VERSAILLES-MIDWAY-WOODFORD COUNTY
PLANNING COMMISSION

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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, 2023, 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, 2023, and the respective changes in financial position 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.

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 17 through 21 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 November 3, 2023, 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
November 3, 2023

BASIC FINANCIAL STATEMENTS

VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS	
Current assets:	
Cash	$ 345,923
Noncurrent assets:	
Capital assets, net	52,063
Total assets	397,986
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pension	164,565
Deferred outflows of resources - OPEB	100,278
Total deferred outflows of resources	264,843
Total assets and deferred outflows of resources	$ 662,829
LIABILITIES	
Current liabilities:	
Accounts payable	$ 269
Current portion of lease liability	3,860
Total current liabilities	4,129
Noncurrent liabilities:	
Lease liability	16,025
Compensated absences	4,775
Net pension liability	717,769
Net OPEB liability	195,911
Total noncurrent liabilities	934,480
Total liabilities	938,609
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pension	97,138
Deferred inflows of resources - OPEB	106,067
Total deferred inflows of resources	203,205
NET POSITION:	
Net investment in capital assets	32,178
Unrestricted	(511,163)
Total net position	(478,985)
Total liabilities, deferred inflows of resources, and net position	$ 662,829

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, 2023

OPERATING REVENUES	
Government funding:	
City of Versailles	$ 140,239
City of Midway	35,061
Woodford County Fiscal Court	128,552
Fees	356,031
Geographic Information System (GIS) Mapping	26,757
Other revenue	931
Total operating revenues	687,571
OPERATING EXPENSES	
Advertising	2,023
Auto	2,021
Comprehensive plan	8,095
Depreciation	12,722
Dues and publications	491
Education and training	25
GIS Mapping	28,937
Insurance	77,550
Miscellaneous	3,097
Office supplies	1,454
Outside services	21,535
Payroll taxes	24,656
Postage	1,319
Printing	534
Professional fees	27,178
Rent/leases	7,836
Retirement	93,257
Salaries	329,373
Telephone	2,073
Total operating expenses	644,176
OPERATING INCOME	43,395
NONOPERATING INCOME	
Interest income	316
Total nonoperating income	316
CHANGE IN NET POSITION	43,711
Net position, beginning of the year	(522,696)
NET POSITION, END OF YEAR	$ (478,985)

See accompanying notes to financial statements.

VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING COMMISSION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from users for services	$ 383,719
Receipts from local governments	303,852
Payments to employees	(431,944)
Payments to others for goods and services	(184,755)
Net cash provided (used) by operating activities	70,872
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital assets purchased	(52,207)
Proceeds from lease liability	21,709
Principal payments on lease liability	(1,824)
Net cash provided (used) by capital and related financing activities	(32,322)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	316
Net cash provided (used) by investing activities	316
NET INCREASE (DECREASE) IN CASH	38,866
Cash, beginning of the year	307,057
Cash, end of the year	$ 345,923

Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income	$ 43,395
Adjustments to reconcile changes in retained earnings to net cash provided (used) by operating activities:	
Depreciation	12,722
Change in net pension liability	(2,705)
Change in net OPEB liability	25,268
Net change in assets and liabilities	
Increase (decrease) in accounts payable	(587)
Increase (decrease) in accrued liabilities	(1,173)
Increase (decrease) in compensated absences	(6,048)
Net cash provided (used) by operating activities	$ 70,872

See accompanying notes to financial statements.

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 nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations. All other expenses are reported as nonoperating 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, 2023.

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, 2023.

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.

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

Employees of the Commission are entitled to paid vacation, sick days and compensating time depending on the job classification, length of service, and other factors. The Commission's policy allows a maximum of 96 hours of unpaid vacation and 40 hours of unpaid compensatory time to be carried to the next operating cycle. The carryover year starts from each eligible employee's hire date. The Commission has accrued $4,775 as of June 30, 2023 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, 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 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 November 3, 2023, 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, 2023, 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, 2023, accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At June 30, 2023, the carrying amount of the Commission's deposits was $345,923 and the bank balance was $379,612. Of the bank balance of $379,612, $250,000 was insured by the FDIC and $129,612 was uninsured and uncollateralized.

