

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS

For the year ended June 30, 2023



WELLS & COMPANY, P.S.C.

Certified Public Accountants

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PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Paintsville Independent School District
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 Paintsville Independent School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Paintsville Independent School District'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 Paintsville Independent School District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for school district audits in the Independent Auditor's Contract. 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 Paintsville Independent School District 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 Paintsville Independent School District'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 Paintsville Independent School District'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 Paintsville Independent School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 4-7, budgetary comparison information on pages 52-53, and CERS and KTRS schedules and notes on pages 54-65 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Paintsville Independent School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, the school activity funds, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, school activity funds, and the schedule

of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2023, on our consideration of the Paintsville Independent School District'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 Paintsville Independent School District'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 Paintsville Independent School District's internal control over financial reporting and compliance.

Wells & Company PSC

Certified Public Accountants
Paintsville, Kentucky
October 9, 2023

**PAINTSVILLE INDEPENDENT SCHOOL DISTRICT – PAINTSVILLE, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2023**

As management of the Paintsville Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$2,451,794 in 2022 and \$3,309,808 in 2023. This is an increase of \$858,014. Much of this difference can be explained by the increase in bond revenue and federal and state funds. Also, the District had an investment (U.S. Treasury Bills) at June 30, 2023 in the amount of \$1,841,856.
- From 2023 to 2022, total General Fund revenue increased by 10.6%. Revenue from property taxes increased 2.64%, the state increased by 17.88%, and interest on invested funds increased by 467.54%.
- Among major funds, the General Fund had \$9.01 million in revenue, which primarily consisted of local property, utilities, and motor vehicle taxes, federal programs and state funding. There were \$9.24 million in expenditures.
- A concerted effort was focused on purchasing in the areas of supplies, food, and travel resulting in several economies due to changed management strategies.
- The District purchased a new school bus in 2022 for \$111,204 without any financing.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education's (KDE) stringent compliance regulations. The District paid \$611,484 in principal payments during the current fiscal year and issued series 2023 bonds to finance the turf at the football field for \$1,115,000.
- State law requires districts to update a priority list of construction and renovation needs, called a local facilities plan, every four years. The document guides the allocation of School Facilities Construction Commission dollars. The District has currently updated its local facilities plan. Now, there is a focus on investing in plant management with the age and size of our facilities.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 8 through 9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: Governmental funds, proprietary funds, and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare, and teacher support. The Proprietary Fund includes the food service and vending operation. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10 through 16 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 51 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and general fixed assets), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2023 and 2022

This is the twenty-first year that the District is following GASB 34 and comparing assets, liabilities and net position. 2023 Government Wide Net Position compared to 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Current Assets	\$ 5,555,234	\$ 2,810,865
Noncurrent Assets	<u>18,088,738</u>	<u>17,074,399</u>
Total assets	<u>23,643,972</u>	<u>19,885,264</u>
Deferred Outflows of Resources	<u>2,464,660</u>	<u>1,145,865</u>
Current Liabilities	3,570,378	988,966
Noncurrent Liabilities	<u>13,064,121</u>	<u>11,180,006</u>
Total liabilities	<u>16,634,499</u>	<u>12,168,972</u>
Deferred Inflows of Resources	<u>1,774,177</u>	<u>1,968,376</u>
Net Position		
Net investment in capital assets	9,647,953	9,117,259
Restricted	1,051,051	717,354
Unrestricted Fund Balance	<u>(2,844,026)</u>	<u>(2,940,832)</u>
Total net position	<u>\$ 7,699,956</u>	<u>\$ 6,893,781</u>

There has been no significant change in the financial position of the District since the last audit.

The following table presents a fund accounting comparison and summary of revenue and expense for government funds only for the fiscal years 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Revenues:		
Local revenue sources	\$ 3,568,378	\$ 3,476,277
State revenue sources	7,154,655	6,069,336
Federal sources	1,641,628	1,397,868
Investments	<u>48,545</u>	<u>10,383</u>
Total revenues	<u>12,413,206</u>	<u>10,953,864</u>
Expenditures:		
Instruction	7,417,965	6,667,518
Student support services	504,815	334,752
Instructional staff support	466,005	483,869
District administration	602,005	484,420
School administration	455,392	497,314
Business support	302,710	286,351
Plant operations and maintenance	1,259,726	887,823
Student transportation	313,042	189,773
Central office support	-	-
Facilities acquisition and construction	712,742	-
Community services activities	102,136	89,673
Other	<u>1,022,927</u>	<u>1,072,545</u>
Total expenses	<u>13,159,465</u>	<u>10,994,038</u>
Excess (deficit) of revenue over expenditures	(746,259)	(40,174)
Other Financing Sources (Uses):		
Proceeds from the sale of fixed assets	-	-
Bond sale proceeds	<u>1,095,129</u>	<u>-</u>
Total other financing sources (uses)	<u>1,095,129</u>	<u>-</u>
Net change in fund balance	<u>\$ 348,870</u>	<u>\$ (40,174)</u>

CAPITAL ASSETS

At the end of fiscal 2023, the District had \$18.08 million invested in capital assets, including land, construction work in progress, buildings, buses, computers and other equipment. This amount represents a net increase (including additions and deductions) of \$1.01 million over last year.

Capital Assets at Year-End (Net of Depreciation, in Millions)						
	Governmental Activities		Business-type Activities		Totals	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 3.90	\$ 3.85	\$ -	\$ -	\$ 3.90	\$ 3.85
Construction work in progress	2.72	2.01	-	-	2.72	2.01
Buildings & Improvements	10.70	10.54	-	-	10.70	10.54
Technology Equipment	.21	.24	-	-	.21	.24
Vehicles	.19	.11	-	-	.19	.11
General Equipment	<u>.32</u>	<u>.32</u>	<u>.04</u>	<u>-</u>	<u>.36</u>	<u>.32</u>
Totals	<u>\$ 18.04</u>	<u>\$ 17.07</u>	<u>\$.04</u>	<u>\$ -</u>	<u>\$ 18.08</u>	<u>\$ 17.07</u>

- On-behalf amounts are included in revenues and expenses. On-behalf payments as defined by KDE are payments the state makes on behalf of employees to the various agencies for health and life insurance, benefits and administration fees. Further discussion of these can be found in Note B. Expenses that increased from 2022 to 2023 instruction, student support services, district administration, business support, plant operations and maintenance, student transportation, facilities acquisition and construction, and community services activities.

The changes in the balances and transactions of individual funds have not been material. Changes in final budget when compared to original are not material.

- The majority of revenue in 2023 was derived from state funding (58%) as compared with fiscal year 2022 (55%) with local revenue making up (29%) of total revenue in 2023 compared to (32%) in 2022.

Comments on Budget Comparisons

- The District's total General Fund revenues for the fiscal year ended June 30, 2023, net of other financing sources, were \$9.01 million.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$1,161,624 more than budget.
- The total cost of all General Fund programs and services was \$9.24 million net of debt service.
- General Fund budget expenditures to actual varied slightly from line item with the ending actual balance being \$6,414 less than budget.

DEBT SERVICE

At year-end, the District had approximately \$8.48 million in outstanding debt, compared to \$8.00 million last year. The District continues to maintain favorable debt ratings from Moody's and Standard & Poor's.

FUTURE BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$2,526,398 in contingency (14.3%). The General Fund beginning cash balance for beginning the fiscal year was \$1,503,501.

Questions regarding this report should be directed to the Superintendent, Director of Financial Services or by mail at 305 Second Street, Paintsville, KY 41240.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2023

	Governmental Activities	Business Type Activities	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 3,205,699	\$ 104,109	\$ 3,309,808
Investments	1,841,856	-	1,841,856
Inventory	-	16,776	16,776
Accounts receivable			
Taxes - current	42,634	-	42,634
Taxes - delinquent	12,256	-	12,256
Accounts receivable	7,833	-	7,833
Intergovernmental - state	-	-	-
Intergovernmental - indirect federal	282,074	41,997	324,071
Total current assets	5,392,352	162,882	5,555,234
Noncurrent Assets:			
Capital assets, not being depreciated	6,619,781	-	6,619,781
Capital assets, being depreciated, net	11,428,244	40,713	11,468,957
Total noncurrent assets	18,048,025	40,713	18,088,738
Total assets	23,440,377	203,595	23,643,972
Deferred Outflows of Resources:			
Deferred outflows related to pensions	629,973	94,134	724,107
Deferred outflows related to OPEB	1,688,320	52,233	1,740,553
Total deferred outflows of resources	2,318,293	146,367	2,464,660
Liabilities			
Current Liabilities:			
Accounts payable	109,577	15,802	125,379
Unearned revenue	2,780,951	-	2,780,951
Current portion of bond obligations	578,917	-	578,917
Current portion of capital lease	39,518	-	39,518
Interest payable	45,613	-	45,613
Total current liabilities	3,554,576	15,802	3,570,378
Noncurrent Liabilities:			
Noncurrent portion of capital lease	134,948	-	134,948
Noncurrent portion of bond obligations, net of discounts \$59,607	7,687,402	-	7,687,402
Noncurrent portion of accrued sick leave	51,002	-	51,002
Noncurrent portion of net pension liability	2,080,230	310,839	2,391,069
Noncurrent portion of net OPEB liability	2,714,849	84,851	2,799,700
Total noncurrent liabilities	12,668,431	395,690	13,064,121
Total liabilities	16,223,007	411,492	16,634,499
Deferred Inflows of Resources:			
Deferred inflows related to pensions	294,178	43,957	338,135
Deferred inflows related to OPEB	1,386,507	49,535	1,436,042
Total deferred inflows of resources	1,680,685	93,492	1,774,177
Net Position:			
Net investment in capital assets	9,607,240	40,713	9,647,953
Restricted for:			
School activity	77,214	-	77,214
District activity	12,243	-	12,243
Sick leave	51,002	-	51,002
SFCC escrow	592,618	-	592,618
Future Construction	358,687	-	358,687
Food Service	-	(195,735)	(195,735)
Unrestricted	(2,844,026)	-	(2,844,026)
Total net position	\$ 7,854,978	\$ (155,022)	\$ 7,699,956

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

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the year ended June 30, 2023

	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Instruction	\$ 7,251,635	\$ 2,050	\$ 1,437,784	\$ -	\$ (5,811,801)	\$ -	\$ (5,811,801)
Support services:							
Student	504,815	-	170,144	-	(334,671)	-	(334,671)
Instructional staff	475,305	-	94,717	-	(380,588)	-	(380,588)
District administrative	638,510	-	-	-	(638,510)	-	(638,510)
School administrative	494,761	-	-	-	(494,761)	-	(494,761)
Business	302,710	-	-	-	(302,710)	-	(302,710)
Plant operation and maintenance	1,058,805	-	56,444	-	(1,002,361)	-	(1,002,361)
Student transportation	229,505	2,580	111,204	-	(115,721)	-	(115,721)
Central office	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	778,531	778,531	-	778,531
Community service activities	102,136	-	102,136	-	-	-	-
Interest on long-term debt	299,824	-	-	-	(299,824)	-	(299,824)
Other	109,911	-	-	-	(109,911)	-	(109,911)
Total governmental activities	11,467,917	4,630	1,972,429	778,531	(8,712,327)	-	(8,712,327)
Business-Type Activities:							
Food service	820,369	36,096	639,411	-	-	(144,862)	(144,862)
Total primary government	\$ 12,288,286	\$ 40,726	\$ 2,611,840	\$ 778,531	(8,712,327)	(144,862)	(8,857,189)
General Revenues:							
Taxes:							
Property taxes					2,395,009	-	2,395,009
Motor vehicle taxes					188,662	-	188,662
Utility taxes					485,501	-	485,501
Investment earnings					48,545	5,748	54,293
State and formula grants					6,095,526	-	6,095,526
Miscellaneous					444,373	-	444,373
Changes in net position					945,289	(139,114)	806,175
Net position - beginning					6,909,689	(15,908)	6,893,781
Net position - ending					\$ 7,854,978	\$ (155,022)	\$ 7,699,956

