

**VERSAILLES-MIDWAY-WOODFORD COUNTY  
PLANNING COMMISSION**

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**AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2025**

**KERBAUGH, RODES & BUTLER, PLLC**

**CERTIFIED PUBLIC ACCOUNTANTS**

**DANVILLE, KENTUCKY**

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## Independent Auditor's Report

Board of Commissioners  
Versailles-Midway-Woodford County Planning Commission  
Versailles, Kentucky

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of the Versailles-Midway-Woodford County Planning Commission (the Commission) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Commission'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 Commission, as of June 30, 2025, and the changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

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

#### Emphasis of Matter-Change in Accounting Principle

As discussed in Note 10 to the financial statements, the Commission adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

#### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission'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 opinion. 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 Commission'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 Commission'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 the historical pension and historical OPEB information on pages 18 through 23 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.

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying statement of revenue, expenses, and changes in net position-budget to actual, is presented for purposes of additional analysis and is 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, statement of revenue, expenses, and changes in net position-budget to actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2025, on our consideration of the Commission'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 Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

***Kerbaugh, Rodes & Butler, PLLC***

Kerbaugh, Rodes & Butler, PLLC  
Certified Public Accountants

Danville, Kentucky  
December 18, 2025

## **BASIC FINANCIAL STATEMENTS**

**VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING COMMISSION**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2025**

**ASSETS**

|                         |                |
|-------------------------|----------------|
| Current assets:         |                |
| Cash                    | \$ 138,582     |
| Noncurrent assets:      |                |
| Capital assets, net     | 24,304         |
| Net OPEB asset          | <u>15,414</u>  |
| Total noncurrent assets | <u>39,718</u>  |
| Total assets            | <u>178,300</u> |

**DEFERRED OUTFLOWS OF RESOURCES**

|   |                   |
|---|-------------------|
| Deferred outflows of resources - pension        | 105,203           |
| Deferred outflows of resources - OPEB           | <u>36,223</u>     |
| Total deferred outflows of resources            | <u>141,426</u>    |
| Total assets and deferred outflows of resources | <u>\$ 319,726</u> |

**LIABILITIES**

|                                    |                |
|------------------------------------|----------------|
| Current liabilities:               |                |
| Accounts payable                   | \$ 343         |
| Accrued liabilities                | 136            |
| Current portion of lease liability | <u>4,482</u>   |
| Total current liabilities          | <u>4,961</u>   |
| Noncurrent liabilities:            |                |
| Lease liability                    | 7,384          |
| Compensated absences               | 11,953         |
| Net pension liability              | <u>532,377</u> |
| Total noncurrent liabilities       | <u>551,714</u> |
| Total liabilities                  | <u>556,675</u> |

**DEFERRED INFLOWS OF RESOURCES**

|   |                |
|---|----------------|
| Deferred inflows of resources - pension | 122,795        |
| Deferred inflows of resources - OPEB    | <u>176,150</u> |
| Total deferred inflows of resources     | <u>298,945</u> |

**NET POSITION:**

|  |                   |
|--|-------------------|
| Net investment in capital assets                                   | 12,438            |
| Unrestricted   | <u>(548,332)</u>  |
| Total net position   | <u>(535,894)</u>  |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 319,726</u> |

See accompanying notes to financial statements.

**VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING COMMISSION  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2025**

**OPERATING REVENUES**

Government funding:

|   |                |
|---|----------------|
| City of Versailles                          | \$ 112,461     |
| City of Midway                              | 28,116         |
| Woodford County Fiscal Court                | 112,461        |
| Fees  | 171,043        |
| Geographic Information System (GIS) Mapping | 2,083          |
| Other revenue                               | 141            |
| Total operating revenues                    | <u>426,305</u> |

**OPERATING EXPENSES**

|                          |                |
|--------------------------|----------------|
| Advertising              | 1,756          |
| Auto                     | 3,533          |
| Depreciation             | 12,992         |
| Dues and publications    | 3,681          |
| Education and training   | 748            |
| GIS Mapping              | 36,915         |
| Insurance                | 72,626         |
| Miscellaneous            | 10,421         |
| Office supplies          | 999            |
| Outside services         | 20,855         |
| Payroll taxes            | 21,331         |
| Postage                  | 507            |
| Printing                 | 1,431          |
| Professional fees        | 22,775         |
| Rent/leases              | 5,707          |
| Retirement               | (48,560)       |
| Salaries                 | 279,632        |
| Telephone                | 2,090          |
| Total operating expenses | <u>449,439</u> |

**OPERATING INCOME**

**NONOPERATING INCOME**

|                           |             |
|---------------------------|-------------|
| Interest                  | (1,061)     |
| Interest income           | 1,044       |
| Total nonoperating income | <u>(17)</u> |

**CHANGE IN NET POSITION**

|  |                  |
|--|------------------|
| Net position, beginning of the year              | (506,774)        |
| Change in accounting principle                   | (5,969)          |
| Net position, beginning of the year, as restated | <u>(512,743)</u> |

**NET POSITION, END OF YEAR**

\$ (535,894)

See accompanying notes to financial statements.

**VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING COMMISSION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2025**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|  |                  |
|--|------------------|
| Receipts from users for services                 | \$ 173,267       |
| Receipts from local governments                  | 253,038          |
| Payments to employees                            | (350,671)        |
| Payments to others for goods and services        | <u>(184,421)</u> |
| Net cash provided (used) by operating activities | <u>(108,787)</u> |

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

|  |                |
|--|----------------|
| Principal payments on lease liability                                | (4,159)        |
| Interest paid on lease   | <u>(1,061)</u> |
| Net cash provided (used) by capital and related financing activities | <u>(5,220)</u> |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|  |              |
|--|--------------|
| Interest income                                  | <u>1,044</u> |
| Net cash provided (used) by investing activities | <u>1,044</u> |

**NET INCREASE (DECREASE) IN CASH** (112,963)

|                              |                          |
|------------------------------|--------------------------|
| Cash, beginning of the year  | <u>251,545</u>           |
| <b>Cash, end of the year</b> | <b><u>\$ 138,582</u></b> |

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

|  |                     |
|--|---------------------|
| Operating income   | \$ (23,134)         |
| Adjustments to reconcile changes in retained earnings to net cash provided (used) by operating activities: |                     |
| Depreciation   | 12,992              |
| Change in net pension liability  | (45,726)            |
| Change in net OPEB liability (asset)   | (45,097)            |
| Net change in assets and liabilities   |                     |
| Increase (decrease) in accounts payable  | (377)               |
| Increase (decrease) in accrued liabilities   | (6,597)             |
| Increase (decrease) in compensated absences  | <u>(848)</u>        |
| Net cash provided (used) by operating activities   | <u>\$ (108,787)</u> |

See accompanying notes to financial statements.

**VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**Note 1. Summary of Significant Accounting Policies**

The Versailles-Midway-Woodford County Planning Commission (the Commission) is a joint venture for regulating building, zoning and land use in the Versailles-Midway-Woodford County area. The objectives, purpose, powers and duties are stated in the Kentucky Revised Statutes and various amendments and supplements to the Statutes. This summary of significant accounting policies for the Commission is presented to assist in understanding the Commission's financial statements. The financial statements and related notes are the representation of the Commission's management who is responsible for their integrity and objectivity. The accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**Basis of Presentation**

The basic financial statements of the Commission have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Measurement Focus and Basis of Accounting**

The Commission's financial statements have been prepared using the accrual basis of accounting. Revenues and the related assets are recognized when earned, rather than when received. Expenses and the related liabilities are recognized when the obligation is incurred, rather than paid. Operating revenues are those revenues that are generated from the primary operations of the Commission. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations. All other expenses are reported as non-operating expenses.

**Deposits and Investments**

Cash includes amounts in checking accounts and savings. Kentucky Revised Statute 66.480 authorizes the Commission to invest in various obligations including, but not limited to, obligations of the U.S. Treasury, in bonds or certificates of indebtedness of this state and of its agencies; savings and loan associations insured by an agency of the government of the United States up to the amount so insured; interest bearing deposits in state or national banks chartered in Kentucky and insured by an agency of the United States up to the amount so insured, and in larger amounts, providing such bank pledges as security obligations equal to uninsured amounts. The Commission has no investments at June 30, 2025.

**Cash and Cash Equivalents**

The Commission considers all cash, both restricted and unrestricted, as cash and cash equivalents for purposes of the statement of cash flows. The Commission considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. There were no cash equivalents as of June 30, 2025.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Capital Assets**

Capital assets are stated at cost and depreciated over their estimated useful lives using the straight-line method. Furniture and equipment are depreciated over the useful life of 3-5 years and vehicles are depreciated over the useful life of 5-7 years. Donated capital assets, if material, are recorded at fair market value.

## VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING COMMISSION

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

#### Net Position

Net position is classified in the following three components:

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of notes or other borrowings that are attributable to the acquisitions, construction, or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted Net Position - Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) laws through constitutional provisions or enabling legislation.
- Unrestricted Net Position - All remaining net position that does not meet the definition of "restricted" or "net investment in capital assets."

#### Budget

The Commission adopted a budget on the cash basis of accounting. In doing so, the Commission does not budget for depreciation.

#### Compensated Absences

Compensated absences are defined as leave for which employees may receive cash payments when leave is used for time off and other cash payments such as termination payouts or noncash settlements. A liability for compensated absences is recognized when the employee has rendered services to earn the leave, the leave is accumulated and can be carried over into future reporting periods, and when the leave is more likely than not to be used as time off, paid in cash, or settled through noncash means.

Employees of the Commission are entitled to paid vacation and sick days depending on the job classification, length of service, and other factors. The Commission's policy allows a maximum of 150 hours of unpaid vacation time to be carried to the next operating cycle. Unpaid sick time is not paid out upon termination. The carryover year starts from each eligible employee's hire date. The Commission has accrued \$11,953 as of June 30, 2025 for compensated absences.

#### Pensions

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 fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

#### Postemployment Benefits Other Than Pensions (OPEB)

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

#### Leases

The Commission follows Governmental Accounting Standards Board (GASB) Statement No.87, *Leases* for recognizing the Commission's leasing activities. It establishes requirements for lease accounting based on the

**VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease payable and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

**Management's Review of Subsequent Events**

The Commission evaluated and considered the need to recognize or disclose subsequent events through December 18, 2025, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2025, have not been evaluated by the Commission.

**Note 2. Deposits**

The Commission maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporations (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times.

