

**VERSAILLES-MIDWAY-WOODFORD COUNTY
PLANNING AND ZONING COMMISSION
Versailles, Kentucky**

**FINANCIAL STATEMENTS
June 30, 2021 and 2020**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Versailles-Midway-Woodford County Planning and Zoning Commission (the Commission) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Versailles-Midway-Woodford County Planning and Zoning Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Versailles-Midway-Woodford County Planning and Zoning Commission, as of June 30, 2021 and 2020, and the respective changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension and OPEB schedules on 19-22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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 the management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Versailles-Midway-Woodford County Planning and Zoning Commission's basic financial statements. The statement of revenues, 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.

The statement of revenues, expenses and changes in net position-budget to actual, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of revenues, 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 January 17, 2022, on our consideration of the Versailles-Midway-Woodford County Planning and Zoning 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 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 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 Versailles-Midway-Woodford County Planning and Zoning Commission's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
January 17, 2022

VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING AND ZONING
STATEMENTS OF NET POSITION
June 30,

ASSETS	2021	2020
Current assets		
Cash	\$ 331,452	\$ 274,945
Accounts receivable	4,861	-
Noncurrent assets		
Capital assets, net	<u>9,942</u>	<u>10,855</u>
Total assets	<u>346,255</u>	<u>285,800</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pension	144,048	139,686
Deferred outflows of resources - OPEB	<u>117,440</u>	<u>64,630</u>
Total deferred outflows of resources	<u>261,488</u>	<u>204,316</u>
Total assets and deferred outflows of resources	<u>\$ 607,743</u>	<u>\$ 490,116</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 2,345	\$ 178
Accrued liabilities	<u>2,953</u>	<u>1,949</u>
Total current liabilities	<u>5,298</u>	<u>2,127</u>
Noncurrent liabilities		
Compensated absences	13,950	17,285
Net pension liability	776,272	675,032
Net OPEB liability	<u>244,319</u>	<u>161,400</u>
Total noncurrent liabilities	<u>1,034,541</u>	<u>853,717</u>
Total liabilities	<u>1,039,839</u>	<u>855,844</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pension	5,808	23,691
Deferred inflows of resources - OPEB	<u>45,189</u>	<u>61,251</u>
Total deferred inflows of resources	<u>50,997</u>	<u>84,942</u>
NET POSITION		
Net investment in capital assets	9,942	10,855
Unrestricted net position (deficit)	<u>(493,035)</u>	<u>(461,525)</u>
Total net position (deficit)	<u>(483,093)</u>	<u>(450,670)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 607,743</u>	<u>\$ 490,116</u>

**VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING AND ZONING
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
for the year ended June 30,**

	2021	2020
OPERATING REVENUES		
Fees	\$ 233,624	\$ 207,613
Geographic Information System (GIS) Mapping	25,518	99,364
City of Midway	33,332	27,579
City of Versailles	133,325	110,311
Woodford County Fiscal Court	133,325	110,311
Other revenues	<u>130</u>	<u>788</u>
Total operating revenues	<u>559,254</u>	<u>555,966</u>
OPERATING EXPENSES		
Advertising	1,500	1,074
Auto	1,437	2,708
Depreciation	3,402	2,900
Dues and publications	869	1,138
Education and training	313	1,330
GIS Mapping	28,880	32,027
Insurance	61,255	39,678
Miscellaneous	6,960	1,784
Office supplies	1,266	1,098
Outside services	22,650	17,900
Payroll taxes	19,722	19,833
Postage	1,476	883
Printing	1,209	549
Professional fees	19,893	20,902
Rent/Leases	9,729	3,188
Retirement	155,770	128,256
Salaries	252,397	262,604
Telephone	3,120	3,082
Travel	<u>9</u>	<u>73</u>
Total operating expenses	<u>591,857</u>	<u>541,007</u>
OPERATING INCOME (LOSS)	<u>(32,603)</u>	<u>14,959</u>
Nonoperating income		
Interest income	<u>180</u>	<u>186</u>
Total nonoperating income	<u>180</u>	<u>186</u>
CHANGE IN NET POSITION	(32,423)	15,145
Net position at beginning of the year	<u>(450,670)</u>	<u>(465,815)</u>
NET POSITION END OF YEAR	<u>\$ (483,093)</u>	<u>\$ (450,670)</u>

The accompanying notes are an integral part
of the financial statements.

VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING AND ZONING
STATEMENTS OF CASH FLOWS
for the years ended June 30,

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from users for services	233,754	\$ 208,400
Receipts from local governments	325,500	347,565
Payments to employees	(274,449)	(278,900)
Payments to others for goods and services	<u>(225,989)</u>	<u>(191,144)</u>
Net cash provided (used) by operating activities	<u>58,816</u>	<u>85,921</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital assets purchased	<u>(2,489)</u>	<u>(2,491)</u>
Net cash provided (used) by investing activities	<u>(2,489)</u>	<u>(2,491)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Interest income	<u>180</u>	<u>186</u>
Net cash provided (used) by investing activities	<u>180</u>	<u>186</u>
NET INCREASE (DECREASE) IN CASH	56,507	83,616
Cash, beginning of year	<u>274,945</u>	<u>191,329</u>
CASH, END OF YEAR	<u><u>\$ 331,452</u></u>	<u><u>\$ 274,945</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (32,603)	\$ 14,959
Adjustments to reconcile changes in retained earnings to net cash provided (used) by operating activities:		
Depreciation	3,402	2,900
Change in net pension liability	78,995	64,530
Change in net OPEB liability	14,047	1,282
Net change in assets and liabilities:		
(Increase) decrease in accounts receivable	(4,861)	-
Increase (decrease) in compensated absences payable	(3,335)	3,347
Increase (decrease) in accrued liabilities	1,004	190
Increase (decrease) in accounts payable	<u>2,167</u>	<u>(1,287)</u>
Net cash provided(used) by operating activities	<u><u>\$ 58,816</u></u>	<u><u>\$ 85,921</u></u>

The accompanying notes are an integral part
of the financial statements.

VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING AND ZONING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Versailles-Midway-Woodford County Planning and Zoning 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, 2021 and 2020.

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, 2021 and 2020.

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.

VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING AND ZONING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 funds 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 \$13,950 and \$17,285 as of June 30, 2021 and 2020, respectively, 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.

VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING AND ZONING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Management's Review of Subsequent Events

The Commission evaluated and considered the need to recognize or disclose subsequent events through January 17, 2022, 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, 2021, have not been evaluated by the Commission.

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, 2021, accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2021, \$191 of the Commission's deposits were uninsured.

3. CAPITAL ASSETS

Changes in capital assets were as follows:

	Balance			Balance
	June 30, 2019	Additions	Deductions	June 30, 2020
Computers	\$ 34,056	\$ 2,491	\$ -	\$ 36,547
Furniture and Fixtures	16,633	-	-	16,633
Vehicles	<u>22,364</u>	<u>-</u>	<u>-</u>	<u>22,364</u>
Total	73,053	2,491		75,544
Less: accumulated depreciation	<u>(61,789)</u>	<u>(2,900)</u>	<u>-</u>	<u>(64,689)</u>
Capital assets, net	<u>\$ 11,264</u>	<u>\$ (409)</u>	<u>\$ -</u>	<u>\$ 10,855</u>

	Balance			Balance
	June 30, 2020	Additions	Deductions	June 30, 2021
Computers	\$ 36,547	\$ -	\$ -	\$ 36,547
Furniture and Fixtures	16,633	2,489	-	19,122
Vehicles	<u>22,364</u>	<u>-</u>	<u>-</u>	<u>22,364</u>
Total	75,544	2,489		78,033
Less: accumulated depreciation	<u>(64,689)</u>	<u>(3,402)</u>	<u>-</u>	<u>(68,091)</u>
Capital assets, net	<u>\$ 10,855</u>	<u>\$ (913)</u>	<u>\$ -</u>	<u>\$ 9,942</u>

VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING AND ZONING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

4. 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 58% 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.

5. RETIREMENT PLAN

Versailles-Midway-Woodford County Planning and Zoning Commission is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems 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 adjustments (COLA) are provided at the discretion of state legislature.

Contributions – For the years ended June 30, 2021 and 2020, plan members were required to contribute 5% 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 years ended June 30, 2021 and 2020, participating employers contributed 24.06% of each employee's wages for non-hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 6. Plan members contributed 19.30% to the pension trust for non-hazardous job classifications for the years ended June 30, 2021 and 2020. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, are 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% 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.

For the years ended June 30, 2021 and 2020 the Commission contributed \$62,728 and \$62,377, respectively, or 100% of the required contribution. The contribution was allocated \$50,318 and \$50,036 and to the CERS pension fund and \$12,410 and \$12,341 to the CERS insurance fund for the years ended June 30, 2021 and 2020, respectively.

VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING AND ZONING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

5. RETIREMENT PLAN (CONTINUED)

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.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years service or 65 years old At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 - December 31, 2013 At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+ At least 10 years service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	After December 31, 2013 At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87+ Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2021 and 2020, the Commission reported a liability for its proportionate share of the net pension liability of \$776,272 and \$675,032, respectively. The net pension liability at June 30, 2021 was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and rolled forward using generally accepted actuarial procedures. 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. The Commission's proportionate share at June 30, 2020, was .010121 percent, which was an increase of .000523 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021 and 2020, the Commission recognized pension expense of \$129,313 and \$114,566, respectively.

VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING AND ZONING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

5. RETIREMENT PLAN (CONTINUED)

At June 30, 2021, 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	\$ 19,358	\$ -
Changes of assumptions	30,312	-
Net difference between projected and actual earnings on Plan investments	19,425	-
Changes in proportion and differences between Commission contributions and proportionate share of contributions	24,635	5,808
Commission contributions subsequent to the measurement date	<u>50,318</u>	<u>-</u>
Total	<u>\$ 144,048</u>	<u>\$ 5,808</u>

The \$50,318 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, 2022. 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,			
2022	\$	39,156	
2023	\$	30,016	
2024	\$	10,949	
2025	\$	7,801	

At June 30, 2020, 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	\$ 17,236	\$ 2,852
Changes of assumptions	68,321	-
Net difference between projected and actual earnings on Plan investments	-	10,882
Changes in proportion and differences between Commission contributions and proportionate share of contributions	4,093	9,957
Commission contributions subsequent to the measurement date	<u>50,036</u>	<u>-</u>
Total	<u>\$ 139,686</u>	<u>\$ 23,691</u>

Actuarial Assumptions – The total pension liabilities in the June 30, 2019, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING AND ZONING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

5. RETIREMENT PLAN (CONTINUED)

Mortality rates were based on the Pub-2010 General Mortality Table 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 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 MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2019, valuations were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	100.00%	3.96%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		6.25%

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 23-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING AND ZONING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

5. RETIREMENT PLAN (CONTINUED)

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 for year ended June 30, 2021 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:

	<u>Discount rate</u>	<u>Commission's proportionate share of net pension liability</u>
1% decrease	5.25%	\$ 957,333
Current discount rate	6.25%	\$ 776,272
1% increase	7.25%	\$ 626,377

6. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 5, the Commission participates in the County Employees' Retirement System (CERS). 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. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 5, plan members contribute to CERS for non-hazardous job classifications. For the year ending June 30, 2021 and 2020, the employer's contribution was 4.76% to the insurance trust. Employees hired after September 1, 2008 were 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. The contribution rates are equal to the actuarially determined rate set by the Board.

Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended June 30, 2021 and 2020, the Commission contributed \$12,410 and \$12,341, respectively, to the CERS insurance fund.

VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING AND ZONING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

6. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date Insurance eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2021 and 2020, the Commission reported a liability for its proportionate share of the net OPEB liability of \$244,319 and \$161,400, respectively. The net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 and rolled forward using generally accepted actuarial procedures. 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 OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The Commission's proportionate share at June 30, 2020 was .010119%. The proportionate share at June 30, 2020, increased .000523% compared to the proportionate share as of June 30, 2019.

For the year ended June 30, 2021 and 2020, the Commission recognized OPEB expense of \$34,064 and \$16,954, respectively.

VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING AND ZONING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

6. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

At June 30, 2021, 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	\$ 40,821	\$ 40,852
Changes of assumptions	42,497	258
Net difference between projected and actual earnings on Plan investments	8,121	-
Changes in proportion and differences between Commission contributions and proportionate share of contributions	7,595	4,079
Commission contributions subsequent to the measurement date	<u>18,406</u>	<u>-</u>
Total	<u>\$ 117,440</u>	<u>\$ 45,189</u>

The \$18,406 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, 2022. This includes an adjustment of \$5,996 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. 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,		
2022	\$	14,367
2023	\$	16,770
2024	\$	12,164
2025	\$	11,378
2026	\$	(834)

At June 30, 2020, 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	\$ -	\$ 48,689
Changes of assumptions	47,760	319
Net difference between projected and actual earnings on Plan investments	-	7,169
Changes in proportion and differences between Commission contributions and proportionate share of contributions	1,063	5,074
Commission contributions subsequent to the measurement date	<u>15,807</u>	<u>-</u>
Total	<u>\$ 64,630</u>	<u>\$ 61,251</u>

VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING AND ZONING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

6. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions – The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	
	Pre – 65: Initial trend 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.
	Post – 65: Initial trend 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.