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

FUND FINANCIAL STATEMENTS

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2023

	General Fund	Special Revenue	FSPK Fund	Construction Fund	Other Governmental Fund	Total Governmental Funds
Assets and Resources:						
Cash and cash equivalents	\$ 1,146,096	\$ 993,895	\$ 592,618	\$ 383,633	\$ 89,457	\$ 3,205,699
Investments	305,303	1,536,553	-	-	-	1,841,856
Accounts receivable						
Taxes - current	42,634	-	-	-	-	42,634
Taxes - delinquent	12,256	-	-	-	-	12,256
Accounts receivable	7,833	-	-	-	-	7,833
Intergovernmental - state	-	-	-	-	-	-
Intergovernmental - indirect federal	-	282,074	-	-	-	282,074
Total assets and resources	\$ 1,514,122	\$ 2,812,522	\$ 592,618	\$ 383,633	\$ 89,457	\$ 5,392,352
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ 53,060	\$ 31,571	\$ -	\$ 24,946	\$ -	\$ 109,577
Unearned revenue	-	2,780,951	-	-	-	2,780,951
Total liabilities	53,060	2,812,522	-	24,946	-	2,890,528
Fund Balances:						
Restricted For:						
Debt Service	-	-	-	-	-	-
District activity	-	-	-	-	12,243	12,243
School activity	-	-	-	-	77,214	77,214
Sick leave payable	51,002	-	-	-	-	51,002
SFCC escrow	-	-	592,618	-	-	592,618
Future construction	-	-	-	358,687	-	358,687
Unassigned:						
Undesignated, reported in:						
General fund	1,410,060	-	-	-	-	1,410,060
Total fund balances	1,461,062	-	592,618	358,687	89,457	2,501,824
Total liabilities and fund balances	\$ 1,514,122	\$ 2,812,522	\$ 592,618	\$ 383,633	\$ 89,457	\$ 5,392,352

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

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION**

June 30, 2023

Total fund balance per fund financial statements	\$ 2,501,824
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the Statement of Net Position.	18,048,025
Pension contributions after measurement date are reported as a deferred outflows of resources.	189,096
OPEB contributions after measurement date are reported as deferred outflows of resources	46,767
Net pension liability is not due and payable in the current period and, therefore, is not reported in governmental funds.	(2,080,230)
Net OPEB liability is not due and payable in the current period and, therefore, is not reported in governmental funds.	(2,714,849)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, but they are presented in the statement of net position, as follows:	
Deferred pension outflows of resources	440,877
Deferred OPEB outflows of resources	1,641,553
Deferred pension inflows of resources	(294,178)
Deferred OPEB inflows of resources	(1,386,507)
Certain liabilities (such as capital lease payable, bonds payable - net of discount, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the Statement of Net Position.	<u>(8,537,400)</u>
Net position for governmental activities	<u>\$ 7,854,978</u>

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

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the year ended June 30, 2023

	General Fund	Special Revenue	FSPK Fund	Construction Fund	Other Governmental Fund	Total Governmental Fund
Revenues:						
From local sources						
Taxes						
Property	\$ 2,123,465	\$ -	\$ 271,544	\$ -	\$ -	\$ 2,395,009
Motor vehicle	188,662	-	-	-	-	188,662
Utilities	485,501	-	-	-	-	485,501
Tuition and fees	2,050	-	-	-	-	2,050
Earnings on investments	47,094	-	-	-	1,451	48,545
Other local revenues	64,530	50,203	-	-	382,423	497,156
Intergovernmental – state	6,055,210	423,486	470,704	-	205,255	7,154,655
Intergovernmental – indirect federal	40,316	1,498,740	-	-	102,572	1,641,628
Total revenues	9,006,828	1,972,429	742,248	-	691,701	12,413,206
Expenditures:						
Instruction	5,733,141	1,453,127	-	-	231,697	7,417,965
Support services:						
Student	334,671	170,144	-	-	-	504,815
Instructional staff	371,288	94,717	-	-	-	466,005
District administrative	602,005	-	-	-	-	602,005
School administrative	455,392	-	-	-	-	455,392
Business	302,710	-	-	-	-	302,710
Plant operation and maintenance	1,203,282	56,444	-	-	-	1,259,726
Student transportation	195,106	111,204	-	-	6,732	313,042
Central office	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	712,742	-	712,742
Community services activities	-	102,136	-	-	-	102,136
Other	45,887	-	-	-	977,040	1,022,927
Total expenditures	9,243,482	1,987,772	-	712,742	1,215,469	13,159,465
Excess (deficit) of revenues over expenditures	(236,654)	(15,343)	742,248	(712,742)	(523,768)	(746,259)
Other Financing Sources (Uses):						
Bond proceeds	-	-	-	-	1,095,129	1,095,129
Proceeds from the sale of fixed assets	-	-	-	-	-	-
Operating transfers in	221,141	15,343	-	1,071,429	595,715	1,903,628
Operating transfers out	(15,343)	-	(741,805)	-	(1,146,480)	(1,903,628)
Non operating transfers in	-	-	-	-	-	-
Non operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	205,798	15,343	(741,805)	1,071,429	544,364	1,095,129
Net change in fund balance	(30,856)	-	443	358,687	20,596	348,870
Fund balance, July 1, 2022	1,491,918	-	592,175	-	68,861	2,152,954
Fund balance, June 30, 2023	\$ 1,461,062	\$ -	\$ 592,618	\$ 358,687	\$ 89,457	\$ 2,501,824

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

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

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

For the year ended June 30, 2023

Net change in total fund balances per fund financial statements	\$ 348,870
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the Statement of Activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlay exceeds depreciation for the year.	973,626
The issuance of long term debt (capital leases, bonds, and financial obligations) provides current financial resources to government funds, while bonds are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the Statement of Net Position.	(483,645)
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.	1,708
Changes in pension and OPEB expense are reported only in the statement of activities.	83,506
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the Statement of Activities when they are incurred.	<u>21,224</u>
Change in net position of governmental activities	<u><u>\$ 945,289</u></u>

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

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

June 30, 2023

	<u>Food Service Fund</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 104,109
Inventory	16,776
Accounts receivable	
Intergovernmental – indirect federal	<u>41,997</u>
Total current assets	162,882
Noncurrent Assets:	
Capital assets	133,925
Less: accumulated depreciation	<u>93,212</u>
Total noncurrent assets	<u>40,713</u>
Total assets	<u>203,595</u>
Deferred Outflows of Resources:	
Deferred outflows related to pensions	94,134
Deferred outflows related to OPEB	<u>52,233</u>
Total deferred outflows of resources	<u>146,367</u>
Liabilities	
Current Liabilities:	
Accounts payable	<u>15,802</u>
Total current liabilities	15,802
Noncurrent Liabilities:	
Net pension liability	310,839
Net OPEB liability	<u>84,851</u>
Total noncurrent liabilities	<u>395,690</u>
Total liabilities	<u>411,492</u>
Deferred Inflows of Resources:	
Deferred inflows related to pensions	43,957
Deferred inflows related to OPEB	<u>49,535</u>
Total deferred inflows of resources	<u>93,492</u>
Net Position:	
Net investment in capital assets	40,713
Restricted	<u>(195,735)</u>
Total net position	<u><u>\$ (155,022)</u></u>

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

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the year ended June 30, 2023

	<u>Food Service Fund</u>
Operating Revenues:	
Lunchroom sales	<u>\$ 36,096</u>
Total operating revenues	36,096
Operating Expenses:	
Salaries and wages	341,504
Materials and supplies	385,492
Depreciation	4,162
Other operating expenses	<u>89,211</u>
Total operating expenses	<u>820,369</u>
Operating loss	(784,273)
Non-Operating Revenues (Expenses):	
Federal grants	534,563
Donated commodities	29,605
State grants	75,243
Interest income	<u>5,748</u>
Total non-operating revenues	<u>645,159</u>
Change in net position	(139,114)
Net Position, July 1, 2022	<u>(15,908)</u>
Net Position, June 30, 2023	<u>\$ (155,022)</u>

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

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the year ended June 30, 2023

Cash Flows from Operating Activities:

Cash received from:	
Lunchroom sales	\$ 36,096
Cash paid to/for:	
Employees	(264,381)
Material and supplies	(349,655)
Other activities	<u>(89,211)</u>

Net cash provided by (used for) operating activities (667,151)

Cash Flows from Noncapital Financing Activities:

Government grants	<u>572,621</u>
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Net cash provided by noncapital and related financing activities 572,621

Cash Flows from Capital and Related Financing Activities:

Purchases of capital assets	<u>(44,875)</u>
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Net cash used for capital and related financing activities (44,875)

Cash Flows from Investing Activities:

Receipt of interest income	<u>5,748</u>
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Net cash provided by investing activities 5,748

Net (decrease) in cash and cash equivalents (133,657)

Balances, beginning of year 237,766

Balances, end of year \$ 104,109

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income (loss)	\$ (784,273)
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Adjustments to reconcile operating income to net cash provided (used) by operating activities:

Depreciation	4,162
Donated commodities	29,605
On-behalf payments	75,243
Change in assets and liabilities	
Inventory	(248)
Deferred outflows/inflows and net pension liability	1,880
Accounts payable	<u>6,480</u>

Net cash provided by (used for) operating activities \$ (667,151)

Schedule of non-cash transactions:

Donated commodities received from federal government	\$ 29,605
On-behalf payments	\$ 75,243

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Paintsville Independent School District have been prepared to conform with Accounting Principles Generally Accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Superintendent of Schools is responsible for keeping records and accounts of all financial transactions in the manner prescribed by the State Board of Education. The following is a summary of the more significant of these policies.

Reporting Entity

The Paintsville Independent Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Paintsville Independent Board of Education ("District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Paintsville Independent Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Paintsville Independent Board of Education Finance Corporation – In a prior year the Board of Education resolved to authorize the establishment of the Paintsville Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary Funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a Balance Sheet, which generally includes only current assets and current liabilities, and a Statement of Revenues, Expenditures and Changes in Fund Balances, which reports on the changes in fund balance. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Net Position for the proprietary fund reports increases and decreases in total economic net worth. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The district may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

- (B) The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- (C) Special Revenue Activity Fund is used to support co-curricular activities and are not raised and expended by student groups. District activity funds accounted for in the District bank account are not subject to the Redbook and may be expended with more flexibility than school activity funds but must meet the “educational purpose” standard for all District expenditures.
- (D) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by proprietary fund).
 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District’s facility plan.
 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission’s construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District’s facility plan. This is a major fund of the District.
 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (E) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Type (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency and Trust Funds)

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Due to GASB 65, this now has been re-characterized as unearned revenue.

Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenses, and Changes in Net Position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as unearned revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2023, to finance the General Fund operations were \$.968 per \$100 valuation for real property, \$.968 per \$100 valuation for business personal property and \$.727 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Capital assets that are leased (GASB 87) are recorded at present value of the leased asset and is amortized over the life of the lease.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the Statements of Net Position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “accumulated sick leave payable” in the General Fund. The noncurrent portion of the liability is not reported.

