,801,487</u>
Less accumulated depreciation for:				
Buildings and improvements	(429,076)	(41,734)	-	(470,810)
Utility plants	(43,270,893)	(2,588,882)	-	(45,859,775)
Automobiles and trucks	(946,059)	(312,110)	(93,646)	(1,164,523)
Machinery and equipment	<u>(336,778)</u>	<u>(21,407)</u>	<u>-</u>	<u>(358,185)</u>
Total accumulated depreciation	<u>(44,982,806)</u>	<u>(2,964,133)</u>	<u>(93,646)</u>	<u>(47,853,293)</u>
Total capital assets being depreciated, net	<u>77,553,099</u>	<u>(1,588,852)</u>	<u>16,053</u>	<u>75,948,194</u>
Total capital assets, net	<u>\$ 80,827,462</u>	<u>\$ 829,093</u>	<u>\$ 16,053</u>	<u>\$ 81,640,502</u>

Depreciation was charged to business-type activities as follows:

Water, gas, and sewer	<u>\$ 2,964,133</u>
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NOTE 5. RISK MANAGEMENT

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

NOTE 6. CAPITAL LEASES

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

NOTE 6. CAPITAL LEASES (Continued)

The future minimum lease obligations and net present value of these minimum lease payments as of June 30, 2024 were as follows:

<u>Fiscal Year</u>	<u>Business-Type Activities</u>
2025	\$ 234,299
2026	214,968
2027	182,837
2028	139,882
2029	<u>48,773</u>
Total minimum lease payments	820,759
Less amount representing interest	<u>(137,994)</u>
Present value of net minimum lease payments	<u>\$ 682,765</u>

Following is a summary of property held by the City under capital leases at June 30, 2024:

	<u>Business-Type Activities</u>
Equipment	\$ 1,382,703
Less accumulated depreciation	<u>(569,988)</u>
	<u>\$ 812,715</u>

	<u>Amount Outstanding 6/30/2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/2024</u>	<u>Amounts Due Within One Year</u>
Governmental activities leases	\$ 10,562	\$ -	\$ (10,562)	\$ -	\$ -
Business-type activities leases	\$ 502,845	\$ 370,908	\$ (190,988)	\$ 682,765	\$ 185,443

NOTE 7. LONG-TERM DEBT

Long-term debt at June 30, 2024 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%.

NOTE 7. LONG-TERM DEBT (Continued)

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.	\$ 570,000	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.	\$ 1,420,000	Variable	01/2050
Add:			
Unamortized premium	____ 36,126		
	<u>\$ 2,026,126</u>		

NOTE 7. LONG-TERM DEBT (Continued)

Changes in long-term obligations for the year ended June 30, 2024, are as follows:

Governmental Activities	<u>Balance</u> <u>6/30/2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2024</u>	<u>Due Within</u> <u>One Year</u>
Revenue Bond – Series 2020F	\$ 640,000	\$ -	\$ (70,000)	\$ 570,000	\$ 75,000
Revenue Bond – Series 2021E	1,455,000	-	(35,000)	1,420,000	40,000
Garbage truck loan payable	48,632	-	(22,064)	26,568	22,717
Ambulances loan payable	8,368	-	(8,368)	-	-
Stafford House loan payable	111,334	-	(12,217)	99,117	13,106
MACED loan payable	22,869	-	(21,198)	1,671	1,671
Compensated absences	62,338	79,756	(62,338)	79,756	79,756
Net pension liability	7,319,015	-	(641,740)	6,677,275	-
Net OPEB liability	1,997,729	-	(2,141,403)	(143,674)	-
	<u>11,665,285</u>	<u>79,756</u>	<u>(3,014,328)</u>	<u>8,730,713</u>	<u>232,250</u>
Unamortized bond premium	42,067	-	(5,941)	36,126	-
Long Term Debt	<u>\$ 11,707,352</u>	<u>\$ 79,756</u>	<u>\$(3,020,269)</u>	<u>\$ 8,766,839</u>	<u>\$ 232,250</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, 2024, for each of the next five years and thereafter are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Bonds</u>	<u>Notes</u>	<u>Total</u> <u>Principal</u>	<u>Total</u> <u>Interest</u>	<u>Total</u>
2025	\$ 115,000	\$ 37,494	\$ 152,494	\$ 64,439	\$ 216,933
2026	115,000	17,491	132,491	58,957	191,448
2027	120,000	14,196	134,196	54,254	188,450
2028	120,000	14,774	134,774	50,205	184,979
2029	125,000	15,376	140,376	46,587	186,963
2030-2034	400,000	28,025	428,025	175,054	603,079
2035-2039	245,000	-	245,000	122,494	367,494
2040-2044	285,000	-	285,000	95,425	380,425
2045-2049	325,000	-	325,000	60,675	385,675
2050-2052	140,000	-	140,000	18,244	158,244
	<u>\$ 1,990,000</u>	<u>\$ 127,356</u>	<u>\$ 2,117,356</u>	<u>\$ 746,334</u>	<u>\$ 2,863,690</u>