As of June 30, 2025, accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2025, the carrying amount of the Commission's deposits was \$138,582 and the bank balance was \$166,614. Of the bank balance of \$166,614, all was insured by the FDIC.

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2025, was as follows:

| Depreciable Capital Assets:           |           |             |      |      |           |
|---------------------------------------|-----------|-------------|------|------|-----------|
| Computers                             | \$ 28,838 | \$ -        | \$ - | \$ - | \$ 28,838 |
| Furniture and fixtures                | 19,122    | -           | -    | -    | 19,122    |
| Vehicles                              | 50,511    | -           | -    | -    | 50,511    |
|                                       | 98,471    | -           | -    | -    | 98,471    |
| Less accumulated depreciation:        | (76,371)  | (8,650)     | -    | -    | (85,021)  |
| Total depreciable capital assets, net | 22,100    | (8,650)     | -    | -    | 13,450    |
| Intangible Right-to-Use Assets:       |           |             |      |      |           |
| Office equipment                      | 21,709    | -           | -    | -    | 21,709    |
| Less accumulated amortization         | (6,513)   | (4,342)     | -    | -    | (10,855)  |
| Intangible right-to-use assets, net   | 15,196    | (4,342)     | -    | -    | 10,854    |
| Capital assets, Net                   | \$ 37,296 | \$ (12,992) | \$ - | \$ - | \$ 24,304 |

**Note 4. Lease Liability**

In 2023, the Commission entered into a lease agreement for a multi-purpose copier for a term of 60 months. The lease requires minimum monthly lease payments of \$435, plus additional charges for excess usage. The lease was recorded at the present value of the future minimum lease payments at the inception date in the statement of net position using an estimated incremental borrowing rate of 7.50%. The leased equipment and accumulated amortization of the right-to-use asset is outlined in Note 3. Charges for excess usage amounted to \$240 for the year ended June 30, 2025.

**VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

The future minimum lease payments for the copier lease as of June 30, 2025 are as follows.

| Year Ending June 30, | Principal               | Interest               | Total                   |
|----------------------|-------------------------|------------------------|-------------------------|
| 2026                 | \$ 4,482                | \$ 738                 | \$ 5,220                |
| 2027                 | 4,830                   | 390                    | 5,220                   |
| 2028                 | 2,554                   | 56                     | 2,610                   |
|                      | <u><u>\$ 11,866</u></u> | <u><u>\$ 1,184</u></u> | <u><u>\$ 13,050</u></u> |

Changes in long-term liabilities for the year ended June 30, 2025, was as follows:

|                      | Beginning<br>Balance    | Additions          | Reductions               | Ending Balance          | Due Within<br>One Year |
|----------------------|-------------------------|--------------------|--------------------------|-------------------------|------------------------|
| Compensated absences | \$ 12,802               | \$ -               | \$ (849)                 | \$ 11,953               | \$ -                   |
| Lease liability      | <u><u>16,025</u></u>    | <u><u>-</u></u>    | <u><u>(4,159)</u></u>    | <u><u>11,866</u></u>    | <u><u>4,482</u></u>    |
|                      | <u><u>\$ 28,827</u></u> | <u><u>\$ -</u></u> | <u><u>\$ (5,008)</u></u> | <u><u>\$ 23,819</u></u> | <u><u>\$ 4,482</u></u> |

## **Note 5. Concentration of Revenue**

The primary source of the Commission's revenues are from the support of local governments and could be impacted if operational support is not continued. Local governmental support comprises approximately 59% of total revenue. Should the joint venture fail, the Commission would be negatively impacted. The Commission's projects and impact range is limited by the geographic boundaries of Woodford County.

## **Note 6. Retirement Plan**

The Commission is a participating employer of the County Employees' Retirement System (CERS). The provisions of House Bill 484 during the 2020 Regular Session of the Kentucky General Assembly and House Bill 9 passed during the 2021 Regular Session of the Kentucky General Assembly changed the governance and administration of the plan. Governance of the CERS has been transferred to a separate 9-member board and the administrative entity has changed its name to the Kentucky Public Pensions Authority. The plan issues publicly available financial statements which may be downloaded from the Kentucky Public Pensions Authority website.

*Plan Description* – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

*Benefits* – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. Benefits are determined by a formula using the member's highest five consecutive year average compensation, which must contain at least 48 months. For retirement purposes, employees are grouped into three tiers, based on hire date:

|        |                      |  |
|--------|----------------------|--|
| Tier 1 | Participation date   | Before September 1, 2008   |
|        | Unreduced retirement | 27 years of service or at least 4 years of service and 65 years old                      |
|        | Reduced retirement   | At least 5 years of service and 55 years old<br>At least 25 years of service and any age |

**VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

|        |                      |   |
|--------|----------------------|---|
| Tier 2 | Participation date   | September 1, 2008 – December 31, 2013   |
|        | Unreduced retirement | At least 5 years of service and 65 years old<br>Or age 57+ and sum of service years plus age equal 87 |
|        | Reduced retirement   | At least 10 years of service and 60 years old   |
| Tier 3 | Participation date   | After December 31, 2013   |
|        | Unreduced retirement | At least 5 years of service and 65 years old<br>Or age 57+ and sum of service years plus age equal 87 |
|        | Reduced retirement   | Not available   |

*Contributions* – For the year ended June 30, 2025, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2025, participating employers contributed 19.71% of each employee's wages, which is equal to the actuarially determined rate set by the Board (23.34% for the year ended June 30, 2024). Administrative costs of the Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5.00% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

The Commission contributed \$42,873 for the year ended June 30, 2025, or 100% of the required contribution. The contribution was allocated \$42,873 to the CERS pension fund and \$0 to the CERS insurance fund.

*Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2025, the Commission reported a liability of \$532,377 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date and rolled forward to June 30, 2024 (measurement date) in accordance with generally accepted actuarial principles. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2025, the Commission's proportion was .008902 percent, which was equal to its proportion measured as of June 30, 2024. At June 30, 2024, the Commission's proportion was .009091 percent, which was equal to its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the Commission recognized pension expense of \$(45,726). This amount is included in retirement expense on the statement of revenues, expenses, and changes in net position. At June 30, 2025, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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|  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual results  | \$ 25,768                                     | \$ -   |
| Changes of assumptions   | -   | 24,053                                       |
| Net difference between projected and actual earnings on<br>Plan investments  | 36,562  | 70,791                                       |
| Changes in proportion and differences between Commission<br>contributions and proportionate share of contributions | -   | 27,951                                       |
| Commission contributions subsequent to the measurement date  | <u>42,873</u>                                 | -  |
| <b>Total</b>   | <b>\$ 105,203</b>                             | <b>\$ 122,795</b>                            |

The \$42,873 of deferred outflows of resources resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

**Year ending June 30,**

|      |             |
|------|-------------|
| 2026 | \$ (45,759) |
| 2027 | 6,081       |
| 2028 | (13,158)    |
| 2029 | (7,629)     |

*Actuarial Assumptions* – The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 2.50%                                       |
| Payroll Growth Rate       | 2.00%                                       |
| Salary increases          | 3.30% to 10.30% varied by service inflation |
| Investment rate of return | 6.50%, net of Plan investment expense       |

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period ending June 30, 2023.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were 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 then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return

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for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

| <b>Asset Class</b>          | <b>Target Allocation</b> | <b>Long-term Nominal Real Rate of Return</b> |
|-----------------------------|--------------------------|--|
| Public Equity               | 50.00%                   | 4.15%  |
| Private Equity              | 10.00%                   | 9.10%  |
| Specialty Credit/High Yield | 10.00%                   | 3.82%  |
| Core Bonds                  | 10.00%                   | 2.85%  |
| Real Estate                 | 7.00%                    | 4.90%  |
| Real Return                 | 13.00%                   | 5.35%  |
| Cash                        | 0.00%                    | 1.70%  |
| Total                       | 100%                     |  |

*Discount Rate* – The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining amortization period of the unfunded actuarial accrued liability. The projection of cash flows used to determine the discount rate of 6.50% assumes that the funds receive the required employer contributions each future year over the remaining 27 years (closed) amortization period of the unfunded liability. The actuarial determined contribution rates are determined on an annual basis. The discount rate determination does not use a municipal bond rate.

*Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* – The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.50 percent) or 1 percentage-point higher (7.50 percent) than the current rate:

|                       | <b>Discount rate</b> | <b>Nonhazardous</b> |
|-----------------------|----------------------|---------------------|
| 1% decrease           | 5.50%                | 686,321             |
| Current discount rate | 6.50%                | 532,377             |
| 1% increase           | 7.50%                | 404,644             |

*Payable to the Pension Plan* – At June 30, 2025, the Commission did not have any contributions outstanding to the pension plan required for the year ended June 30, 2025.

## **Note 7. Other Postemployment Benefit Plan (OPEB)**

The Commission is a participating employer of the County Employees' Retirement System (CERS). The provisions of House Bill 484 during the 2020 Regular Session of the Kentucky General Assembly and House Bill 9 passed during the 2021 Regular Session of the Kentucky General Assembly changed the governance and administration of the plan. Governance of the CERS has been transferred to a separate 9-member board and the administrative entity has changed its name to the Kentucky Public Pensions Authority. The plan issues publicly available financial statements which may be downloaded from the Kentucky Public Pensions Authority website.

*Plan Description* – CERS is a cost-sharing multiple-employer defined benefit other postemployment benefit plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for health insurance benefits to plan members. Health insurance benefits may be extended to beneficiaries of plan members under certain circumstances.

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*Benefits* – The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. For retirement purposes, employees are grouped into three tiers, based on hire date:

|        |                               |  |
|--------|-------------------------------|--|
| Tier 1 | Participation date            | Before September 1, 2008   |
|        | Insurance Eligibility Benefit | 10 years of service credit required<br>Set dollar amount based on service credit accrued, increased annually |
| Tier 2 | Participation date            | September 1, 2008 – December 31, 2013  |
|        | Insurance Eligibility Benefit | 15 years of service credit required<br>Set dollar amount based on service credit accrued, increased annually |
| Tier 3 | Participation date            | After December 31, 2013  |
|        | Insurance Eligibility Benefit | 15 years of service credit required<br>Set dollar amount based on service credit accrued, increased annually |

*Contributions* – For the year ended June 30, 2025, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2025, participating employers contributed 19.71% of each employee's wages (23.34% for the year ended June 30, 2024), which is equal to the actuarially determined rate set by the Board. Administrative costs of the Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5.00% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

The Commission contributed \$42,873 for the year ended June 30, 2025, or 100% of the required contribution. The contribution was allocated \$42,873 to the CERS pension fund and \$0 to the CERS insurance fund.

*OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2025, the Commission reported an asset of \$15,414 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2023, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date and rolled forward to June 30, 2024 (measurement date) in accordance with generally accepted actuarial principles. The Commission's proportion of the net OPEB asset was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2025, the Commission's proportion was .008911 percent, which was equal to its proportion measured as of June 30, 2024. At June 30, 2024, the Commission's proportion was .009090 percent, which was equal to its proportion measured as of June 30, 2023. For the year ended June 30, 2025, the Commission recognized OPEB expense of \$(45,097). This amount is included

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in retirement expense on the statement of activities. At June 30, 2025, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual results  | \$ 8,552                                      | \$ 121,280                                   |
| Changes of assumptions   | 13,967  | 10,876                                       |
| Net difference between projected and actual earnings on<br>Plan investments  | 13,550  | 27,616                                       |
| Changes in proportion and differences between Commission<br>contributions and proportionate share of contributions | 154   | 16,378                                       |
| Commission contributions subsequent to the measurement date  | <u>-</u>                                      | <u>-</u>                                     |
| <b>Total</b>   | <b><u>\$ 36,223</u></b>                       | <b><u>\$ 176,150</u></b>                     |

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

| <b>Year ending June 30,</b> |             |
|-----------------------------|-------------|
| 2026                        | \$ (55,896) |
| 2027                        | (44,247)    |
| 2028                        | (37,904)    |
| 2029                        | (1,880)     |

*Actuarial Assumptions* – The total OPEB liability (asset) in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 2.50%   |
| Payroll growth rate       | 2.00%   |
| Salary increases          | 3.30% to 10.30% varied by service   |
| Investment rate of return | 6.50%   |
| Healthcare trend rates:   |   |
| Pre - 65                  | Initial trend starting at 7.10% at January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years |
| Post - 65                 | Initial trend starting at 8.00% in 2026, then gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 years            |

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period ending June 30, 2023.

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The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were 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 then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

*Sensitivity of the Commission's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Healthcare Trend Rate* – The following presents the Commission's proportionate share of the net OPEB liability (asset) calculated using the health care trend rate described above, as well as what the Commission's proportionate share of the net OPEB liability (asset) would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

|                               | <u>Nonhazardous</u> |
|-------------------------------|---------------------|
| 1% decrease                   | (37,085)            |
| Current healthcare trend rate | (15,414)            |
| 1% increase                   | 9,830               |

The target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

| <b>Asset Class</b>        | <b>Target Allocation</b> | <b>Long-term Nominal Real Rate of Return</b> |
|---------------------------|--------------------------|--|
| Public Equity             | 5.00%                    | 4.15%  |
| Private Equity            | 10.00%                   | 9.10%  |
| Special Credit/High Yield | 10.00%                   | 3.82%  |
| Core Fixed Income         | 10.00%                   | 2.85%  |
| Real Estate               | 7.00%                    | 4.90%  |
| Real Return               | 13.00%                   | 5.35%  |
| Cash                      | 0.00%                    | 1.70%  |
| <b>Total</b>              | <b>100%</b>              |  |

*Discount Rate* – The discount rate used to measure the total OPEB liability (asset) was 5.99 percent (5.93 percent in prior year). The projection of cash flows used to determine the single discount rate assumed that local employers would contribute the actuarially determined contribution each year calculated in accordance with the current funding policy.

The discount rate uses an expected rate of return of 6.50%, and a municipal bond rate of 3.97%, as reported in the Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2024. However, the cost associated with the implicit employer subsidy was not included in the calculation of the actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The Commission's proportionate share of the implicit subsidy was \$4,178 at June 30, 2025.

*Sensitivity of the Commission's Proportionate Share of the Net OPEB Liability(Asset) to Changes in the Discount Rate* – The following presents the Commission's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 5.99 percent, as well as what the Commission's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.99 percent) or 1-percentage-point higher (6.99 percent) than the current rate:

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|                       | <u>Nonhazardous</u> |
|-----------------------|---------------------|
| 1% decrease           | 20,842              |
| Current discount rate | (15,414)            |
| 1% increase           | (45,898)            |

*Payable to the Plan* – At June 30, 2025, the Commission did not have any contributions outstanding to the OPEB plan required for the year ended June 30, 2025.

### **Note 8. Short-Term Lease**

A postage machine lease was entered into by the Commission with the initial lease term of 12 months. The quarterly lease for the postage machine is \$117. The Commission incurred approximately \$617 of lease-related expenses in the year ended June 30, 2025 for this lease. The lease was not considered material and is expensed as incurred rather than being capitalized under GASB 87, *Leases*.

The Commission rents office space from Woodford County Fiscal Court on year-to-year basis. The lease agreement is at a rate of \$400 per month. Total rent expense under the agreement was \$4,400 for the year ended June 30, 2025.

### **Note 9. Risk Management**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission purchases commercial insurance coverage to manage these risks.