Budgetary Process

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

The budget for the Special Revenue Fund consists of the sum of each active grant's budget. Large variances between budgeted and actual activity can occur because grants with little activity during the year will have their entire budget rolled up into the combined budget for all grants.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

On government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The Food Service Fund is stated at cost and uses the specific identification method and the General Fund is stated at cost and uses the first-in, first-out method for inventory.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2023 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

In-Kind

Local contributions, which include contributed services provided by individuals, private Districts and local governments, are used to match federal and state administered funding on various grants. The District also receives commodities from the USDA. The amounts of such services and commodities are recorded in the accompanying financial statements at their estimated fair market values.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Position.

The permanent funds record investments at their quoted market value prices for purposes of the Statement of Net Position. All realized gains and losses and changes in fair value are recorded in the Statement of Activities. Long-term investments are not recorded on the fund financial statements nor are unrealized gains and losses.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within 60 days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position includes 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 (expenses/expenditure) until then. The District has thirteen items that qualifies for reporting in this category. The items are the District pension contributions subsequent to measurement date, the difference between expected and actual experience, net difference between projected and actual investment earnings on pension plan investments, and change in proportion and differences between employer contributions and proportionate share of contributions. In addition, we have OPED (CERS) contributions subsequent to measurement date, the difference between expected and actual experience, change of assumptions, net difference between projected and actual investment earnings on OPEB plan investments, and change in proportion and differences between employer contributions and proportionate share of contributions. Then we have OPED (KTRS) contributions subsequent to measurement date, changes of assumptions, changes in proportion and differences between District contributions and proportionate share of contributions, and the net difference between projected and actual earnings on investments.

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 of resources (revenue) until that time. The District has nine items that qualifies for reporting in this category. For pensions it is the difference between expected and actual experience, the net difference between projected and actual investment earnings on pension plan investments, and the change in proportion and differences between employer contributions and proportionate share of contributions. In addition, for OPED (CERS) it is the difference between expected and actual experience, net difference between projected and actual investment earnings on OPEB plan investments, change of assumptions, and the change in proportion and difference between employer contributions and proportionate share of contributions. Then we have OPED (KTRS) difference between expected and actual experience, and changes in proportion and differences between District contributions and proportionate share of contributions.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Fund equity reserves have been established for inventories and fixed assets.

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the district using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the General Fund, amounts constrained by intent to be used for a specified purpose by the District or the delegated official given authority to assign amounts.
- Unassigned-for the General Fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the district issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the district has designated the board to carry out the intent of the school district.

It is the policy of the District to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

Encumbrances, although not reported on the Balance Sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the district incurs no liability until performance has occurred on the part of the party with whom the district has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

Net Position

Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the district-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets — This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position — This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Unrestricted net position — This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

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.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the pension plan’s fiduciary net position and additions to/deductions from plan’s fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the OPEB plan’s fiduciary net position and additions to /deductions from the plans’ fiduciary net position have been determined on the same basis as they are reported by plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Recent Accounting Pronouncements

In February 2017, the GASB issued Statement No. 84, *Fiduciary Activities* (“GASB 84”). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. Generally, the focus of the criteria relates to (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. Additionally, GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust, or an equivalent arrangement, that meets specific criteria. Finally, it provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB 84 will be effective for the District beginning with its year ending June 30, 2021.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In June 2017, the GASB issued Statement No. 87 *Leases* ("GASB 87"), which establishes standards of accounting and financial reporting for leases by lessees and lessors. GASB 87 (1) increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for the District beginning with its year ending June 30, 2021 and will be applied retroactively by restating financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* ("GASB 88"), which seeks to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, while providing financial statement users with additional essential information concerning debt. In particular, GASB 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date that the contractual obligation is established, and it clarifies which liabilities governments should include when disclosing information related to debt. Furthermore, this Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including (1) unused lines of credit; (2) assets pledged as collateral for the debt; and (3) terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. GASB 88 will be effective for the District beginning with its year ending June 30, 2019. The adoption of this standard did not have a material effect on the District's financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* ("GASB 89"), which seeks to (1) enhance the relevance and comparability of information concerning capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred during the period of construction. In particular, GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus, and thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 will be effective for the District beginning with its year ending June 30, 2021.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020* ("GASB 92"). GASB 92 establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. Provisions related to insurance-related activities of public entity risk pools and derivative instruments were effective upon issuance. All other provisions will be effective for the District beginning with its year ending June 30, 2022. Adoption of the provisions required upon issuance did not have a material effect on the District's financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* ("GASB 96"). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments,

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

including implementation costs of a SBITA: and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GABS 96 will be effective for the District beginning with its year ending June 30, 2023. The adoption of this standard did not have a material effect on the District's financial statements.

NOTE B – ON-BEHALF PAYMENTS

For the year ended June 30, 2023, on-behalf payments were made on behalf of the District for KTRS GASB 68 \$1,835,522, KTRS GASB 75 \$37,699, KTRS GASB 75 LIF \$2,678, Health insurance \$942,289, Life insurance \$1,345, Administrative fee \$10,712, HRA/Dental/Vision \$37,538, Federal reimbursement (\$96,487), KEN services \$61,664, AT&T Firewall Services \$18,300, Munis financial management software and services \$2,346, McAfee virus protection software and services \$467, and SFCC debt service \$132,199. The overall total payments for on-behalf were \$3,088,844. In addition, \$102,572 was made from federal sources to satisfy a QZAB Bond payment. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the Statement of Activities and the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balance.

NOTE C – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE D – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation insurance.

At June 30, 2023, the carrying amount of the District's deposits was \$3,309,808 and the bank balance was \$3,457,493. The entire bank balance throughout the year was covered by federal depository insurance or by collateral held by the District's agent in the District's name.

The deposits were deemed collateralized under Kentucky law during the year. The Kentucky Department of Education maintains copies of all safekeeping receipts in the name of the District. The following is disclosed:

- a. Name of bank: Citizens National Bank
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$10,100,000

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

- Category 1 Deposits which are insured to collateralized with securities held by the District or by its agent in the District's name.
- Category 2 Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE D – CASH AND CASH EQUIVALENTS – CONTINUED

Category 3 Deposits which are not collateralized or insured.

As of June 30, 2023, based on these levels of risk, all of the District’s cash deposits are classified as Category 2.

Breakdown per financial statements:

Government funds	\$3,205,699
Proprietary funds	<u>104,109</u>
	<u>\$3,309,808</u>

NOTE E – INVESTMENTS

The District had an investment as of June 30, 2023 with U.S. Treasury bills issued on December 1, 2022 for six months yielding 4.627% at US Bank and was renewed on July 7, 2023. Market value as of June 30, 2023 was \$1,841,856.

Breakdown per fund financial statements:

General fund	\$ 305,303
Special revenue funds	<u>1,536,553</u>
	<u>\$1,841,856</u>

NOTE F – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

Governmental Activities	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2023</u>
Land	\$ 3,665,000	\$ 50,000	\$ -	\$ 3,715,000
Land improvements	184,055	-	-	184,055
Buildings and improvement	18,650,281	175,000	-	18,825,281
Technology equipment	830,113	49,600	320,400	559,313
General equipment	436,477	17,000	6,000	447,477
Vehicles	681,658	111,204	118,200	674,662
Construction work in progress	2,007,984	712,742	-	2,720,726
Right-to-use leased buildings (restated)	<u>34,971</u>	<u>-</u>	<u>34,971</u>	<u>-</u>
Totals at historical cost	<u>26,490,539</u>	<u>1,115,546</u>	<u>479,571</u>	<u>27,126,514</u>
Less: accumulated depreciation/amortization				
Buildings and improvements	8,111,734	6,225	-	8,117,959
Technology equipment	595,249	75,066	320,400	349,915
General equipment	118,711	16,448	6,000	129,159
Vehicles	571,989	27,667	118,200	481,456
Right-to-use leased buildings (restated)	<u>18,457</u>	<u>-</u>	<u>18,457</u>	<u>-</u>
Total accumulated depreciation	<u>9,416,140</u>	<u>125,406</u>	<u>463,057</u>	<u>9,078,489</u>
Governmental Activities				
Capital Assets – Net	<u>\$17,074,399</u>	<u>\$ 990,140</u>	<u>\$ 16,514</u>	<u>\$ 18,048,025</u>

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE F – CAPITAL ASSETS – CONTINUED

Business-Type Activities

General equipment	\$ 89,050	\$ 44,875	\$ -	\$ 133,925
Technology equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals at historical cost	<u>89,050</u>	<u>44,875</u>	<u>-</u>	<u>133,925</u>
Less: accumulated depreciation				
General equipment	89,050	4,162	-	93,212
Technology equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total accumulated depreciation	<u>89,050</u>	<u>4,162</u>	<u>-</u>	<u>93,212</u>
Business-Type Activities				
Capital Assets – Net	<u>\$ -</u>	<u>\$ 40,713</u>	<u>\$ -</u>	<u>\$ 40,713</u>

Depreciation expense has been charged to the following functions in the statement of activities.

Instruction	\$ 5,000
Instructional staff	9,300
District administrative	36,505
School administrative	39,369
Plant operation and maintenance	7,565
Student transportation	27,667
Food service	4,162
	<u>\$129,568</u>

NOTE G – BONDED DEBT AND LEASE OBLIGATIONS

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Amounts</u>	<u>Interest Rates</u>
2012	\$ 4,155,000	1.20% - 2.375%
2018	1,925,000	2.00% - 3.60%
2020 Refinancing	1,760,000	1.10% - 1.90%
2023 1 ST Series	1,115,000	3.75% - 4.125%

The 2012, 2018, 2020R, and 2023 bond issues were sold at a discount (premium) of \$27,193, \$33,766, \$(22,931), and \$19,871, respectively. These amounts are being amortized over the life of the respective debt.

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Paintsville Independent School District Finance Corp. to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The District has "participation agreements" with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The following table sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to scheduled maturity, the minimum obligations of the funds at June 30, 2023 for debt service (principal and interest) are as follows:

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE G – BONDED DEBT AND LEASE OBLIGATIONS – CONTINUED

<u>Year</u>	<u>Paintsville Independent School District</u>		<u>Kentucky School Facilities Construction Commission</u>		<u>Total Requirements For Year</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-2024	\$ 382,350	\$ 170,805	\$ 107,650	\$ 24,550	\$ 685,355
2024-2025	389,940	163,459	110,060	22,138	685,597
2025-2026	402,473	154,234	112,527	19,672	688,906
2026-2027	409,950	144,688	115,050	17,149	686,837
2027-2028	412,370	135,020	117,630	14,570	679,590
2028-2029	424,731	125,235	120,269	11,931	682,166
2029-2030	432,004	115,010	122,996	9,202	679,212
2030-2031	466,198	103,836	58,802	6,412	635,248
2031-2032	479,681	91,290	60,319	4,893	636,183
2032-2033	489,773	78,425	55,227	3,415	626,840
2033-2034	391,523	69,297	13,477	2,490	476,787
2034-2035	406,084	54,772	13,916	2,053	476,825
2035-2036	420,598	39,309	14,402	1,566	475,875
2036-2037	435,093	22,995	14,907	1,062	474,057
2037-2038	<u>174,572</u>	<u>6,110</u>	<u>15,428</u>	<u>540</u>	<u>196,650</u>
	<u>\$6,117,340</u>	<u>\$1,474,485</u>	<u>\$1,052,660</u>	<u>\$141,643</u>	<u>\$ 8,786,128</u>

On June 15, 2023, the District issued \$1,115,000 in School Building Revenue Bonds, (series 2023) with an interest rate ranging from 3.75% to 4.125% to finance turf at the football field.

On February 11, 2020, the District refinanced the School Building Revenue Bonds, (series 2010) with a cumulative savings of \$198,796. The new 2020 bond series was issued for \$1,760,000 with an interest rate ranging from 1.10% to 1.90%. As a result, the 2010 series bonds are considered to be deferred and the liability for those bonds has been removed from the government-wide State of Net Position.