Note 3. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable Capital Assets:				
Computers	$ 26,487	$ 2,351	$ -	$ 28,838
Furniture and fixtures	19,122	-	-	19,122
Vehicles	22,364	28,147	-	50,511
	67,973	30,498	-	98,471
Less accumulated depreciation:	(55,395)	(10,551)	-	(65,946)
Total depreciable capital assets, net	12,578	19,947	-	32,525
Intangible Right-to-Use Assets:				
Office equipment	-	21,709	-	21,709
Less accumulated amortization	-	(2,171)	-	(2,171)
Intangible right-to-use assets, net	-	19,538	-	19,538
Capital assets, Net	$ 12,578	$ 39,485	$ -	$ 52,063

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 $24 for the year ended June 30, 2023.

Lease liability activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lease liability	$ -	$ 21,709	$ (1,824)	$ 19,885	$ 3,860

The future minimum lease payments for the copier lease as of June 30, 2023 are as follows.

Year Ending June 30,	Principal	Interest	Total
2024	$ 3,860	$ 1,360	$ 5,220
2025	4,159	1,061	5,220
2026	4,482	738	5,220
2027	4,830	390	5,220
2028	2,554	56	2,610
	$ 19,885	$ 3,605	$ 23,490

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 44% 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.

Contributions – For the year ended June 30, 2023, 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, 2023, participating employers contributed 26.79% of each employee's wages, which is equal to the actuarially determined rate set by the Board. For the year ended June 30, 2022, participating employers contributed 26.95% of each employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of 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 $70,693 for the year ended June 30, 2023, or 100% of the required contribution. The contribution was allocated $61,748 to the CERS pension fund and $8,945 to the CERS insurance fund.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2023, the Commission reported a liability of $717,769 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date and rolled forward to June 30, 2022. 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, 2023, the Commission's proportion was .009929 percent, which was equal to its proportion measured as of June 30, 2022. At June 30, 2022, the Commission's proportion was .010207 percent, which was equal to its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Commission recognized pension expense of $(2,705). This amount is included in retirement expense on the statement of revenues, expenses, and changes in net position. At June 30, 2023, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	$ 767	$ 6,392
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	97,667	79,266
Changes in proportion and differences between Commission contributions and proportionate share of contributions	4,383	11,480
Commission contributions subsequent to the measurement date	61,748	-
Total	$ 164,565	$ 97,138

The $61,748 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, 2024. 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,	
2024	$ (3,317)
2025	(5,362)
2026	(6,032)
2027	20,390

Actuarial Assumptions – The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll growth	2.00%
Salary increases	3.30% to 10.30% varied by service inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

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 2013-2018, 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 actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2013 - June 30, 2018.

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.

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

Asset Class	Target Allocation	Long-term Nominal Real Rate of Return
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Specialty Credit/High Yield	10.00%	2.28%
Core Bonds	10.00%	0.28%
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Cash	0.00%	-0.91%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 6.25 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 6.25% assumes that the funds receive the required employer contributions each future year over the remaining 29 years (closed) amortization period of the unfunded liability. There were no other material plan provision changes. 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 6.25 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 (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Discount rate	Nonhazardous
1% decrease	5.25%	897,123
Current discount rate	6.25%	717,769
1% increase	7.25%	569,429

Payable to the Pension Plan – At June 30, 2023, the Commission did not have any contributions outstanding to the pension plan required for the year ended June 30, 2023.

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.

Contributions – For the year ended June 30, 2023, 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, 2023, participating employers contributed 26.79% of each employee's wages, which is equal to the actuarially determined rate set by the Board. For the year ended June 30, 2022, participating employers contributed 26.95% of each employee's wages, 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 $70,693 for the year ended June 30, 2023, or 100% of the required contribution. The contribution was allocated $61,748 to the CERS pension fund and $8,945 to the CERS insurance fund.

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2023, the Commission reported a liability of $195,911 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date and rolled forward to June 30, 2022. The Commission's proportion of the net OPEB 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, 2023, the Commission's proportion was .009927 percent, which was equal to its proportion measured as of June 30, 2022. At June 30, 2022, the Commission's proportion was .010205 percent, which was equal to its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Commission recognized OPEB expense of $25,269. This amount is included in retirement expense on the statement of activities. At June 30, 2023, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	$ 19,720	$ 44,927
Changes of assumptions	30,985	25,531
Net difference between projected and actual earnings on Plan investments	36,481	28,529
Changes in proportion and differences between Commission contributions and proportionate share of contributions	4,147	7,080
Commission contributions subsequent to the measurement date	8,945	-
Total	$ 100,278	$ 106,067

The $8,945 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 OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,	
2024	$ (375)
2025	(1,151)
2026	(13,075)
2027	(133)

Actuarial Assumptions – The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30% varied by service
Investment rate of return	6.25%
Healthcare trend rates:	
Pre - 65	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post - 65	Initial trend starting at 9.00% in 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 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 2013-2018, 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 actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2013 - June 30, 2018.