### **Note 10. Change In Accounting Principle**

During fiscal year 2025, the Commission implemented GASB Statement No. 101, Compensated Absences. The Commission provides multiple types of employee leave (vacation and sick). The Commission examined its past experience with all leave types and determined that sick leave now meets the criteria of Statement No. 101. The Commission's past experience with sick leave was examined and the accumulated leave that was more likely than not to be used by employees was estimated. This estimate is not reported as a liability in the governmental fund financial statements. The portion of this liability that existed at the beginning of the current year is recognized as a decrease in beginning net position resulting from the adoption of a new accounting standard.

|              | 6/30/24 Net         |                   |  | 6/30/24 Net         |
|--------------|---------------------|-------------------|--|---------------------|
|              | Position as         | Change in         |  | Position as         |
|              | Previously          | Accounting        |  | Restated            |
|              | Reported            | Principle         |  |                     |
| Net Position | <u>\$ (506,774)</u> | <u>\$ (5,969)</u> |  | <u>\$ (512,743)</u> |

## **REQUIRED SUPPLEMENTARY INFORMATION**

**VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING COMMISSION**  
**REQUIRED SUPPLEMENTAL SCHEDULE OF**  
**PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**Last Six Fiscal Years\***

|  | <u>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Commission's proportion of the net pension liability   | 0.008902%   | 0.009091%   | 0.009929%   | 0.010207%   | 0.010121%   | 0.009598%   |
| Commission's proportionate share of the net pension liability (asset)                          | \$ 532,377  | \$ 583,325  | \$ 717,769  | \$ 650,776  | \$ 776,272  | \$ 675,032  |
| Commission's covered employee payroll  | \$ 217,519  | \$ 280,185  | \$ 263,879  | \$ 260,713  | \$ 259,255  | \$ 244,386  |
| Commission's share of the net pension liability (asset) as a percentage of its covered payroll | 244.75%     | 208.19%     | 272.01%     | 249.61%     | 299.42%     | 276.22%     |
| Plan fiduciary net position as a percentage of the total pension liability                     | 61.61%      | 57.48%      | 52.42%      | 57.33%      | 47.81%      | 50.45%      |

\* The above schedule will present 10 years of historical data, once available.

**VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING COMMISSION**  
**REQUIRED SUPPLEMENTAL SCHEDULE OF PENSION PLAN CONTRIBUTIONS**  
**Last Six Fiscal Years\***

|  | <u>2025</u>       | <u>2024</u>       | <u>2023</u>       | <u>2022</u>       | <u>2021</u>       | <u>2020</u>       |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Contractually required employer contribution                           | \$ 42,873         | \$ 65,401         | \$ 61,748         | \$ 58,124         | \$ 50,318         | \$ 50,036         |
| Contributions relative to contractually required employer contribution | <u>42,873</u>     | <u>65,401</u>     | <u>61,748</u>     | <u>58,124</u>     | <u>50,318</u>     | <u>50,036</u>     |
| Contribution deficiency (excess)                                       | <u>\$ _____ -</u> |
| Commission's covered employee payroll                                  | \$ 217,519        | \$ 280,185        | \$ 263,879        | \$ 274,559        | \$ 260,713        | \$ 259,255        |
| Employer contributions as a percentage of covered-employee payroll     | 19.71%            | 23.34%            | 23.40%            | 21.17%            | 19.30%            | 19.30%            |

\* The above schedule will present 10 years of historical data, once available.

**VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING COMMISSION**  
**REQUIRED SUPPLEMENTAL SCHEDULE OF**  
**PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)**  
**Last Five Fiscal Years\***

|   | <u>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|---|-------------|-------------|-------------|-------------|-------------|
| Commission's proportion of the net OPEB liability   | 0.008911%   | 0.009090%   | 0.009927%   | 0.010205%   | 0.010119%   |
| Commission's proportionate share of the net OPEB liability (asset)                          | \$ (15,414) | \$ (12,550) | \$ 195,911  | \$ 195,370  | \$ 244,319  |
| Commission's covered employee payroll   | \$ 217,519  | \$ 280,185  | \$ 263,879  | \$ 260,713  | \$ 259,255  |
| Commission's share of the net OPEB liability (asset) as a percentage of its covered payroll | -7.09%      | -4.48%      | 74.24%      | 74.94%      | 94.24%      |
| Plan fiduciary net position as a percentage of the total OPEB liability (asset)             | 104.89%     | 104.23%     | 60.95%      | 62.91%      | 51.67%      |

\* The above schedule will present 10 years of historical data, once available.

**VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING COMMISSION**  
**REQUIRED SUPPLEMENTAL SCHEDULE OF OPEB CONTRIBUTIONS**  
**Last Five Fiscal Years\***

|  | <u>2025</u>                     | <u>2024</u>                     | <u>2023</u>                     | <u>2022</u>                     | <u>2021</u>                     |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Contractually required employer contribution                           | \$ -                            | \$ -                            | \$ 8,945                        | \$ 15,870                       | \$ 12,410                       |
| Contributions relative to contractually required employer contribution | <u>_____ -</u>                  | <u>_____ -</u>                  | <u>8,945</u>                    | <u>15,870</u>                   | <u>12,410</u>                   |
| Contribution deficiency (excess)                                       | <u><u>\$</u> <u>_____ -</u></u> |
| Commission's covered employee payroll                                  | \$ 217,519                      | \$ 280,185                      | \$ 263,879                      | \$ 274,559                      | \$ 260,713                      |
| Employer contributions as a percentage of covered-employee payroll     | 0.00%                           | 0.00%                           | 3.39%                           | 5.78%                           | 4.76%                           |

\* The above schedule will present 10 years of historical data, once available.

**VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING COMMISSION  
NOTES TO REQUIRED PENSION AND OPEB SUPPLEMENTARY INFORMATION  
JUNE 30, 2025**

## **Note 1. 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 Commission's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability (Asset) Schedules is one year prior to the Commission's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

### **Measurement Date**

The amounts presented for each fiscal year were determined (measured) as of the previous fiscal year.

## **Note 2. Changes of Assumptions**

### **June 30, 2024 – Pension – Hazardous and Nonhazardous**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2024, for pension. The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2024, for OPEB:

- The single discount rate used to calculate the OPEB liability was increased from 5.93% to 5.99% for non-hazardous and from 5.97% to 6.02% for hazardous.

The healthcare trend rate starting at 7.10% at January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years for pre-65. The healthcare trend rate starting at 8.00% at January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 9 years for post-65.

### **June 30, 2023 – Pension – Hazardous and Nonhazardous**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023:

- The assumed rate of return was increased from 6.25% to 6.50%.
- The assumed rate of inflation was increased from 2.30% to 2.50%.

### **June 30, 2022 –OPEB Hazardous and Nonhazardous**

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

- The single discount rate used to calculate the OPEB liability was increased from 5.20% to 5.70% for non-hazardous and from 5.05% to 5.61% for hazardous.
- The healthcare trend rate 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 for pre-65. The healthcare trend rate 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 for post-65.

### **June 30, 2021 –OPEB Hazardous and Nonhazardous**

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

- The single discount rate used to calculate the OPEB liability was decreased from 5.34% to 5.20% for non-hazardous and from 5.30% to 5.05% for hazardous.
- The healthcare trend rate starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years for pre-65. The healthcare trend rate starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years for post-65.

**VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING COMMISSION  
NOTES TO REQUIRED PENSION AND OPEB SUPPLEMENTARY INFORMATION  
JUNE 30, 2025**

**June 30, 2020 –OPEB Hazardous and Nonhazardous**

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

- The healthcare trend rate starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years for pre-65. The healthcare trend rate starting at 2.90% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years for post-65.

**June 30, 2019 – Pension and OPEB Hazardous and Nonhazardous**

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 – Hazardous and Nonhazardous**

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.

## **SUPPLEMENTARY INFORMATION**

**VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING COMMISSION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**BUDGET TO ACTUAL**  
**YEAR ENDED JUNE 30, 2025**

|  | <b>Budgeted Amounts</b> |                     |                           | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-------------------------|---------------------|---------------------------|---|
|  | <b>Original</b>         | <b>Final</b>        | <b>Actual<br/>Amounts</b> |   |
| <b>OPERATING REVENUES</b>                        |                         |                     |                           |   |
| Government funding:                              |                         |                     |                           |   |
| City of Versailles                               | \$ 140,239              | \$ 112,461          | \$ 112,461                | \$ -  |
| City of Midway                                   | 35,061                  | 28,116              | 28,116                    | -   |
| Woodford County Fiscal Court                     | 140,239                 | 112,461             | 112,461                   | -   |
| Fees   | 111,300                 | 126,950             | 171,043                   | 44,093  |
| Geographic Information System (GIS) Mapping      | 25,500                  | -                   | 2,083                     | 2,083   |
| Other revenue                                    | 15,650                  | -                   | 141                       | 141   |
| Total operating revenues                         | <u>467,989</u>          | <u>379,988</u>      | <u>426,305</u>            | <u>46,317</u>   |
| <b>OPERATING EXPENSES</b>                        |                         |                     |                           |   |
| Advertising                                      | 1,500                   | 1,500               | 1,756                     | (256)   |
| Auto   | 3,000                   | 3,000               | 3,533                     | (533)   |
| Comprehensive plan                               | 5,000                   | 5,000               | -                         | 5,000   |
| Depreciation                                     | -                       | -                   | 12,992                    | (12,992)  |
| Dues and publications                            | 600                     | 600                 | 3,681                     | (3,081)   |
| Education and training                           | -                       | -                   | 748                       | (748)   |
| GIS Mapping                                      | 151,240                 | 35,000              | 36,915                    | (1,915)   |
| Insurance  | 70,098                  | 58,575              | 72,626                    | (14,051)  |
| Miscellaneous                                    | 34,250                  | 34,250              | 10,421                    | 23,829  |
| Office supplies                                  | 1,200                   | 1,200               | 999                       | 201   |
| Outside services                                 | 13,812                  | 15,142              | 20,855                    | (5,713)   |
| Payroll taxes                                    | 20,431                  | 20,383              | 21,331                    | (948)   |
| Postage  | 1,200                   | 1,200               | 507                       | 693   |
| Printing   | 600                     | 600                 | 1,431                     | (831)   |
| Professional fees                                | 42,650                  | 35,650              | 22,775                    | 12,875  |
| Rent/leases                                      | 10,800                  | 11,800              | 5,707                     | 6,093   |
| Retirement                                       | 49,334                  | 49,809              | (48,560)                  | 98,369  |
| Salaries   | 267,073                 | 267,460             | 279,632                   | (12,172)  |
| Telephone  | 2,160                   | 2,160               | 2,090                     | 70  |
| Travel   | 1,000                   | 1,000               | -                         | 1,000   |
| Total operating expenses                         | <u>675,948</u>          | <u>544,329</u>      | <u>449,439</u>            | <u>94,890</u>   |
| <b>OPERATING INCOME (LOSS)</b>                   |                         |                     |                           |   |
|  | <u>(207,959)</u>        | <u>(164,341)</u>    | <u>(23,134)</u>           | <u>(48,573)</u>   |
| <b>NONOPERATING INCOME</b>                       |                         |                     |                           |   |
| Interest   | -                       | -                   | (1,061)                   | (1,061)   |
| Interest income                                  | 200                     | 200                 | 1,044                     | 844   |
| Total nonoperating income                        | <u>200</u>              | <u>200</u>          | <u>(17)</u>               | <u>(217)</u>  |
| <b>CHANGE IN NET POSITION</b>                    |                         |                     |                           |   |
|  | <u>(207,759)</u>        | <u>(164,141)</u>    | <u>(23,151)</u>           | <u>(48,790)</u>   |
| Net position, beginning of the year              | (506,774)               | (506,774)           | (506,774)                 | -   |
| Change in accounting principle                   | (5,969)                 | (5,969)             | (5,969)                   | -   |
| Net position, beginning of the year, as restated | <u>(512,743)</u>        | <u>(512,743)</u>    | <u>(512,743)</u>          | <u>-</u>  |
| <b>NET POSITION, END OF YEAR</b>                 |                         |                     |                           |   |
|  | <u>\$ (720,502)</u>     | <u>\$ (676,884)</u> | <u>\$ (535,894)</u>       | <u>\$ (48,790)</u>  |