On March 1, 2018, the District issued \$1,925,000 in School Building Revenue Bonds (series 2018) with an interest rate ranging from 2.00% to 3.60% to finance improvements to Paintsville Independent School District.

On November 29, 2012, the District issued \$4,155,000 in School Building Revenue Bonds (series 2012) with an interest rate ranging from 1.20% to 2.375% to finance a new addition to Paintsville Elementary.

During the year ended June 30, 2023 the District's debt obligation was as follows:

	<u>BALANCE</u> <u>6/30/22</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>6/30/23</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
	\$6,525,000	\$1,115,000	\$ 470,000	\$7,170,000	\$490,000
Less:					
Discount on bonds	<u>(26,123)</u>	<u>(19,871)</u>	<u>(1,070)</u>	<u>(44,924)</u>	<u>-</u>
	<u>\$6,498,877</u>	<u>\$1,095,129</u>	<u>\$ 468,930</u>	<u>\$7,125,076</u>	<u>\$490,000</u>

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE G – BONDED DEBT AND LEASE OBLIGATIONS – CONTINUED

QUALIFIED ZONE ACADEMY BONDS

The Paintsville Independent School District Finance Corporation issued \$2,719,298 of Qualified Zone Academy Bonds (QZAB), Series 2012, November 29, 2012 under a guaranteed investment contract whereby the Paintsville Independent School District will remit to the low bidder The Bank Of New York Mellon contributions to an escrow account \$2,045,096 over a twenty-three year period. The federal government will pay directly to the bank all of the annual interest expense leaving the board a small portion of interest due if the government fails to make payment. Funds from the escrow will be used to defease the entire bond upon maturity December 1, 2035. The 2012 QZAB sold at a discount of \$33,506. This amount is being amortized over the life of the respective debt. The minimum obligations of the funds at June 30, 2023 for the escrow and interest are as follows:

<u>Year</u>	<u>Paintsville Independent School District</u>		<u>Federal Rebate</u>	<u>Total Requirements For Year</u>
	<u>Escrow</u>		<u>Interest</u>	<u>Total</u>
2023-2024	\$ 88,917		\$ 108,772	\$ 197,689
2024-2025	88,917		108,772	197,689
2025-2026	88,917		108,772	197,689
2026-2027	88,917		108,772	197,689
2027-2028	88,917		108,772	197,689
2028-2029	88,917		108,772	197,689
2029-2030	88,917		108,772	197,689
2030-2031	88,917		108,772	197,689
2031-2032	88,918		108,772	197,690
2032-2033	88,918		108,772	197,690
2033-2034	88,918		108,772	197,690
2034-2035	88,918		108,771	197,689
2035-2036	<u>88,918</u>		<u>54,385</u>	<u>143,303</u>
	<u>\$1,155,926</u>		<u>\$1,359,648</u>	<u>\$2,515,574</u>

During the year ended June 30, 2023 the District's QZAB debt obligation to the escrow was as follows:

	<u>BALANCE 6/30/22</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE 6/30/23</u>	<u>DUE WITHIN ONE YEAR</u>
	\$1,244,843	\$ -	\$ 88,917	\$1,155,926	\$ 88,917
Less:					
Discount on bonds	<u>(15,865)</u>	<u>-</u>	<u>(1,182)</u>	<u>(14,683)</u>	<u>-</u>
	<u>\$1,228,978</u>	<u>\$ -</u>	<u>\$ 87,735</u>	<u>\$1,141,243</u>	<u>\$ 88,917</u>

The District is required by GASB 68 and GASB 75 to account for net pension liability and net OPEB liability on the statement of net position. The district is not required to make any payments toward these liabilities.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE G – BONDED DEBT AND LEASE OBLIGATIONS – CONTINUED

During the year ended June 30, 2023, the District's changes in long term obligations for pensions and OPEB are as follows:

<u>Governmental Activities</u>	<u>Balance 6/30/22</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/23</u>	<u>Due Within One Year</u>
Net pension liability	\$1,628,247	\$ 451,983	\$ -	\$2,080,230	\$ -
Net OPEB liability	<u>1,814,812</u>	<u>900,037</u>	<u>-</u>	<u>2,714,849</u>	<u>-</u>
Total government activities	<u>\$3,443,059</u>	<u>\$1,352,020</u>	<u>\$ -</u>	<u>\$4,795,079</u>	<u>\$ -</u>

<u>Business - Type Activities</u>	<u>Balance 6/30/22</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/23</u>	<u>Due Within One Year</u>
Net Pension liability	\$ 243,301	\$ 67,538	\$ -	\$ 310,839	\$ -
Net OPEB liability	<u>73,041</u>	<u>11,810</u>	<u>-</u>	<u>84,851</u>	<u>-</u>
Total business - type activities	<u>\$ 316,342</u>	<u>\$ 79,348</u>	<u>\$ -</u>	<u>\$ 395,690</u>	<u>\$ -</u>

NOTE H – CAPITAL LEASE PAYABLE

Bus Lease and Lighting Lease

On July 8, 2021, the Musco Finance, LLC entered into an equipment lease and security agreement with the Paintsville Independent School District. The District received \$301,552 in lighting equipment and is required to make payments over a six year period with an interest rate of 3.95%.

On March 18, 2018, the Kentucky Interlocal School Transportation Association (KISTA) entered into an equipment lease and security agreement with the Paintsville Independent School District. The District received \$102,290 in transportation equipment (one school bus) and is required to make payments over a ten year period with an interest rate ranging from 2.0% to 3.0%.

The following is a schedule of equipment lease payments, by years of the future minimum lease payments under capital lease:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2023-24	\$ 39,518	\$ 6,408	\$ 45,926
2024-25	40,941	4,946	45,887
2025-26	42,477	3,429	45,906
2026-27	41,980	1,857	43,837
2027-28	<u>9,550</u>	<u>286</u>	<u>9,836</u>
TOTALS	<u>\$ 174,466</u>	<u>\$ 16,926</u>	<u>\$ 191,392</u>

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE H – CAPITAL LEASE PAYABLE – CONTINUED

During the year ended June 30, 2023 the District's capital lease obligation was as follows:

<u>BALANCE</u> <u>6/30/22</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>6/30/23</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
\$212,537	\$ -	\$38,071	\$174,466	\$39,518

NOTE I – COMMITMENTS UNDER NONCAPITALIZED LEASES

The District had no commitments under noncapitalized leases at June 30, 2023.

NOTE J – PENSION PLANS

KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS)

The Paintsville Independent School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by Kentucky Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Ky 40601 or from the KTRS web site at <http://www.ktrs.ky.gov/>.

Funding Policy – Contribution rates are established by KRS. Members are required to contribute 12.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after June 30, 2008. The federal program for any salaries paid by that program pays the matching contributions. The local school districts pay employer matching on all employees who do not occupy federally funded positions. As part of the Shared Responsibility Plan, beginning July 1, 2010 each employer is required to pay the amount equal to the increase in employee contributions. Effective July 1, 2015, the current employer match is 3.00% of total gross non-federal salaries in the district and for individuals employed in federally funded positions the employer-matching rate is 16.105%

Medical Insurance Plan

Plan description – In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide access to post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE J – PENSION PLANS – CONTINUED

Funding policy – In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 3.00% of members' salary for the 2022-2023 fiscal year.

The Paintsville Independent School District's total payroll for the year was \$6,383,273. The payroll for employees covered under KTRS was \$4,861,489. For the year ended June 30, 2023, the Commonwealth contributed \$820,330 to KTRS for the benefit of participating employees. The School District's contributions to KTRS for the year ending June 30, 2023 was \$219,000, which represents those employees covered by federal programs.

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

At June 30, 2023, the District did not report a liability for its proportionate share of the net pension liability because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net Pension Liability	\$ -
Commonwealth's proportionate share of the Net Pension liability associated with the District	
	<u>20,117,329</u>
	<u>\$ 20,117,329</u>

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2022 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the Commonwealth as determined by the actuary. At June 30, 2022, the District's proportion was 0.1187%.

For the year ended June 30, 2023, the District recognized pension expense of \$733,755 and revenue of \$733,755 for support provided by the State.

Actuarial Methods and Assumptions: The total pension liability was determined by applying procedures to the actuarial valuation as of June 30, 2021. The financial reporting actuarial valuation as of June 30, 2022, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	20% of the difference between market value of assets is recognized
Single Equivalent Interest Rate	7.10%
Municipal Bond Index Rate	3.37%
Inflation	2.50%
Salary Increase	3.00%-7.50%, including inflation

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE J – PENSION PLANS – CONTINUED

Investment Rate of Return	7.10%, net of pension plan investment expense, including inflation
Post-retirement Benefit Increases	1.50% annually

Mortality rates were based on the Pub 2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. Equity	37.4%	4.2%
Small Cap U.S. Equity	2.6%	4.7%
Developed International Equity	16.5%	5.3%
Emerging Markets Equity	5.5%	5.4%
Fixed Income	15.0%	(0.1)%
High Yield Bonds	2.0%	1.7%
Other Additional Categories	5.0%	2.2%
Real Estate	7.0%	4.0%
Private Equity	7.0%	6.9%
Cash	<u>2.0%</u>	(0.3)%
Total	100.0%	

Discount Rate: The discount rate used to measure the total pension liability as of the Measurement Date was 7.10 percent. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. We assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at the Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on a pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued KTRS financial report which is publically available at <http://www.ktrs.ky.gov/>.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE J – PENSION PLANS – CONTINUED

COUNTY EMPLOYEES' RETIREMENT SYSTEM (CERS)

Plan Description

Classified employees (substantially all full-time Board employees other than certified employees) are covered by the County Employees' Retirement System (CERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky Retirement System. CERS provides for retirement, disability, and death benefits to plan members and beneficiaries. Cost of living adjustments are provided at the discretion of the State legislature. Under the provisions of the Kentucky Revised Statute Section 61.645, the Board of Trustees of Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The County Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or at <http://www.kyret.ky.gov>.

Benefits Provided

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Retirement Benefit

CERS is designed to provide three types of benefits: a monthly retirement benefit for life based on the employee's salary and service (the pension benefit), health insurance benefits after retirement, and disability/death benefits.

Monthly retirement benefits are based on a formula established by statute which is (final compensation x benefit factor x years of service credit). Participants hired before 8/1/04 have their monthly benefit calculated at the average of highest five years salary which must contain at least 48 months of service and includes lump-sum payments for compensatory time times 2.2% benefit factor times years of service credit. Participants hired after 8/1/04 but before 9/1/08 have a reduced benefit factor of 2.0%.

Participants hired after 9/1/08 have their monthly benefit calculated at the average of the five complete fiscal years immediately preceding retirement which must contain 60 months of service and does not include lump-sum payments for compensatory time. The benefit factor is 1.10% for 10 years or less of service, 1.30% for more than 10 years but no more than 20 years, 1.50% for greater than 20 years but no more than 26 years, 1.75% for greater than 26 years but no more than 30 years, and 2.00% for greater than 30 years.

At retirement, a retiree may choose to take a reduced monthly benefit in order to provide a monthly benefit to a beneficiary upon their death, either for a period certain or for the life of the beneficiary. The system also provides for a statutory 1.5% annual increase to monthly benefits after retirement, often referred to as the cost of living adjustment (COLA).

Medical Insurance

CERS also provides access to group rates on medical insurance for retired members, their spouse, and dependents. Coverage for retirees not eligible for Medicare is provided through the Kentucky Employees Health Plan the same health plan provided to state employees. Coverage for Medicare eligible retirees is provided through a plan administered by or contracted through the retirement systems which then coordinates with Medicare for delivery of health benefits.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE J – PENSION PLANS – CONTINUED

As provided by state statute, CERS also subsidizes medical coverage for the retiree. In general, employees participating prior to 7/1/03 receive a percentage of the premium paid based upon service credit, while employees who begin participating after that date receive a set dollar amount for each year of service credit.