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 to Changes in the Healthcare Trend Rate – The following presents the Commission's proportionate share of the net OPEB liability calculated using the health care trend rate described above, as well as what the Commission's proportionate share of the net OPEB liability 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:

	Nonhazardous
1% decrease	145,654
Current healthcare trend rate	195,911
1% increase	256,257

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

Asset Class	Target Allocation	Long-term Nominal Real Rate of Return
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Specialty Credit/High Yield	10.00%	2.28%
Core Bonds	10.00%	0.28%
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Cash	0.00%	-0.91%
Total	100%	

Discount Rate – The discount rate used to measure the total OPEB liability was 5.70 percent (5.20 percent in prior year). 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. Senate Bill 249 passed during the 2020 legislative session changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change did not impact the calculation of the total OPEB liability and only impacted the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes. The actuarial determined contribution rates are determined on an annual basis.

The discount rate uses an expected rate of return of 6.25%, and a municipal bond rate of 3.69%, as reported in the Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. 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 $7,063 at June 30, 2023.

Sensitivity of the Commission's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the Commission's proportionate share of the net OPEB liability calculated using the discount rate of 5.70 percent, as well as what the Commission's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.70 percent) or 1-percentage-point higher (6.70 percent) than the current rate:

	Nonhazardous
1% decrease	261,900
Current discount rate	195,911
1% increase	141,358

Payable to the Plan – At June 30, 2023, the Commission did not have any contributions outstanding to the OPEB plan required for the year ended June 30, 2023.

Note 8. Short-Term Lease

A lease agreement for a Konica Bizhub copier was entered into by Commonwealth Copy Products and the Commission with the initial term beginning January 23, 2018 and ending on December 23, 2022. The monthly lease for the copier is $300.29. A postage machine lease was entered into by Pitney Bowes and the Commission with the initial lease term beginning November 1, 2017 and ending on February 1, 2023. The monthly lease for the postage machine is $60.60. The Commission incurred approximately $3,351 of lease-related expenses in the year ended June 30, 2023 for these leases. 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 $4,800 for the year ended June 30, 2023.

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.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2023	2022	2021	2020
Commission's proportion of the net pension liability	0.009929%	0.010207%	0.010121%	0.009598%
Commission's proportionate share of the net pension liability (asset)	$ 717,769	$ 650,776	$ 776,272	$ 675,032
Commission's covered employee payroll	$ 263,879	$ 260,713	$ 259,255	$ 244,386
Commission's share of the net pension liability (asset) as a percentage of its covered payroll	272.01%	249.61%	299.42%	276.22%
Plan fiduciary net position as a percentage of the total pension liability	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 Four Fiscal Years

	2023	2022	2021	2020
Contractually required employer contribution	$ 61,748	$ 58,124	$ 50,318	$ 50,036
Contributions relative to contractually required employer contribution	61,748	58,124	50,318	50,036
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Commission's covered employee payroll	$ 263,879	$ 274,559	$ 260,713	$ 259,255
Employer contributions as a percentage of covered-employee payroll	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
Last Three Fiscal Years*

	2023	2022	2021
Commission's proportion of the net OPEB liability	0.009927%	0.010205%	0.010119%
Commission's proportionate share of the net OPEB liability (asset)	$ 195,911	$ 195,370	$ 244,319
Commission's covered employee payroll	$ 263,879	$ 260,713	$ 259,255
Commission's share of the net OPEB liability (asset) as a percentage of its covered payroll	74.24%	74.94%	94.24%
Plan fiduciary net position as a percentage of the total OPEB liability	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

	2023	2022	2021	2020	2019
Contractually required employer contribution	$ 8,945	$ 15,870	$ 12,410	$ 12,341	$ 12,855
Contributions relative to contractually required employer contribution	8,945	15,870	12,410	12,341	12,855
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Commission's covered employee payroll	$ 263,879	$ 274,559	$ 260,713	$ 259,255	$ 244,384
Employer contributions as a percentage of covered-employee payroll	3.39%	5.78%	4.76%	4.76%	5.26%

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

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 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, 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.