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.	\$ 187,000	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.	10,896,500	2.00%	01/2051
City of Paintsville Combined Utility Revenue Bond, Series 2018 Issue. Principal installments due in January of each year, interest payable semi-annually in January and July of each year.	4,485,000	2.00%	01/2057
City of Paintsville Combined Utility Revenue Bond, Series 2020 Issue. Principal installments due in January of each year, interest payable semi-annually in January and July of each year.	1,949,000	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)	2,720,000	variable	07/2040
Add: Unamortized premium	<u>132,320</u> 20,369,820		
Notes:			
Note payable to Kentucky Infrastructure Authority, due in monthly installments of principal and interest. (B98-02)	541,995	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)	247,596	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)	3,746,051	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>46,990</u> <u>4,582,632</u> <u>\$24,952,452</u>	1.00%	06/2026

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 2.15 at June 30, 2024.

NOTE 7. LONG-TERM DEBT (Continued)

Changes in long-term obligations for the year ended June 30, 2024, are as follows:

Business-Type Activities	Balance			Balance 6/30/2024	Due Within One Year
	6/30/2023	Additions	Reductions		
Water Revenue Bond – Series 2006	\$ 192,000	\$ -	\$ (5,000)	\$ 187,000	\$ 5,500
Combined Utility Revenue Bonds – Series 2011	11,166,500	-	(270,000)	10,896,500	277,500
Combined Utility Revenue Bonds – Series 2018	4,572,000	-	(87,000)	4,485,000	89,000
Combined Utility Revenue Bonds – Series 2020	1,987,500	-	(38,500)	1,949,000	39,000
Public Projects Bonds – 2020D	2,840,000	-	(120,000)	2,720,000	125,000
Add: Unamortized Bond Premium	148,112	-	(15,792)	132,320	-
KIA Loan Payable (Honey Branch)	605,879	-	(63,884)	541,995	64,717
KIA Loan Payable (Paintsville Lake water plant)	4,066,658	-	(320,607)	3,746,051	323,820
KIA Loan Payable (wastewater treatment plant)	275,368	-	(27,772)	247,596	28,051
KIA Loan Payable (wastewater treatment plant)	70,135	-	(23,145)	46,990	23,378
Compensated Absences	60,034	77,250	(60,034)	77,250	77,250
Net Pension Liability	4,850,740	-	(540,900)	4,309,840	-
Net OPEB Liability	1,324,149	-	(1,416,883)	(92,734)	-
	<u>\$32,159,075</u>	<u>\$ 77,250</u>	<u>\$ (2,989,517)</u>	<u>\$29,246,808</u>	<u>\$ 1,053,216</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, 2024, for each of the next five years and thereafter are as follows:

Year Ending June 30	Bonds	Notes	Total Principal	Total Interest	Total
2025	\$ 536,000	\$ 439,966	\$ 975,966	\$ 510,024	\$ 1,485,990
2026	551,500	444,572	996,072	490,128	1,486,200
2027	568,500	425,378	993,878	469,774	1,463,652
2028	589,500	429,843	1,019,343	449,062	1,468,405
2029	605,500	434,355	1,039,855	427,556	1,467,411
2030-2034	3,314,000	2,050,730	5,364,730	1,829,515	7,194,245
2035-2039	3,788,500	357,788	4,146,288	1,339,624	5,485,912
2040-2044	3,423,000	-	3,423,000	901,892	4,324,892
2045-2049	3,613,500	-	3,613,500	540,230	4,153,730
2050-2054	2,308,500	-	2,308,500	199,185	2,507,685
2055-2029	939,000	-	939,000	44,087	983,087
	<u>\$20,237,500</u>	<u>\$ 4,582,632</u>	<u>\$24,820,132</u>	<u>\$ 7,201,077</u>	<u>\$32,021,209</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, 2024 was \$1,791,969.