Disability and Death Benefits

Like most defined benefit plans, CERS provides benefits for those employees who become disabled or who die prior to retirement. Participants have to have a minimum of 5 years of service to apply for disability benefits and approval determined by systems under criteria established by state statute. CERS also provides death before retirement and special death in the line of duty benefits. After retirement, the benefits left to the retiree's beneficiary vary based upon the payment option selected at retirement. In addition, CERS provides a \$5,000 lump sum death benefit for members who retire with at least 4 years of service.

Contributions

Plan members are required to contribute 5.00% of their annual salary if hired before September 1, 2008 and 6% if hired on or after September 1, 2008 through payroll deductions and the Board is required to contribute at an actuarially determined rate. The current rate is 23.40% of the employee's total covered compensation, 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. The District's contributions to CERS for the year ended June 30, 2023 was \$269,689, which consisted of \$217,352 from the District and \$52,337 from the employees.

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

KTRS portion of GASB 68 changes will be reported by the State only and the district will not reflect any of those changes in their report but the district will fully comply with all changes of GASB 68 concerning CERS and disclose those changes within the report.

At June 30, 2023 the District reported a liability of \$2,391,069 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the District's proportion was 0.033076%, which was an increase of 0.003722% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$197,901. At June 30, 2023, the District 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	\$ 2,556	\$ 21,293
Changes of assumptions	-	-

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE J – PENSION PLANS – CONTINUED

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings on pension plan investments	325,353	264,054
Changes in proportion and differences between employer contributions and proportionate share of contributions	178,846	52,788
District contributions subsequent to the measurement date	<u>217,352</u>	<u>-</u>
Total	<u>\$ 724,107</u>	<u>\$ 338,135</u>

\$217,352 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$ 39,547
2025	81,240
2026	(20,093)
2027	67,926
2028	-
Thereafter	<u>-</u>
	<u>\$ 168,620</u>

Actuarial Methods and Assumptions

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

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

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE J – PENSION PLANS – CONTINUED

The mortality table used for non-disable retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	20.00%	
Core Bonds	10.00%	0.28%
Cash	0.00%	-0.91%
Specialty Credit/High Yield	10.00%	2.28%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Expected Real Rate	100.00%	<u>4.28%</u>
Long-Term Inflation Assumption		<u>2.30%</u>
Expected Nominal Return for Portfolio		6.58%

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for CERS non-hazardous and CERS Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statue as amended by House Bill 362 (passed in 2018) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate 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 Actual 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 District’s proportionate share of the Net Pension Liability using the discount rate of 6.25%, as well as what the District’s proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage-point lower (5.25%) or one percentage-point higher (7.25%) than the current rate:

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE J – PENSION PLANS – CONTINUED

	<u>1.0% Decrease (5.25%)</u>	<u>Current Discount Rate (6.25%)</u>	<u>1.0% Increase (7.25%)</u>
District's proportionate share of the net pension liability	\$2,988,539	\$2,391,069	\$1,896,911

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KRS 2022 Comprehensive Annual Financial Report at kyret.ky.gov.

Payable to the Pension Plan

At June 30, 2023, the District reported a payable of \$ -0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

NOTE K – OPEB PLAN

General Information about the OPEB plan

COUNTY EMPLOYEES' RETIREMENT SYSTEM (CERS) OPEB PLANS

Plan Description and Benefits Provided

The Paintsville Independent School District 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 District. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

Contributions

The District's contractually required contribution rate for the year ended June 30, 2023, was 3.39 percent of covered payroll. Contributions to the OPEB plan from the District were \$55,020 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$652,700 for its proportionate share of the net OPEB liability.

The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2022, the District's proportion was 0.033073%, which was an increase of 0.003725% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of \$91,180. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE K – OPEB PLAN – CONTINUED

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected And actual experience	\$ 65,700	\$ 149,679
Changes of assumptions	103,229	85,060
Net difference between projected and actual investment earnings on OPEB plan investments	121,539	95,048
Changes in proportion and differences between District contributions and proportionate share of contributions	56,308	51,255
District contributions subsequent to the measurement date	<u>55,020</u>	<u>-</u>
Total	<u>\$ 401,796</u>	<u>\$ 381,042</u>

\$55,020 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024.

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

Year ended June 30:		
	2024	\$ (9,010)
	2025	(7,676)
	2026	(32,793)
	2027	15,212
	2028	-
Thereafter		<u>-</u>
		<u>\$ (34,267)</u>

Actuarial Methods and Assumptions

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

Inflation	2.30%
Payroll Growth Rate	2.00% for CERS non-hazardous
Salary Increase	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return	6.25% for CERS non-hazardous
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE K – OPEB PLAN – CONTINUED

Post - 65	Initial trend starting at 9.00% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	20.00%	
Core Bonds	10.00%	0.28%
Cash	0.00%	-0.91%
Specialty Credit/High Yield	10.00%	2.28%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	13.00%	<u>4.07%</u>
Expected Real Rate	100.00%	4.28%
Long-Term Inflation Assumption		<u>2.30%</u>
Expected Nominal Return for Portfolio		6.58%

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE K – OPEB PLAN – CONTINUED

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

	<u>1.0% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1.0% Increase</u>
District's proportionate share of the net OPEB liability	\$485,268	\$652,700	\$853,755

Discount Rate

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

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

The following presents the District's proportionate share of the Net OPEB Liability using the discount rate of 5.70%, as well as what the District's proportionate share of the Net OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower (4.70%) or one percentage-point higher (6.70%) than the current rate:

	<u>1.0% Decrease (4.70%)</u>	<u>Current Discount Rate (5.70%)</u>	<u>1.0% Increase (6.70%)</u>
District's proportionate share of the net OPEB liability	\$872,556	\$652,700	\$470,953

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KRS 2022 Comprehensive Annual Financial Report at kyret.ky.gov

KENTUCKY TEACHERS RETIREMENT SYSTEM (KTRS) OPEB PLANS

Teaching-certified employees of the District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS) – a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE K – OPEB PLAN – CONTINUED

component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans:

Medical Insurance Plan

Plan description – In addition to the OPEB benefits described above, Kentucky Revised Statue 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and General Assembly.

Benefits provided – To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Contributions - In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarter percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to KTRS Medical Insurance Plan

At June 30, 2023, the District reported a liability of \$2,147,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2021. An expected total OPEB liability as of June 30, 2022 was determined using standard roll-forward techniques. The total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the District's proportion was 0.114899%.

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$2,147,000
Commonwealth's proportionate share of the Net OPEB liability associated with the District	<u>705,000</u>
	<u>\$2,852,000</u>

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE K – OPEB PLAN – CONTINUED

For the year ended June 30, 2023, the District recognized OPEB expense of \$24,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 903,000
Changes of assumptions	436,000	-
Net difference between projected and actual earnings on investments	114,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	674,000	152,000
District contributions subsequent to the measurement date	114,757	-
	<u>\$ 1,338,757</u>	<u>\$ 1,055,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$114,757 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year</u>	
2024	\$ (53,000)
2025	(36,000)
2026	(22,000)
2027	120,000
2028	110,000
Thereafter	50,000
	<u>\$ 169,000</u>

Actuarial methods and assumptions For Health and Life – The total OPEB liability as of June 30, 2022 was determined based on an actuarial valuation prepared as of June 30, 2021, using the new actuarial assumptions adopted by the Board subsequent to the June 30, 2021 valuation based on the experience investigation for the five-year period ending June 30, 2021. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases, including wage inflation	3.00% - 7.50%
Long-term Investment Rate of Return, net OPEB plan investment expense, including inflation	
Health Trust	7.10%
Life Trust	7.10%

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE K – OPEB PLAN – CONTINUED

Municipal Bond Index Rate	3.37%
Year FNP is projected to be depleted	
Health Trust	N/A
Life Trust	N/A
Single Equivalent Interest Rate, net of OPEB plan	
Investment expense, including price inflation	
Health Trust	7.10%
Life Trust	7.10%
Health Trust Health Care Cost Trends	
Under Age 65	7.00% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2032
Ages 65 and Older	5.125% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2025
Medicare Part B Premiums	6.97% for FYE 2022 with an ultimate rate of 4.50% by 2034

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2021 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2021, adopted by the Board on September 20, 2021.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends) used in the June 30, 2021 valuation of the Health Trust were based on a review of recent plan experience done currently with the June 30, 2021 valuation. The health care cost trend assumption was updated for the June 30, 2021 valuation and was shown as an assumption change in the total TOL liability roll forward, while the change in initial per capita claims costs were included with experience in the total TOL liability roll forward.

The long-term expected rate of return on Health Trust and Life Trust investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Assumed asset allocation:

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

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE K – OPEB PLAN – CONTINUED

Health Insurance Trust

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Global Equity	58.00%	5.10%
Fixed Income	9.00%	(0.10%)
Real Estate	6.50%	4.00%
Private Equity	8.50%	6.90%
Additional Category: High Yield	8.00%	1.70%
Other Additional Categories	9.00%	2.20%
Cash (LIBOR)	<u>1.00%</u>	(0.30%)
Total	<u>100.0%</u>	

Life Insurance Trust

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
US Equity	40.00%	4.40%
International Equity	23.00%	5.60%
Fixed Income	18.00%	(0.10%)
Real Estate	6.00%	4.00%
Private Equity	5.00%	6.90%
Additional Categories	6.00%	2.10%
Cash (LIBOR)	<u>2.00%</u>	(0.30%)
Total	<u>100.0%</u>	

Discount rate – The discount rate used to measure the total OPEB liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.10%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	<u>1.0% Decrease (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>1.0% Increase (8.10%)</u>
District's proportionate share of the net OPEB liability	\$2,694,000	\$2,147,000	\$1,694,000

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE K – OPEB PLAN – CONTINUED

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1.0% Decrease</u>	<u>Current Trend Rate</u>	<u>1.0% Increase</u>
District's proportionate share of the net OPEB liability	\$1,610,000	\$2,147,000	\$2,816,000

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

Life Insurance Plan

Plan description – Life Insurance Plan – TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

Benefits provided – TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

Contributions – In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the state.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to KTRS Life Insurance Plan

At June 30, 2023, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ -
Commonwealth's proportionate share of the Net OPEB liability associated with the District	<u>35,000</u> <u>\$ 35,000</u>

The net OPEB liability was measured as of June 30, 2022, and the total pension liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. An expected total OPEB liability as of June 30, 2022 was determined using standard roll-forward techniques. The District's proportion of the net OPEB liability was based on the actual liability of the employees and former employees relative to the total liability of the Commonwealth as determined by the actuary. At June 30, 2022, the District's proportion was 0.112823%.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE K – OPEB PLAN – CONTINUED

For the year ended June 30, 2023, the District recognized OPEB expense of \$-0- and revenue of \$-0- for support provided by the state.

Actuarial methods and assumptions – The Actuarially Determined Contribution rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated Valuation Date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2022 for the Life Trust:

Valuation Date	June 30, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Remaining Amortization period	25 years
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage Inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount Rate	7.50%

Discount rate – The discount rate used to measure the total OPEB liability for life insurance was 7.10%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

Payable to the OPEB Plan

At June 30, 2023, the District reported a payable of \$-0- for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2023.

NOTE L – CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE M – LITIGATION

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress, except as described elsewhere in this report.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

NOTE N – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes Workers' Compensation insurance.