## **COMPLIANCE SECTION**

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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***

Board of Commissioners  
Versailles-Midway-Woodford County Planning Commission  
Versailles, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Versailles-Midway-Woodford County Planning Commission (the Commission) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated December 18, 2025.

### **Report on Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 Commission's financial statements will not be prevented, or detected and corrected, on a timely basis. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2025-001 and 2025-002 that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2025-003 to be a significant deficiency.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts,

and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Commission's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Commission's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Commission'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 Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kerbaugh, Rodes & Butler, PLLC*

Kerbaugh, Rodes & Butler, PLLC  
Certified Public Accountants

Danville, Kentucky  
December 18, 2025

**VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING COMMISSION**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2025**

**2025-001 - The Commission should have internal controls in place that enable it to prepare complete financial statements (recurring)**

*Criteria:* The Commission is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with accounting principles generally accepted in the United States of America.

*Condition:* Management engaged the auditor to prepare draft financial statements, including the related notes to the financial statements.

*Cause:* The Commission lacks personnel with the expertise to draft the financial statements, including the related note disclosures, in conformity with the accounting principles generally accepted in the United States of America.

*Effect:* The auditor prepared draft financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for the financial statements prior to their issuance.

*Recommendation:* We recommend management review the costs and benefits involved to retain a consultant with the required expertise to prepare the financial statements.

*Response:* Management has determined that it is more cost effective to continue to engage the auditor to draft the financial statements and related notes. Management has reviewed and accepts responsibility for the financial statements.

**2025-002 - Lack of segregation of duties (recurring)**

*Criteria:* The basic premise of segregation of duties is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. In addition, proper segregation of duties should include oversight of the finance personnel activity by individuals with knowledge of internal controls and accounting regulations, who were not involved in the original transaction.

*Condition:* During the audit, we noted that the Commission lacks segregation of duties in multiple accounting functions.

*Cause:* The Commission has a limited number of employees. The Commission has one individual who has the primary responsibility for the finance and accounting function.

*Effect:* There is a lack of oversight over transactions being recorded.

*Recommendation:* We recommend that the Commission continue to provide oversight and monitoring of the financial reporting functions. A common method for achieving this goal is for a Commission member to review the Commission's bank statements and other financial information on a monthly basis. We also recommend the Director review the time sheet for the individual responsible for the finance and accounting function. While not a preventative control, this increased oversight can detect irregularities in the financial reporting function that are caused by a lack of segregation of duties within a relatively short period of time.

*Response:* The Commission does not believe the addition of an employee for the purpose of improving segregation of duties is cost-beneficial to the Commission. The Commission will continue to monitor the accounting functions through the review of the monthly bills and financial statements.

**2025-003 – Compensatory time**

*Criteria:* The Commission adopted a new personnel policy in November 2023 that removed compensatory time as a benefit for hours worked in excess of 40 in the work week. The new policy requires the time to be flexed in short proximity to the overtime or to be paid out as overtime. Hours that were banked upon adoption of the new policy could be used, but no further hours were to be earned.

**VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING COMMISSION**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2025**

*Condition:* During the audit, we noted that the Commission is not following its policy regarding compensatory time. The Commission has one individual who is still accruing and using compensatory time for hours worked.

*Cause:* The Commission lacks controls over the review of time sheets and related leave balance accruals.

*Effect:* Compensatory leave balances are being accrued instead of being paid out as overtime.

*Recommendation:* We recommend that the Commission follow its personnel policy related to compensatory time. We also recommend the Commission develop a policy that requires time sheets be approved by the Director, including the accrual and use of leave balances. Any hours worked in excess of 40 in a week should be paid out as overtime. Leave balance calculations should be reviewed and monitored on a regular basis by an individual not involved in the calculation.

*Response:* The Commission will start following the personnel policy as it relates to compensatory time and pay out any remaining balances.