NOTE 8. INTERFUND TRANSFERS

The following is a schedule of interfund transfers:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Tourism Fund	Operating	\$ 432,326
Subtotal – Fund Financial Statements			432,326
Less: Fund Eliminations			(432,326)
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 9, 2024 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 Unreduced retirement Reduced retirement	Before September 1, 2008 27 years service or 65 years old At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 – December 31, 2013 At least 5 years service and 65 years old Or age 57+ and the sum of service years plus age equal 87 At least 10 years service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	After December 31, 2013 At least 5 years service and 65 years old Or age 57+ and the sum of service years plus age equal 87 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, 2024, was 23.34 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$1,274,212 for the year ended June 30, 2024.

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

At June 30, 2024, the City reported a liability of \$10,987,115 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2023, the City's proportion was 0.171 percent, which was an increase of .003 from its proportion measured as of June 30, 2022.

NOTE 12. DEFINED PENSION (Continued)

For the year ended June 30, 2024, the City recognized pension expense of \$726,387. At June 30, 2024, 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	\$ 568,782	\$ 29,855
Changes of assumptions	-	1,006,977
Net difference between projected and actual earnings on pension plan investments	-	149,870
Changes in proportion and differences between City contributions and proportionate share of contributions City contributions subsequent to the measurement date	161,167	30,095
	<u>1,274,212</u>	<u>-</u>
Total	<u>\$ 2,004,161</u>	<u>\$ 1,216,797</u>

\$1,274,212 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, 2025. 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:

2025	\$ (265,743)
2026	(360,017)
2027	245,277
2028	(106,365)
2029	-
Thereafter	-

Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2023 are as follows:

Inflation	2.50%
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	6.50% 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-2020 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 2013-2022, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% 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>
Equity	60.00%	
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Fixed Income	20.00%	
Core Fixed Income	10.00%	2.45%
Cash	0.00%	1.39%
Specialty Credit	10.00%	3.65%
Inflation Protected	20.00%	
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Expected Real Rate	100.00%	5.75%
Long Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		8.25%

Discount Rate

The projection of cash flows used to determine the discount rate of 6.50% 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 28 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate

NOTE 12. DEFINED PENSION (Continued)

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

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

The following presents the City’s proportionate share of the Net Pension Liability using the discount rate of 6.50%, 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 (5.50%) or one percentage-point higher (7.50%) than the current rate:

	<u>1.0% Decrease (5.50%)</u>	<u>Current Discount Rate (6.50%)</u>	<u>1.0% Increase (7.50%)</u>
City’s proportionate share of the net pension liability	\$13,871,898	\$10,987,115	\$8,589,754

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued KRS 2023 Comprehensive Annual Financial Report at kyret.ky.gov.

Payable to the Pension Plan

At June 30, 2024, the City reported a payable of \$160,612 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2024. 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, 2024, was 0.00 percent of covered payroll. Contributions to the OPEB plan from the City were \$0 for the year ended June 30, 2024.

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, 2024, the City reported a liability of (\$236,408) for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, 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, 2023, the City's proportion was 0.171 percent, which was an increase of .003 from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the City recognized OPEB expense of (\$443,907). At June 30, 2024, 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	\$ 164,812	\$ 3,356,749
Changes of assumptions	465,234	324,221
Net difference between projected and actual earnings On OPEB plan investments	-	54,866
Changes in proportion and differences between City contributions and proportionate share of contributions	86,951	69,163
City contributions subsequent to the measurement date	-	-
Total	<u>\$ 716,997</u>	<u>\$ 3,804,999</u>

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:

2025	\$ (766,336)
2026	(954,712)
2027	(728,585)
2028	(638,369)
2029	-
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, 2023 are as follows:

Inflation	2.50%
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	6.50% for CERS non-hazardous
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 8.50% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 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>
Equity	60.00%	
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Fixed Income	20.00%	
Core Fixed Income	10.00%	2.45%
Cash	0.00%	1.39%
Specialty Credit	10.00%	3.65%

NOTE 13. OPEB PLAN (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Inflation Protected	20.00%	
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Expected Real Rate	100.00%	5.75%
Long Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		8.25%

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	(\$757,727)	(\$236,408)	\$403,984

Single discount rates of 5.93% for CERS non-hazardous system was used to measure the total OPEB liability as of June 30, 2023. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 3.86%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2023. 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 (5.93%), 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 (4.93%) or one percentage-point higher (6.93%) than the current rate:

	<u>1.0% Decrease (4.93%)</u>	<u>Current Discount Rate (5.93%)</u>	<u>1.0% Increase (6.93%)</u>
City's proportionate share of the net OPEB liability	\$443,646	(\$236,408)	(\$805,870)

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 2023 Comprehensive Annual Financial Report at kyret.ky.gov.