NOTE O – RISK MANAGEMENT

The District is exposed to various risks of loss of torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards' Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE P – DEFICIT OPERATING BALANCES

The Business-Type Activities (Proprietary Fund) had a deficit net position of \$155,022 during the current year due to the recording of GASB 68 pensions and GASB 75 OPEB. There are no other funds of the District that currently have a deficit fund balance. However, the following fund had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

General Fund	\$ 30,856
District Activity Fund	\$ 1,390
Proprietary Fund	\$ 139,114

NOTE Q – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

NOTE R – TRANSFER OF FUNDS

The following transfers were made during the year:

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2023

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	FSPK	General	Reimbursement	\$ 221,141
Operating	FSPK	Debt Service	Debt Service	\$ 520,664
Operating	General	Special Revenue	Other	\$ 15,343
Operating	Capital Outlay	Debt Service	Debt Service	\$ 73,056
Operating	Student Activity	District Activity	Sweep	\$ 1,995
Operating	Debt Service	Construction	Construction	\$ 1,071,429

NOTE S – INTERFUND RECEIVABLES AND PAYABLES

There was no interfund receivables or payables at June 30, 2023.

NOTE T – SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States has caused disruption through limited district activities. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. At this time, the District is uncertain on the disruption's impact on its operating results.

Subsequent events were considered through October 9, 2023, which represents the release date of our report.

REQUIRED SUPPLEMENTARY INFORMATION

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

GENERAL FUND

For the year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
Revenues:				
From local sources				
Taxes				
Property	\$ 2,437,381	\$ 2,414,823	\$ 2,123,465	\$ (291,358)
Motor vehicle	145,000	145,000	188,662	43,662
Utilities	450,000	450,000	485,501	35,501
Tuition and fees	-	-	2,050	2,050
Earnings on investments	5,000	5,000	47,094	42,094
Other local revenues	6,000	6,000	64,530	58,530
Intergovernmental - state	4,799,823	4,822,381	6,055,210	1,232,829
Intergovernmental - indirect federal	2,000	2,000	40,316	38,316
Total revenues	7,845,204	7,845,204	9,006,828	1,161,624
Expenditures:				
Instruction	4,616,750	4,616,750	5,733,141	(1,116,391)
Support services:				
Student	346,889	346,889	334,671	12,218
Instructional staff	428,245	428,245	371,288	56,957
District administrative	1,980,421	1,980,421	602,005	1,378,416
School administrative	512,756	512,756	455,392	57,364
Business	275,509	275,509	302,710	(27,201)
Plant operation and maintenance	856,291	856,291	1,203,282	(346,991)
Student transportation	187,127	187,127	195,106	(7,979)
Central office	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Community service activities	-	-	-	-
Other	45,908	45,908	45,887	21
Total expenditures	9,249,896	9,249,896	9,243,482	6,414
Excess (deficit) of revenues over expenditures	(1,404,692)	(1,404,692)	(236,654)	1,168,038
Other Financing Sources (Uses):				
Proceeds from the sale of fixed assets	-	-	-	-
Operating transfers in	-	-	221,141	221,141
Operating transfers out	(15,000)	(15,000)	(15,343)	(343)
Total other financing sources (uses)	(15,000)	(15,000)	205,798	220,798
Net change in fund balance	(1,419,692)	(1,419,692)	(30,856)	1,388,836
Fund balance, July 1, 2022	1,419,692	1,419,692	1,491,918	72,226
Fund balance, June 30, 2023	\$ -	\$ -	\$ 1,461,062	\$ 1,461,062

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

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

SPECIAL REVENUE FUND

For the year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Earnings on investments	\$ -	\$ -	\$ -	\$ -
Other local revenue	40,000	63,814	50,203	(13,611)
State aid	316,304	2,927,353	423,486	(2,503,867)
Federal aid	853,736	1,273,787	1,498,740	224,953
Total revenues	1,210,040	4,264,954	1,972,429	(2,292,525)
Expenditures:				
Current:				
Instruction	1,009,626	1,460,629	1,453,127	7,502
Support Services:				
Student	29,607	170,326	170,144	182
Instructional staff	54,565	54,565	94,717	(40,152)
District administration	-	-	-	-
School administration	-	-	-	-
Business	-	-	-	-
Plant operations and maintenance	-	2,505,000	56,444	2,448,556
Student transportation	-	-	111,204	(111,204)
Central office	-	-	-	-
Community services activities	131,242	113,261	102,136	11,125
Total expenditures	1,225,040	4,303,781	1,987,772	2,316,009
Excess of (deficit) revenues over expenditures	(15,000)	(38,827)	(15,343)	23,484
Other Financing Sources (Uses):				
Transfers in	15,000	15,343	15,343	-
Transfers out	-	-	-	-
Total other financing sources (uses)	15,000	15,343	15,343	-
Net change in fund balance	-	(23,484)	-	23,484
Fund balance July 1, 2022	-	-	-	-
Fund balance June 30, 2023	\$ -	\$ (23,484)	\$ -	\$ 23,484

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

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

JUNE 30, 2023

	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023
CERS:									
District's proportion of the net pension liability (asset)	0.042352%	0.039875%	0.037787%	0.035563%	0.034363%	0.033348%	0.031395%	0.029354%	0.033076%
District's proportionate share of the net pension liability (asset)	\$ 1,374,000	\$ 1,714,429	\$ 1,860,491	\$ 2,081,612	\$ 2,092,811	\$ 2,345,380	\$ 2,407,971	\$ 1,871,548	\$ 2,391,069
District's covered-employee payroll	\$ 930,475	\$ 899,302	\$ 866,348	\$ 851,720	\$ 841,335	\$ 803,561	\$ 750,593	\$ 916,089	\$ 928,854
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	147.67%	190.64%	214.75%	244.40%	248.75%	291.87%	320.81%	204.29%	257.42%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	60.00%	55.50%	53.30%	53.54%	50.45%	47.81%	57.33%	52.42%
KTRS:									
District's proportion of net pension liability	0.1359%	0.1262%	0.1301%	0.1294%	0.1265%	0.1261%	0.1194%	0.1149%	0.1187%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of Kentucky's share of the net pension liability associated with the district	<u>27,929,557</u>	<u>29,362,234</u>	<u>38,388,195</u>	<u>34,926,734</u>	<u>16,570,644</u>	<u>17,206,735</u>	<u>16,918,993</u>	<u>14,947,462</u>	<u>20,117,329</u>
Total	<u>\$ 27,929,557</u>	<u>\$ 29,362,234</u>	<u>\$ 38,388,195</u>	<u>\$ 34,926,734</u>	<u>\$ 16,570,644</u>	<u>\$ 17,206,735</u>	<u>\$ 16,918,993</u>	<u>\$ 14,947,462</u>	<u>\$ 20,117,329</u>
District's covered-employee payroll	\$ 4,290,007	\$ 4,072,694	\$ 4,288,142	\$ 4,293,102	\$ 4,353,215	\$ 4,371,831	\$ 4,142,331	\$ 3,946,031	\$ 4,339,713
District's proportionate share of the net pension liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.59%	44.70%	57.04%	39.80%	59.30%	58.80%	58.27%	65.59%	56.41%

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

The amounts presented have a measurement date of the previous fiscal year end.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

JUNE 30, 2023

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
CERS:									
Contractually required contribution	\$ 118,636	\$ 111,693	\$ 120,856	\$ 123,329	\$ 136,465	\$ 155,087	\$ 144,865	\$ 193,934	\$ 217,352
Contributions in relation to the contractually required contribution	<u>118,636</u>	<u>111,693</u>	<u>120,856</u>	<u>123,329</u>	<u>136,465</u>	<u>155,087</u>	<u>144,865</u>	<u>193,934</u>	<u>217,352</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 930,475	\$ 899,302	\$ 866,348	\$ 851,720	\$ 841,335	\$ 803,561	\$ 750,593	\$ 916,089	\$ 928,854
Contributions as a percentage of covered-employee payroll	12.75%	12.42%	13.95%	14.48%	16.22%	19.30%	19.30%	21.17%	23.40%
KTRS:									
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$4,290,007	\$4,072,694	\$4,288,142	\$4,293,102	\$4,353,215	\$4,371,831	\$4,142,331	\$3,946,031	\$4,339,713
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY

JUNE 30, 2023

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
CERS - INSURANCE FUND:						
District's proportion of the net OPEB liability (asset)	0.035563%	0.034362%	0.033339%	0.031386%	0.029348%	0.033073%
District's proportionate share of the net OPEB liability (asset)	\$ 714,938	\$ 610,090	\$ 560,747	\$ 757,876	\$ 561,853	\$ 652,700
District's covered-employee payroll	\$ 851,720	\$ 841,335	\$ 803,561	\$ 750,593	\$ 916,089	\$ 928,854
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	83.94%	72.51%	69.78%	100.97%	61.33%	70.26%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	57.62%	60.44%	51.67%	62.91%	60.95%
KTRS - MEDICAL INSURANCE PLAN:						
District's proportion of net OPEB liability	0.124959%	0.122690%	0.122722%	0.116309%	0.111954%	0.114899%
District's proportionate share of the net OPEB liability	\$ 2,452,000	\$ 2,287,000	\$ 1,987,000	\$ 1,630,000	\$ 1,326,000	\$ 2,147,000
State of Kentucky's share of the net OPEB liability associated with the district	<u>2,003,000</u>	<u>1,970,000</u>	<u>1,605,000</u>	<u>1,306,000</u>	<u>1,077,000</u>	<u>705,000</u>
TOTAL	<u>\$ 4,455,000</u>	<u>\$ 4,257,000</u>	<u>\$ 3,592,000</u>	<u>\$ 2,936,000</u>	<u>\$ 2,403,000</u>	<u>\$ 2,852,000</u>
District's covered-employee payroll	\$ 4,293,102	\$ 4,353,215	\$ 4,371,831	\$ 4,142,331	\$ 3,946,031	\$ 4,339,713
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	57.11%	52.54%	45.45%	39.35%	33.60%	49.47%
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%	25.50%	32.58%	39.05%	51.74%	47.75%

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

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY (CONTINUED)

JUNE 30, 2023

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
KTRS - LIFE INSURANCE PLAN:						
District's proportion of the net OPEB liability	0.122083%	0.119908%	0.119957%	0.113741%	0.109439%	0.112823%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the District	<u>27,000</u>	<u>34,000</u>	<u>37,000</u>	<u>39,000</u>	<u>14,000</u>	<u>35,000</u>
Total	<u>\$ 27,000</u>	<u>\$ 34,000</u>	<u>\$ 37,000</u>	<u>\$ 39,000</u>	<u>\$ 14,000</u>	<u>\$ 35,000</u>
District's covered payroll	\$ 4,293,102	\$ 4,353,215	\$ 4,371,831	\$ 4,142,331	\$ 3,946,031	\$ 4,339,713
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	79.99%	75.00%	73.40%	71.57%	89.15%	73.97%

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

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS

JUNE 30, 2023

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
CERS - INSURANCE FUND:						
Contractually required contribution	\$ 48,769	\$ 54,096	\$ 50,290	\$ 54,328	\$ 71,439	\$ 55,020
Contributions in relation to the contractually required contribution	<u>48,769</u>	<u>54,096</u>	<u>50,290</u>	<u>54,328</u>	<u>71,439</u>	<u>55,020</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 851,720	\$ 841,335	\$ 803,561	\$ 750,593	\$ 916,089	\$ 928,854
Contributions as a percentage of covered-employee payroll	5.72%	6.43%	6.26%	7.24%	7.79%	5.92%
KTRS - MEDICAL INSURANCE PLAN:						
Contractually required contributions (actuarially determined)	\$ 117,835	\$ 117,386	\$ 118,221	\$ 114,051	\$ 109,661	\$ 114,757
Contributions in relation to the actuarially determined contributions	<u>117,835</u>	<u>117,386</u>	<u>118,221</u>	<u>114,051</u>	<u>109,661</u>	<u>114,757</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 4,293,102	\$ 4,353,215	\$ 4,371,831	\$ 4,142,331	\$ 3,946,031	\$ 4,339,713
Contributions as a percentage of covered employee payroll	2.74%	2.70%	2.70%	2.75%	2.77%	2.64%

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

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS (CONTINUED)

JUNE 30, 2023

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
KTRS - LIFE INSURANCE PLAN:						
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered payroll	\$ 4,293,102	\$ 4,353,215	\$ 4,371,831	\$ 4,142,331	\$ 3,946,031	\$ 4,339,713
District's contributions as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CERS)

For the year ended June 30, 2023

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 District'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 District's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

NOTE B – CHANGES OF ASSUMPTIONS

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

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

- The initial healthcare trend rate for pre-65 was 6.40% at January 1, 2022, 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 6.30% at January 1, 2022, which gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years.