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, 2023

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
OPERATING REVENUES				
Government funding:				
City of Versailles	$ 140,239	$ 140,239	$ 140,239	$ -
City of Midway	35,061	35,061	35,061	-
Woodford County Fiscal Court	140,239	140,239	128,552	(11,687)
Fees	100,000	150,000	356,031	206,031
Geographic Information System (GIS) Mapping	25,500	25,500	26,757	1,257
Other revenue	250	511	931	420
Total operating revenues	441,289	491,550	687,571	196,021
OPERATING EXPENSES				
Advertising	2,000	2,000	2,023	(23)
Auto	32,300	30,447	2,021	28,426
Comprehensive plan	-	12,500	8,095	4,405
Depreciation	-	-	12,722	(12,722)
Dues and publications	1,200	1,200	491	709
Education and training	2,000	2,000	25	1,975
GIS Mapping	38,400	33,000	28,937	4,063
Insurance	75,413	78,113	77,550	563
Miscellaneous	69,321	140,117	3,097	137,020
Office supplies	1,500	1,500	1,454	46
Outside services	27,700	27,700	21,535	6,165
Payroll taxes	25,651	25,651	24,656	995
Postage	1,500	1,500	1,319	181
Printing	600	600	534	66
Professional fees	36,800	24,800	27,178	(2,378)
Rent/leases	9,800	11,800	7,836	3,964
Retirement	72,481	72,481	93,257	(20,776)
Salaries	335,286	329,646	329,373	273
Telephone	3,000	3,000	2,073	927
Travel	750	750	-	750
Total operating expenses	735,702	798,805	644,176	154,629
OPERATING INCOME (LOSS)	(294,413)	(307,255)	43,395	41,392
NONOPERATING INCOME				
Interest income	200	200	316	116
Total nonoperating income	200	200	316	116
CHANGE IN NET POSITION	(294,213)	(307,055)	43,711	41,508
Net position, beginning of the year	(522,696)	(522,696)	(522,696)	-
NET POSITION, END OF YEAR	$ (816,909)	$ (829,751)	$ (478,985)	$ 41,508

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 governmental activities and the major fund of the Versailles-Midway-Woodford County Planning Commission (the Commission) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated November 3, 2023.

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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

1. As is common within the system of internal control of most small organizations, the accounting function of the Commission does not prepare the financial statements complete with footnotes in accordance with the cash basis of accounting, which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP). Accordingly, the Commission has not established internal controls over the preparation of its financial statements. This condition is considered to be a material weakness of the Commission's system of internal control over financial reporting.

   During the course of performing an audit, it is not unusual for the auditor to prepare various journal entries to present the financial statements in accordance with the cash basis of accounting. This reliance on the auditor to perform this function is considered to be a material weakness in the system of internal control. AU-C Section 265 does not make exceptions for reporting deficiencies that are adequately mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive.

Communication of the material weakness above helps to emphasize that the responsibility for financial reporting rests entirely with the Commission and not the auditor. Stated another way, if an entity is unable to issue, without the auditor's involvement, complete financial statements with footnotes in accordance with the cash basis of accounting and free of material misstatement, that inability is a symptom of a material weakness in the system of internal control.

2. Due to the limited number of employees within the Commission, there exists a lack of adequate segregation of duties related to recordkeeping and custody of assets. Due to the fact that the Commission is not in the financial position to hire additional employees, we recommend that the board continue to be involved in the financial review process on an ongoing basis.

   Management's Response

   Management does not believe the addition of an employee for the purpose of improving segregation of duties or to prepare the year-end financial statements and disclosures to be cost-beneficial to the Commission.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards.*

1. At June 30, 2023, the Commission's cash on deposit exceeded the amount protected by the Federal Depository Insurance Corporation (FDIC) and the amount pledged as collateral by the Commission banking institution by $129,612. KRS 66.480(1)(d) states deposits held at any bank or savings and loan institution must be insured by the FDIC or similar entity or must be collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4). Therefore, as of June 30, 2023, the Commission was in violation of KRS 66.480 On July 7, 2023, securities were pledged to ensure proper collateralization of funds in excess of FDIC insurance.

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 above. 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
November 3, 2023