AUDITOR'S REPORTS



WELLS & COMPANY, P.S.C.

Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Paintsville, Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Paintsville, Kentucky's basic financial statements and have issued our report thereon dated December 11, 2023, which included an explanatory paragraph regarding the omission of required Management Discussion and Analysis.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Paintsville, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Paintsville, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Paintsville, Kentucky's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in 2024-001 that we consider to be a material weakness.

City of Paintsville, Kentucky

December 9, 2024

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2024 – 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.

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 previously. 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 9, 2024

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PAINTSVILLE, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2024

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 600,000	\$ 600,000	\$ 612,576	\$ 12,576
Payments in lieu of taxes	-	-	42,104	42,104
Franchise fees and taxes	180,000	180,000	171,327	(8,673)
Police court revenue	8,500	8,500	8,531	31
Police services	3,000	3,000	2,762	(238)
Building permits	-	-	3,442	3,442
Licenses	-	-	170	170
ABC fees	200,000	200,000	197,332	(2,668)
Garbage collection fees	820,000	820,000	840,371	20,371
Taxes on insurance premiums	535,000	535,000	578,617	43,617
Occupational taxes	1,950,000	1,950,000	2,493,152	543,152
Motor vehicle tax	35,000	35,000	35,780	780
Ambulance receipts	1,530,000	1,530,000	1,681,803	151,803
Firefighter and police incentive pay	112,000	112,000	105,992	(6,008)
Rental/Lease revenue	116,500	116,500	110,612	(5,888)
Golf course revenue	185,000	185,000	350,798	165,798
Miscellaneous intergovernmental revenue	70,500	70,500	77,145	6,645
Grants	229,916	229,916	30,539	(199,377)
Interest income	-	-	29,350	29,350
Contributions	-	-	68,818	68,818
Other revenues	300,282	300,282	206,736	(93,546)
	<u>6,875,698</u>	<u>6,875,698</u>	<u>7,647,957</u>	<u>772,259</u>
Total revenues				
Expenditures:				
General government:				
Administrative salaries	384,800	384,800	397,113	(12,313)
Payroll tax expense	28,550	28,550	36,580	(8,030)
Employee benefits	166,200	166,200	151,233	14,967
City attorney's fees	35,000	35,000	22,516	12,484
Postage	4,000	4,000	3,117	883
Advertising	7,000	7,000	7,941	(941)
Office expenses	22,500	22,500	20,015	2,485
Telephone	13,500	13,500	11,423	2,077
Workmen's compensation insurance	3,960	3,960	2,556	1,404
Audit and accounting fees	16,200	16,200	3,600	12,600
Insurance and bonding	15,900	15,900	19,900	(4,000)
Utilities	270,000	270,000	201,179	68,821
Preparation of property tax bills	16,000	16,000	15,701	299
Senior Citizens	66,240	66,240	73,750	(7,510)
Big Sandy ADD dues	1,500	1,500	1,500	-
Other general expenses	282,754	282,754	149,866	132,888