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

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

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

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

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

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

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

- 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.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CERS)

For the year ended June 30, 2023

NOTE B – CHANGES OF ASSUMPTIONS – CONTINUED

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

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

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

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

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

June 30, 2017 – Pension – Non-hazardous

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

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

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

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

June 30, 2015 – Pension – Non-hazardous

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

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

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CERS)

For the year ended June 30, 2023

NOTE B – CHANGES OF ASSUMPTIONS – CONTINUED

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.

NOTE C – CHANGES OF BENEFITS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to the surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2019 is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for qualified members who become "totally and permanently disabled" as a result of a duty-related disability. The minimum disability benefit increased from 25% of the member's monthly final rate of pay to 75% of the member's monthly average pay. The insurance premium for the member, the member's spouse, and the member's dependent children shall also be paid in full by the System. For non-hazardous members to be eligible for this benefit, they must be working in a position that could be certified as a hazardous position. There were no other material plan provision changes since the prior valuation.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (TRS)

NOTE A – CHANGES OF ASSUMPTIONS

In the 2020 valuation, rates of withdrawal, retirement, disability, mortality and salary increase were adjusted to more closely reflect actual experience. The expectation of mortality was changed to the Pub-2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs and adjustments for each of the groups: service retirees, contingent annuitants, disabled retirees and actives. The assumed long-term investment rate of return was changed from 7.5% to 7.1% and the price inflation assumption was lowered from 3% to 2.5%.

In 2019, valuation on the salary increase was reduced to 3.5% - 7.3% from 4.0% - 8.2%.

In 2018, the calculation of Single Equivalent Interest Rate resulted in an assumption change from 4.49% to 7.50%.

In 2017, the calculation of the Single Equivalent Interest Rate resulted in an assumption change from 4.20% to 4.49%.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (TRS)

For the year ended June 30, 2023

NOTE A – CHANGES OF ASSUMPTIONS – CONTINUED

In the 2016 valuation, rates of withdrawal, retirement, disability, mortality and rates of salary increases were adjusted to more closely reflect actual experience. In the 2016 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2025 with projection scale BB, set forward two years for males and one year for females rather than the RP-2000 Mortality Tables projected to 2020 with projection scales AA, which was used prior to 2016.

In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2020 with projection scale AA, set back one year for females rather than the 1994 Group Annuity Mortality Tables which was used prior to 2016. For the 2011 valuation through the 2013 valuation, an interest smoothing methodology was used to calculate liabilities for purposes of determining the actuarially determined contributions.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule:

Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Amortization Period (closed)	25 years
Asset Valuation Method	5-year smoothed value
Real Wage Growth	0.50 percent
Wage Inflation	3.00 percent
Salary Increases, including Wage Inflation	3.50 – 7.20 percent
Discount Rate	7.50 percent

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for TRS pension.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (TRS)
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY**

NOTE A – CHANGES OF ASSUMPTIONS

2017

There were no changes in assumptions.

2018

There were no changes in assumptions.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (TRS)
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY**

For the year ended June 30, 2023

NOTE A – CHANGES OF ASSUMPTIONS – CONTINUED

2019

There were no changes in assumptions.

2020

Health care cost trend rates were updated for the June 30, 2019 valuation.

2021

There were no changes in assumptions.

2022

There were no changes in assumptions.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Methods and assumptions used in the actuarially determined contributions – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2021:

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Amortization Period	21 years, Closed
Asset Valuation Method	Five-year smoothed value
Inflation	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Salary Increases, Including Wage Inflation	3.0% - 7.5%
Discount Rate	7.10%
Healthcare Cost Trends	
Under 65	7.00% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2032
Ages 65 and Older	5.125% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2025
Medicare Part B Premiums	6.97 for FY 2022 with an ultimate rate of 4.50% by 2034

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (TRS)
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY**

For the year ended June 30, 2023

NOTE C – CHANGES OF BENEFITS

Changes of benefit terms (June 30, 2018) – With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP "Shared Responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

Benefit changes, which are reflected immediately, will increase OE, if there is a benefit improvement for existing Plan members, or decrease OE, if there is a benefit reduction. For the year ended June 30, 2022, there was a benefit change to be recognized due to the benefit tier that was added for members joining the System on and after January 1, 2022.

COMBINING STATEMENTS – NONMAJOR FUNDS

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2023

	<u>Debt Service Fund</u>	<u>District Activity Fund</u>	<u>School Activity Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets and Resources:					
Cash and cash equivalents	\$ -	\$ 12,243	\$ 77,214	\$ -	\$ 89,457
Accounts receivables	-	-	-	-	-
Total assets and resources	<u>\$ -</u>	<u>\$ 12,243</u>	<u>\$ 77,214</u>	<u>\$ -</u>	<u>\$ 89,457</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-	-
Fund Balances:					
Restricted For:					
Debt Service	-	-	-	-	-
District activity	-	12,243	-	-	12,243
School activity	-	-	77,214	-	77,214
Total fund balances	<u>-</u>	<u>12,243</u>	<u>77,214</u>	<u>-</u>	<u>89,457</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 12,243</u>	<u>\$ 77,214</u>	<u>\$ -</u>	<u>\$ 89,457</u>

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

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS**

For the year ended June 30, 2023

	Debt Service Fund	District Activity Fund	School Activity Fund	SEEK Capital Outlay Fund	Total Nonmajor Governmental Funds
Revenues:					
From local sources					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	442	-	1,009	-	1,451
Other local revenues	-	225	382,198	-	382,423
Intergovernmental - state	132,199	-	-	73,056	205,255
Intergovernmental - indirect federal	102,572	-	-	-	102,572
Total revenues	235,213	225	383,207	73,056	691,701
Expenditures:					
Instruction	-	3,610	228,087	-	231,697
Support services:					
Student	-	-	-	-	-
Instructional staff	-	-	-	-	-
Direct administrative	-	-	-	-	-
School administrative	-	-	-	-	-
Business	-	-	-	-	-
Plant operation and maintenance	-	-	-	-	-
Student transportation	-	-	6,732	-	6,732
Central office	-	-	-	-	-
Facilities and construction	-	-	-	-	-
Community service activities	-	-	-	-	-
Other	852,633	-	124,407	-	977,040
Total expenditures	852,633	3,610	359,226	-	1,215,469
Excess (deficit) of revenues over expenditures	(617,420)	(3,385)	23,981	73,056	(523,768)
Other Financing Sources (Uses):					
Bond proceeds	1,095,129	-	-	-	1,095,129
Operating transfers in	593,720	1,995	-	-	595,715
Operating transfers out	(1,071,429)	-	(1,995)	(73,056)	(1,146,480)
Non operating transfers in	-	-	-	-	-
Non operating transfers out	-	-	-	-	-
Total other financing sources (uses)	617,420	1,995	(1,995)	(73,056)	544,364
Net change in fund balance	-	(1,390)	21,986	-	20,596
Fund balance, July 1, 2022	-	13,633	55,228	-	68,861
Fund balance, June 30, 2023	\$ -	\$ 12,243	\$ 77,214	\$ -	\$ 89,457

OTHER COMBINING STATEMENTS AND SCHOOL ACTIVITY FUNDS

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENTS/GROUPS

PAINTSVILLE ELEMENTARY SCHOOL ACTIVITY FUND

For the year ended June 30, 2023

	Cash Balance July 1, 2022	Receipts	Disbursements	Transfers	Cash Balance June 30, 2023	Accounts Receivable June 30, 2023	Accounts Payable June 30, 2023	Due to Students & Others June 30, 2023
School Activity And Projects Funds	\$ 16,820	\$ 51,515	\$ 49,081	\$ (1,995)	\$ 17,259	\$ -	\$ -	\$ 17,259
Athletic Fund	2,418	40,739	25,258	-	17,899	-	-	17,899
Sweep Account	220	-	-	-	220	-	-	220
Totals	\$ 19,458	\$ 92,254	\$ 74,339	\$ (1,995)	\$ 35,378	\$ -	\$ -	\$ 35,378

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

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENTS/GROUPS

PAINTSVILLE HIGH SCHOOL ACTIVITY FUND

For the year ended June 30, 2023

	Cash Balance July 1, 2022	Receipts	Disbursements	Transfers	Cash Balance June 30, 2023	Accounts Receivable June 30, 2023	Accounts Payable June 30, 2023	Due to Students & Others June 30, 2023
Academic Boosters	\$ 149	\$ 268	280	\$ -	\$ 137	\$ -	\$ -	137
AP Exams	1,240	3,578	2,295	(569)	1,954	-	-	1,954
Athletic Fund	3,978	167,040	159,826	(121)	11,071	-	-	11,071
Band Booster Club	-	42,114	42,343	229	-	-	-	-
Beta Club	-	952	131	-	821	-	-	821
Cheer Varsity	1,315	9,200	9,319	-	1,196	-	-	1,196
Class of 2025	-	1,750	1,784	34	-	-	-	-
Class of 2022	-	-	84	84	-	-	-	-
Class of 2023	4,517	891	1,426	(1,155)	2,827	-	-	2,827
Class of 2024	2,844	2,953	896	-	4,901	-	-	4,901
Class of 2026	210	-	-	-	210	-	-	210
Class of 2027	54	3,943	4,304	1,155	848	-	-	848
Class of 2028	-	1,491	1,422	-	69	-	-	69
ESPYS	413	-	1,896	1,483	-	-	-	-
FACS	-	70	-	-	70	-	-	70
FCA	346	507	349	-	504	-	-	504
Fees	1,029	-	-	-	1,029	-	-	1,029
Field Day	329	3,380	4,389	1,059	379	-	-	379
General	3,452	31,820	32,877	(2,091)	304	-	-	304
Library Media Center	-	-	-	-	-	-	-	-
MC CMPS	-	570	545	-	25	-	-	25
PHS Cheer	162	1,771	1,878	-	55	-	-	55
PHS Donations	108	-	-	(108)	-	-	-	-
Project Graduation	2,902	-	2,750	-	152	-	-	152
Project Prom	1,863	11,965	7,307	-	6,521	-	-	6,521
Pride Club	472	-	-	-	472	-	-	472
Staff Pop	6,589	6,598	8,074	-	5,113	-	-	5,113
Student Council	1,382	-	-	-	1,382	-	-	1,382
Sweep Account	30	-	-	-	30	-	-	30
Theatre	383	-	-	-	383	-	-	383
Yearbook	2,032	474	1,123	-	1,383	-	-	1,383
Totals	\$ 35,799	\$ 291,335	\$ 285,298	\$ -	\$ 41,836	\$ -	\$ -	\$ 41,836