CITY OF PAINTSVILLE, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE (Continued)
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Debt service:				
Interest expense	23,092	23,092	21,913	1,179
Principal retirement	91,198	91,198	91,198	-
Building inspector expense	750	750	349	401
Total general government	<u>1,449,144</u>	<u>1,449,144</u>	<u>1,231,450</u>	<u>217,694</u>
Police:				
Salaries and wages	383,700	383,700	352,848	30,852
Payroll tax expense	29,833	29,833	25,750	4,083
Employee benefits	208,900	208,900	165,686	43,214
Gasoline and oil	43,060	43,060	37,006	6,054
Repairs and maintenance	8,000	8,000	12,898	(4,898)
Workmen's compensation insurance	10,905	10,905	11,868	(963)
Insurance and bonding	25,100	25,100	32,988	(7,888)
Utilities	-	-	5,224	(5,224)
Training	5,500	5,500	3,292	2,208
Telephone	13,500	13,500	10,167	3,333
Uniforms and uniforms cleaning	5,000	5,000	5,257	(257)
Capital expenditures	30,000	30,000	103,895	(73,895)
Other expenditures	6,800	6,800	12,577	(5,777)
Total police	<u>770,298</u>	<u>770,298</u>	<u>779,456</u>	<u>(9,158)</u>
Fire/EMS:				
Salaries and wages	1,309,040	1,309,040	1,592,506	(283,466)
Payroll tax expense	97,700	97,700	116,690	(18,990)
Employee benefits	563,900	563,900	604,487	(40,587)
Gasoline and oil	65,000	65,000	68,333	(3,333)
Repairs and maintenance	31,000	31,000	28,438	2,562
Insurance	67,400	67,400	64,463	2,937
Telephone	12,000	12,000	10,238	1,762
Utilities	22,950	22,950	24,693	(1,743)
Uniforms and uniforms cleaning	24,500	24,500	7,076	17,424
Training	1,500	1,500	10,342	(8,842)
Training center expenses	8,000	8,000	10,794	(2,794)
Workmen's compensation insurance	58,500	58,500	67,032	(8,532)
Billing service	97,500	97,500	93,418	4,082
Health care provider tax	-	-	60,150	(60,150)
Medical supplies	34,000	34,000	38,631	(4,631)
Debt service:				
Interest expense	344	344	344	-
Principal retirement	17,131	17,131	8,368	8,763
Capital expenditures	-	-	74,176	(74,176)
Other expenses	19,750	19,750	28,540	(8,790)
Total fire/ems	<u>2,430,215</u>	<u>2,430,215</u>	<u>2,908,719</u>	<u>(478,504)</u>

CITY OF PAINTSVILLE, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE (Continued)
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2024

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Recreation:				
Recreation salaries	153,400	153,400	127,009	26,391
Payroll tax expense	12,670	12,670	9,949	2,721
Employee benefits	84,900	84,900	68,073	16,827
Insurance	12,600	12,600	28,484	(15,884)
Supplies	3,000	3,000	4,252	(1,252)
Workmen's compensation insurance	3,700	3,700	3,876	(176)
Utilities	40,000	40,000	40,533	(533)
Debt service:				
Interest expense	39,600	39,600	37,819	1,781
Principal retirement	35,000	35,000	35,000	-
Capital expenditures	30,000	30,000	604,190	(574,190)
Other expenses	46,200	46,200	51,135	(4,935)
Total recreation	<u>461,070</u>	<u>461,070</u>	<u>1,010,320</u>	<u>(549,250)</u>
Streets:				
Salaries and wages	288,300	288,300	293,165	(4,865)
Payroll tax expense	22,860	22,860	22,671	189
Employee benefits	158,100	158,100	150,530	7,570
Uniforms	2,700	2,700	2,427	273
Gasoline and oil	29,200	29,200	24,550	4,650
Insurance	31,700	31,700	36,485	(4,785)
Supplies and parts	12,000	12,000	8,824	3,176
Workmen's compensation insurance	8,600	8,600	9,864	(1,264)
Capital expenditures	10,000	10,000	211,680	(201,680)
Other expenses	11,000	11,000	19,015	(8,015)
Total streets	<u>574,460</u>	<u>574,460</u>	<u>779,211</u>	<u>(204,751)</u>
Sanitation:				
Salaries and wages	238,800	238,800	222,782	16,018
Payroll tax expense	18,650	18,650	17,324	1,326
Employee benefits	166,500	166,500	124,416	42,084
Gasoline and oil	45,000	45,000	43,220	1,780
Truck repairs and maintenance	18,000	18,000	25,802	(7,802)
Workmen's compensation insurance	11,900	11,900	12,444	(544)
Hauling and dumping expense	236,500	236,500	224,885	11,615
Insurance	21,500	21,500	24,177	(2,677)
Uniforms	2,700	2,700	2,434	266
Utilities	2,500	2,500	4,133	(1,633)
Garage expenses	8,000	8,000	4,994	3,006
Debt service:				
Interest expense	1,213	1,213	1,211	2
Principal retirement	32,625	32,625	32,625	-
Capital expenditures	-	-	225,900	(225,900)
Other expenses	9,400	9,400	14,006	(4,606)
Total sanitation	<u>813,288</u>	<u>813,288</u>	<u>980,353</u>	<u>(167,065)</u>

CITY OF PAINTSVILLE, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE (Continued)
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Golf Course:				
Salaries and wages	210,200	210,200	209,248	952
Payroll tax expense	16,583	16,583	16,111	472
Employee benefits	76,800	76,800	48,136	28,664
Workmen's compensation insurance	3,200	3,200	2,940	260
Maintenance and repairs	77,500	77,500	86,630	(9,130)
Gasoline and oil	15,000	15,000	15,909	(909)
Insurance	11,600	11,600	8,271	3,329
Utilities and telephone	16,000	16,000	35,442	(19,442)
Capital expenditures	20,000	20,000	185,167	(165,167)
Other expenses	20,000	20,000	94,134	(74,134)
Total golf course	<u>466,883</u>	<u>466,883</u>	<u>701,988</u>	<u>(235,105)</u>
 Total Expenditures	 <u>6,965,358</u>	 <u>6,965,358</u>	 <u>8,391,497</u>	 <u>(1,426,139)</u>
 Excess of revenues over (under) expenditures	 <u>(89,660)</u>	 <u>(89,660)</u>	 <u>(743,540)</u>	 <u>(653,880)</u>
Other Financing Sources/(Uses):				
Transfer in from Tourism	250,000	250,000	432,326	182,326
Intragovernmental forgiveness of debt	(80,170)	(80,170)	(243,761)	(163,591)
Proceeds from insurance	-	-	33,087	33,087
Total other financing sources (uses)	<u>169,830</u>	<u>169,830</u>	<u>221,652</u>	<u>51,822</u>
 Net change in fund balance	 <u>\$ 80,170</u>	 <u>\$ 80,170</u>	 <u>(521,888)</u>	 <u>\$ (602,058)</u>
 Fund balance - beginning			 <u>6,607,957</u>	
 Fund balance - ending			 <u>\$ 6,086,069</u>	

CITY OF PAINTSVILLE, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE
 PAINTSVILLE TOURISM COMMISSION
 FOR THE YEAR ENDED JUNE 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes:				
Restaurant tax	\$ 875,000	\$ 875,000	\$ 991,757	\$ 116,757
Room occupancy tax	90,000	90,000	95,143	5,143
Country Music Museum:				
Gift Shop/Rental/Ticket Sales	60,000	60,000	106,326	46,326
Interest	-	-	1,193	1,193
Other revenues	230,000	230,000	20,710	(209,290)
 Total revenues	 <u>1,255,000</u>	 <u>1,255,000</u>	 <u>1,215,129</u>	 <u>(39,871)</u>
Expenditures:				
Salaries and wages	200,000	200,000	266,382	(66,382)
Payroll tax expense	25,000	25,000	22,838	2,162
Employee benefits	-	-	48,698	(48,698)
Contract labor	9,000	9,000	9,103	(103)
Administration	13,500	13,500	20,265	(6,765)
Telephone and utilities	49,500	49,500	37,538	11,962
Donations	150,000	150,000	162,053	(12,053)
Postage	3,000	3,000	2,585	415
General office expense	9,200	9,200	12,475	(3,275)
Gift shop expense	12,000	12,000	14,240	(2,240)
Advertising and promotional	131,000	131,000	154,616	(23,616)
Membership dues	5,500	5,500	6,357	(857)
Van and bus expense	7,500	7,500	2,718	4,782
Legal and professional expense	20,000	20,000	12,715	7,285
Maintenance and repairs	20,860	20,860	22,885	(2,025)
Mountain Homeplace	55,000	55,000	55,000	-
Insurance	20,000	20,000	15,385	4,615
Security	900	900	1,806	(906)
Sipp expenses	55,000	55,000	5,875	49,125
Stafford house expenses	45,000	45,000	1,557	43,443
Other expense	126,590	126,590	42,613	83,977
Debt service:				
Interest expense	4,232	4,232	4,231	1
Principal retirement	12,218	12,218	12,218	-
Capital outlay	-	-	-	-
 Total expenditures	 <u>975,000</u>	 <u>975,000</u>	 <u>934,153</u>	 <u>40,847</u>
 Excess of revenues over (under) expenditures	 <u>280,000</u>	 <u>280,000</u>	 <u>280,976</u>	 <u>976</u>

CITY OF PAINTSVILLE, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE (Continued)
 PAINTSVILLE TOURISM COMMISSION
 FOR THE YEAR ENDED JUNE 30, 2024