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

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENTS/GROUPS

SCHOOL ACTIVITY FUND

For the year ended June 30, 2023

	<u>Cash Balance July 1, 2022</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Transfers</u>	<u>Cash Balance June 30, 2023</u>	<u>Accounts Receivable June 30, 2023</u>	<u>Accounts Payable June 30, 2023</u>	<u>Due to Students & Others June 30, 2023</u>
High School								
Paintsville	\$ 35,799	\$ 291,335	\$ 285,298	\$ -	\$ 41,836	\$ -	\$ -	\$ 41,836
Elementary School								
Paintsville	19,458	92,254	74,339	(1,995)	35,378	-	-	35,378
Totals	<u>\$ 55,257</u>	<u>\$ 383,589</u>	<u>\$ 359,637</u>	<u>\$ (1,995)</u>	<u>\$ 77,214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,214</u>

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

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

DEBT SERVICE FUNDS

For the year ended June 30, 2023

	Issue of 2023 1st Series	Issue of 2020 Refunding	Issue of 2018 Refunding	QZAB Series 2012	Issue of 2012	Total Debt Service Funds
Revenues:						
Earning on investments	\$ -	\$ -	\$ -	\$ 442	\$ -	\$ 442
Intergovernmental - state	-	66,987	15,967	-	49,245	132,199
Intergovernmental - federal	-	-	-	102,572	-	102,572
Total revenues	-	66,987	15,967	103,014	49,245	235,213
Expenditures:						
Current:						
Bond principal	-	175,000	45,000	88,917	250,000	558,917
Bond interest	-	30,500	58,113	108,772	72,631	270,016
Bond costs	23,700	-	-	-	-	23,700
Total expenditures	23,700	205,500	103,113	197,689	322,631	852,633
Excess (deficit) of revenues over expenditures	(23,700)	(138,513)	(87,146)	(94,675)	(273,386)	(617,420)
Other Financing Sources (Uses):						
Bond Proceeds	1,095,129	-	-	-	-	1,095,129
Operating transfers in	-	138,513	87,146	94,675	273,386	593,720
Operating transfers out	(1,071,429)	-	-	-	-	(1,071,429)
Non operating transfers in	-	-	-	-	-	-
Non operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	23,700	138,513	87,146	94,675	273,386	617,420
Net change in fund balance	-	-	-	-	-	-
Fund balance, July 1, 2022	-	-	-	-	-	-
Fund balance, June 30, 2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2023

FEDERAL GRANTOR/ PASS - THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	Federal CFDA Number	Pass - Through Grantor's Number	Federal Expenditures
<u>U.S. DEPT. OF AGRICULTURE</u>			
Passed Through State Dept. of Education:			
<u>CHILD NUTRITION CLUSTER</u>			
National School Lunch Program	10.555	7750002 22 7750002 23 9980000 22 9980000 23	\$ 81,010 278,752 22,426 12,583 <hr/> 394,771
Passed Through State Dept. of Agriculture:			
Food Donation (In-Kind Commodities)	10.555	1006	<hr/> 29,605
School Breakfast Program	10.553	7760005 22 7760005 23	21,297 65,456 <hr/> 86,753
Summer Food Service Program for Children	10.559	7690024 22 7740023 22	8,195 79,582 <hr/> 87,777
TOTAL CHILD NUTRITION CLUSTER			<hr/> 598,906
State Administrative Expenses for Child Nutrition	10.560	7700001 22	<hr/> 761
Pandemic EBT Administrative Costs	10.649	9990000 22	<hr/> 628
TOTAL U.S. DEPT. OF AGRICULTURE			<hr/> 600,295
<u>U.S. DEPT. OF EDUCATION</u>			
Passed Through State Dept. of Education:			
Title I - Grants to Local Educational Agencies	84.010	3100002 20 3100002 21 3100002 22	365 36,372 209,945 <hr/> 246,682
Career and Technical Education - Basic Grants to States	84.048	3710002 21 3710002 22	4,488 4,007 <hr/> 8,495
Rural Education	84.358	3140002 21 3140002 22	10,799 3,350 <hr/> 14,149
Supporting Effective Instruction - State Grant	84.367	3230002 21 3230002 22	11,444 24,921 <hr/> 36,365
			<hr/> 305,691

The accompanying notes are an integral part of this schedule.
(Continued next page)

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2023

(Continued)

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	Federal CFDA Number	Pass - Through Grantor's Number	Federal Expenditures
Student Support and Academic Enrichment Program	84.424	3420002 21 3420002 22	2,287 415 <u>2,702</u>
Education Stabilization Fund	84.425	4200002 21 4300002 21 4300005 21 4980002 21	31,264 560,443 1,890 2,792 <u>596,389</u>
Elementary & Secondary School Emergency Relief (ESSER) Fund	84.425D	701J	<u>5,000</u>
American Rescue Plan - Elementary and Secondary Schools Emergency Relief Fund (ARP - ESSER)	84.425U	563J	<u>32,809</u>
<u>SPECIAL EDUCATION CLUSTER (IDEA)</u>			
Special Education - Grants to States	84.027	4910002 21 3810002 20 3810002 21 3810002 22	9,822 14,113 33,279 106,195 <u>163,409</u>
Special Education - Preschool Grants	84.173	3800002 20 3800002 21 4900002 21	4,080 7,069 2,103 <u>13,252</u>
TOTAL SPECIAL EDUCATION CLUSTER			<u>176,661</u>
TOTAL U.S. DEPT. OF EDUCATION			<u>1,119,252</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through Big Sandy Area Community Action Program, Inc.: Head Start	93.600	04CH011865 22 04CH011865 23	101,015 195,225 <u>296,240</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>296,240</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,015,787</u></u>

The accompanying notes are an integral part of this schedule.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2023

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Paintsville Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. At June 30, 2023 the District had no food commodities in inventory.

NOTE D – TYPE A PROGRAMS

The Paintsville Independent School District did not have any Type A programs for which total expenditures of federal awards exceeded \$750,000 for fiscal year 2023.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued *unmodified*.

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	National School Lunch Program
10.555	Food Donation (In-Kind Commodities)
10.553	School Breakfast Program
10.559	Summer Food Service Program for Children

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

Auditee qualified as low-risk auditee? yes no

SECTION II – FINDINGS-FINANCIAL STATEMENTS AUDIT

2023 – 001 Payroll Noncompliance (A Non-Repeat Finding)

Condition: Central office is not tracking days worked for some staff members.

Criteria: The District needs to keep up with all employees' days worked and sick time taken per the individuals contract.

Cause of Condition: Central office is too relaxed on keeping up with work days on a consistent basis.

Effect: Employees may not be working the number of days stated in their contract. Also, retirees could be receiving more in their sick leave buyout than what they are entitled.

Recommendation: The Superintendent needs to make sure a policy is in place mandating all employees are to clock or sign in or they will be considered absent with no exceptions. The employees' supervisor should review and sign off on documentation supporting the accuracy of the report. Then it is to be given to the payroll clerk for payroll and record keeping of the absences.

Views of Responsible Officials and Planned Corrective Actions: Our Chief Finance Officer will develop a corrective action plan for our payroll department to ensure all employees timesheets are collected, effective October 9, 2023.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No matters were reported.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2023

All prior year comments were addressed by the District. Corrections were initiated or improvements made in the documentation that was recommended.

2022-001 Fraudulent Checks Cashed

**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***



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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

Members of the Board of Education
Paintsville Independent School District
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 and the requirements prescribed by the Kentucky State Committee for School District Audits in the Independent Auditor's Contract, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Paintsville Independent School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Paintsville Independent School District's basic financial statements and have issued our report thereon dated October 9, 2023.

Report On Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Paintsville Independent School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Paintsville Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Paintsville Independent School District'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report On Compliance and Other Matters

As part of obtaining reasonable assurance about whether Paintsville Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2023-001.

In addition, the results of our tests disclosed no instances of material noncompliance of specific state statues or regulation identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We noted certain matters that we reported to management of Paintsville Independent School District, in a separate letter dated October 9, 2023.

Paintsville Independent School District's Response to Findings

Governmental Auditing Standards requires the auditor to perform limited procedures on the Paintsville Independent School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Paintsville Independent School District'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
October 9, 2023

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



WELLS & COMPANY, P.S.C.

Certified Public Accountants

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

Members of the Board of Education
Paintsville Independent School District
Paintsville, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Paintsville Independent School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions,

misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Paintsville Independent School District's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

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

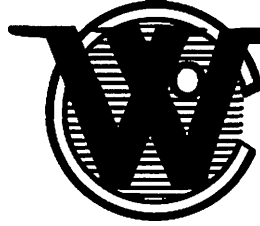
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



Certified Public Accountants
Paintsville, Kentucky
October 9, 2023

MANAGEMENT LETTER COMMENTS



WELLS & COMPANY, P.S.C.

Certified Public Accountants

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Kentucky State Committee for School District Audits
Members of the Board of Education
Paintsville Independent School District
Paintsville, Kentucky

In planning and performing our audit of the financial statements of Paintsville Independent School District (the "District") as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated October 9, 2023 on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

Wells & Company PSC

Certified Public Accountants
Paintsville, Kentucky
October 9, 2023

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

June 30, 2023

PRIOR YEAR COMMENTS

All prior year comments were addressed by the District. Corrections were initiated or improvements made in the documentation that was recommended except for Activity Fund 22-1 Spent over \$40,000 with a vendor without any bid, in which this problem still exists.

PAINTSVILLE INDEPENDENT SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS - CONTINUED

June 30, 2023

CURRENT YEAR COMMENTS

Board Fund 23-1 Spent Over \$40,000 With A Vendor Without Any Bid (Repeat)

Condition: Found where the District Office paid a vendor over \$40,000 for services without obtaining any bids.

Criteria: All items and services over \$40,000 must be bid unless it is an emergency item or a professional service.

Cause of Condition: Paintsville Independent School District failed to notice that they had spent over \$40,000 with this vendor.

Effect: The District was in violation of the bid laws.

Recommendation: We recommend obtaining bids for all items over \$40,000 unless it is an emergency item or professional service.

Views of Responsible Officials and Planned Corrective Actions: We disagree with this finding based on statute.

45A.380(3) allows noncompetitive negotiation for the services of a "licensed professional" which includes an "educational specialist." This would seem to encompass various professions on par with school psychologists, speech-language pathologists, behavioral specialists, etc. The same section allows for noncompetitive negotiation for the services of a "technician" and lists plumbers, electricians, carpenters, or mechanics as examples. Randy McCarty is a carpenter.

Additionally, to trigger the bid requirements, KRS 45A.385 (1) defines "Aggregate amount" means the total dollar amount during a fiscal year of items of a like nature, function, and use the need for which can reasonably be determined at the beginning of the fiscal year. Here, facility repairs that were made could not have been reasonably determined at the beginning of the school year and were more in line with emergency repairs made due to storm damage. The monies which paid for these repairs were insurance funds, not school funds, even though the initial payment was made by the district and later reimbursed by the insurance company.

Activity Fund 23-2 Activity Funds Spent on Teachers

Condition: Student generated funds from vending machine profits are being put into the teachers' accounts and being spent on staff.

Criteria: If teachers want to use profits generated from vending machines, then the machines have to be in a location where only the teachers have access to and be used strictly by the staff.

Cause of Condition: Principal failed to monitor the bookkeeping to see how profits were being coded and distributed.

Effect: Student funds were spent on the staff. Money generated from these vending machines was from the staff, students, and public and should be considered student activity funds to be used on the students only.

Recommendation: If the staff wants to use the profits generated from any vending machines as their own, they need to be moved to a location where only the staff have access. In addition, all profits generated from these machines last year need to be returned to the student activity account.

Views of Responsible Officials and Planned Corrective Actions: Our Chief Finance Officer will develop a corrective action plan to correct this finding, effective immediately.