	<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>(280,000)</u>	<u>(280,000)</u>	<u>(432,326)</u>	<u>(152,326)</u>
Total other financing sources (uses)	<u>(280,000)</u>	<u>(280,000)</u>	<u>(432,326)</u>	<u>(152,326)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(151,350)	<u>\$ (151,350)</u>
Fund balance - beginning			<u>796,806</u>	
Fund balance - ending			<u>\$ 645,456</u>	

**CITY OF PAINTSVILLE, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (CERS)
JUNE 30, 2024**

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>
City's proportion of the net pension liability (asset)	0.169852%	0.173853%	0.167811%
City's proportionate share of the net pension liability (asset)	\$ 5,510,000	\$ 7,474,872	\$ 8,262,404
City's covered-employee payroll	\$ 4,078,483	\$ 4,030,252	\$ 4,006,221
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	135.10%	185.47%	206.24%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%
	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
City's proportion of the net pension liability (asset)	0.163673%	0.169953%	0.166466%
City's proportionate share of the net pension liability (asset)	\$ 9,580,284	\$ 10,351,021	\$ 11,707,628
City's covered-employee payroll	\$ 4,224,008	\$ 4,195,198	\$ 4,323,980
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	226.81%	246.73%	270.76%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	53.54%	50.45%
	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
City's proportion of the net pension liability (asset)	0.168752%	0.168038%	0.168346%
City's proportionate share of the net pension liability (asset)	\$ 12,943,139	\$ 10,713,740	\$ 12,169,755
City's covered-employee payroll	\$ 4,313,388	\$ 4,671,719	\$ 4,994,377
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	300.07%	229.33%	243.67%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	57.33%	52.42%
	<u>6/30/2024</u>		
City's proportion of the net pension liability (asset)	0.171232%		
City's proportionate share of the net pension liability (asset)	\$ 10,987,115		
City's covered-employee payroll	\$ 5,459,348		
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	266.65%		
Plan fiduciary net position as a percentage of the total pension liability	57.48%		

CITY OF PAINTSVILLE, KENTUCKY
 SCHEDULE OF CITY PENSION CONTRIBUTIONS (CERS)
 JUNE 30, 2024

	6/30/2015	6/30/2016	6/30/2017
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%
	6/30/2018	6/30/2019	6/30/2020
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%
	6/30/2021	6/30/2022	6/30/2023
Contractually required contribution	\$ 832,484	\$ 1,064,218	\$ 1,168,684
Contributions in relation to the contractually required contribution	<u>832,484</u>	<u>1,064,218</u>	<u>1,168,684</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 4,313,388	\$ 4,671,719	\$ 4,994,377
Contributions as a percentage of covered-employee payroll	19.30%	22.78%	23.40%
	6/30/2024		
Contractually required contribution	\$ 1,274,212		
Contributions in relation to the contractually required contribution	<u>1,274,212</u>		
Contribution deficiency (excess)	<u>\$ -</u>		
City's covered-employee payroll	\$ 5,459,348		
Contributions as a percentage of covered-employee payroll	23.34%		

**CITY OF PAINTSVILLE, KENTUCKY
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
 THE NET OPEB LIABILITY (CERS)
 JUNE 30, 2024**

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
City's proportion of the net OPEB liability (asset)	0.163673%	0.169953%	0.166466%
City's proportionate share of the net OPEB liability (asset)	\$ 3,290,387	\$ 3,017,482	\$ 2,799,160
City's covered-employee payroll	\$ 4,224,008	\$ 4,195,198	\$ 4,323,980
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	77.90%	71.92%	64.74%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	57.62%	60.44%
	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
City's proportion of the net OPEB liability (asset)	0.168703%	0.167998%	0.168323%
City's proportionate share of the net OPEB liability (asset)	\$ 4,073,664	\$ 3,216,237	\$ 3,321,878
City's covered-employee payroll	\$ 4,313,388	\$ 4,671,719	\$ 4,994,377
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	94.44%	68.84%	66.51%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	62.91%	60.95%
	<u>6/30/2024</u>		
City's proportion of the net OPEB liability (asset)	0.171227%		
City's proportionate share of the net OPEB liability (asset)	\$ (236,408)		
City's covered-employee payroll	\$ 5,459,348		
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-4.33%		
Plan fiduciary net position as a percentage of the total OPEB liability	104.23%		

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, 2024**

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
Contractually required contribution	\$ 198,529	\$ 220,668	\$ 205,821
Contributions in relation to the contractually required contribution	<u>198,529</u>	<u>220,668</u>	<u>205,821</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 4,224,008	\$ 4,195,198	\$ 4,323,980
Contributions as a percentage of covered-employee payroll	4.70%	5.26%	4.76%
	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
Contractually required contribution	\$ 205,318	\$ 194,810	\$ 169,310
Contributions in relation to the contractually required contribution	<u>205,318</u>	<u>194,810</u>	<u>169,310</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 4,313,388	\$ 4,671,719	\$ 4,994,377
Contributions as a percentage of covered-employee payroll	4.76%	4.17%	3.39%
	<u>6/30/2024</u>		
Contractually required contribution	\$ -		
Contributions in relation to the contractually required contribution	<u>-</u>		
Contribution deficiency (excess)	<u>\$ -</u>		
City's covered-employee payroll	\$ 5,459,348		
Contributions as a percentage of covered-employee payroll	0.00%		

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, 2024**

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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, 2023 – 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, 2023, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.20% to 6.80%, 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 9.00% to 8.50%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years.
- The assumed rate of return was increased from 6.25% to 6.50%.
- The assumed rate of inflation was increased from 2.30% to 2.50%.

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

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

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

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

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

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

NOTE B – CHANGES OF ASSUMPTIONS (Continued)

- 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.

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.

NOTE B – CHANGES OF ASSUMPTIONS (Continued)

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:

- 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, 2024

	<u>Special Revenue Funds</u>			<u>Total Non-Major Governmental Funds</u>
	<u>Coal and Mineral Tax Severance Fund</u>	<u>Municipal Road Aid Fund</u>	<u>911 Fund</u>	
ASSETS				
Cash and cash equivalents	\$ 101,982	\$ 139,100	\$ 142,902	\$ 383,984
Total Assets	<u>\$ 101,982</u>	<u>\$ 139,100</u>	<u>\$ 142,902</u>	<u>\$ 383,984</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,727	\$ 923	\$ 36,563	\$ 41,213
Accrued vacation	-	-	4,912	4,912
Due to General Fund	246	-	78,527	78,773
Total Liabilities	<u>3,973</u>	<u>923</u>	<u>120,002</u>	<u>124,898</u>
Fund Balances:				
Restricted for:				
Streets	-	138,177	-	138,177
Other	98,009	-	22,900	120,909
Unassigned	-	-	-	-
Total Fund Balances	<u>98,009</u>	<u>138,177</u>	<u>22,900</u>	<u>259,086</u>
Total Liabilities and Fund Balances	<u>\$ 101,982</u>	<u>\$ 139,100</u>	<u>\$ 142,902</u>	<u>\$ 383,984</u>

CITY OF PAINTSVILLE, KENTUCKY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NON-MAJOR FUNDS
 FOR THE YEAR ENDED JUNE 30, 2024

	<u>Special Revenue Funds</u>			<u>Total Non-Major Governmental Funds</u>
	<u>Coal and Mineral Tax Severance Fund</u>	<u>Municipal Road Aid Fund</u>	<u>911 Fund</u>	
Revenues:				
Intergovernmental revenues	\$ 40,151	\$ 73,145	\$ -	\$ 113,296
Charges for services	-	-	421,426	421,426
Grants	-	-	17,500	17,500
Interest	-	2	3	5
	<u>40,151</u>	<u>73,147</u>	<u>438,929</u>	<u>552,227</u>
Total revenues				
	40,151	73,147	438,929	552,227
Expenditures:				
Current:				
Public safety	-	-	635,648	635,648
Streets	4,488	7,751	-	12,239
Sanitation	3,138	-	-	3,138
Recreation	13,421	-	-	13,421
Capital outlay	-	-	47,042	47,042
	<u>21,047</u>	<u>7,751</u>	<u>682,690</u>	<u>711,488</u>
Total expenditures				
	21,047	7,751	682,690	711,488
Excess of revenues over (under) expenditures	19,104	65,396	(243,761)	(159,261)
Other financing sources (uses):				
Intragovernmental forgiveness of debt	-	-	243,761	243,761
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>243,761</u>	<u>243,761</u>
	-	-	243,761	243,761
Net change in fund balances	19,104	65,396	-	84,500
Fund balances - beginning	78,905	72,781	22,900	174,586
Fund balances - ending	<u>\$ 98,009</u>	<u>\$ 138,177</u>	<u>\$ 22,900</u>	<u>\$ 259,086</u>