Mortality rates were based on the Pub-2010 General Mortality Table 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 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 MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	100.00%	3.96%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		6.25%

VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING AND ZONING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

6. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Discount Rate – The discount rate used to measure the total OPEB liability was 5.34% for non-hazardous classifications. 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 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 28, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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 as well as what the Commission’s proportionate share of the net liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Discount rate	Commission’s proportionate share of net OPEB liability	
1% decrease	4.34%	\$	313,900
Current discount rate	5.34%	\$	244,319
1% increase	6.34%	\$	187,201

Sensitivity of the Commission’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the Commission’s proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or percentage-point higher than the current healthcare cost trend rates:

	Commission’s proportionate share of net OPEB liability	
1% decrease	\$	189,177
Current trend rate	\$	244,319
1% increase	\$	311,272

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

VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING AND ZONING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

7. LEASES

The Commission incurred approximately \$9,729 of lease-related expense in the year ended June 30, 2021. These leases are classified as operating with minimum rental commitments as follows:

Year Ending June 30,	
2022	\$ 3,603
2023	<u>2,102</u>
	<u>\$ 5,706</u>

8. COVID-19 PANDEMIC

During 2021, various restrictions were placed on travel and business across the United States in response to the COVID-19 pandemic. The duration and pervasiveness of these restrictions are uncertain as of the date of these financial statements. The Commission is continuously evaluating the impact of COVID-19 and related responses on the operations and finances of the Commission. Restrictions placed on the Commission could negatively impact the Commission's revenue and expenses for an unknown period of time. At this time, a specific estimate of the impact could not reasonably be determined due to a number of unknown factors regarding the severity and duration of the event.

REQUIRED SUPPLEMENTARY INFORMATION

**VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING AND ZONING COMMISSION
 REQUIRED SUPPLEMENTARY SCHEDULE OF
 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NONHAZARDOUS
 Last Three Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2019 (2018)	2020 (2019)	2021 (2020)
Commission's proportion of the net pension liability	0.009884%	0.009598%	0.010121%
Commission's proportionate share of the net pension liability (asset)	\$ 601,966	\$ 675,032	\$ 776,272
Commission's covered employee payroll	\$ 244,968	\$ 244,386	\$ 259,255
Commission's share of the net pension liability (asset) as a percentage of its covered employee payroll	245.73%	276.22%	299.42%
Plan fiduciary net position as a percentage of the total pension liability	53.5%	50.5%	50.5%

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

VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING AND ZONING COMMISSION
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS - NONHAZARDOUS
Last Three Fiscal Years

	2019	2020	2021
Contractually required employer contribution	\$ 39,639	\$ 50,036	\$ 50,318
Contributions relative to contractually required employer contribution	<u>39,639</u>	<u>50,036</u>	<u>50,318</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered employee payroll	\$ 244,384	\$ 259,255	\$ 260,713
Employer contributions as a percentage of covered-employee payroll	16.22%	19.30%	19.30%

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

**VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING AND ZONING COMMISSION
 REQUIRED SUPPLEMENTARY SCHEDULE OF
 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - NONHAZARDOUS
 Last Two Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2020 (2019)	2021 (2020)
Commission's proportion of the net OPEB liability	0.009596%	0.010119%
Commission's proportionate share of the net OPEB liability (asset)	\$ 161,400	\$ 244,319
Commission's covered employee payroll	\$ 244,384	\$ 259,255
Commission's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	66.04%	94.24%
Plan fiduciary net position as a percentage of the total OPEB liability	60.4%	51.7%

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

**VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING AND ZONING
 REQUIRED SUPPLEMENTARY
 SCHEDULE OF OPEB CONTRIBUTIONS - NONHAZARDOUS
 Last Four Fiscal Years**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required employer contribution	\$ 11,514	\$ 12,855	\$ 12,341	\$ 12,410
Contributions relative to contractually required employer contribution	<u>11,514</u>	<u>12,855</u>	<u>12,341</u>	<u>12,410</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered employee payroll	\$ 244,968	\$ 244,384	\$ 259,255	\$ 260,713
Employer contributions as a percentage of covered-employee payroll	4.70%	5.26%	4.76%	4.76%

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

VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING AND ZONING COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021 and 2020

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.

2. CHANGES OF ASSUMPTIONS

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

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

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023 and then gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years..

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

June 30, 2019 – Pension and OPEB 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 for non-hazardous.

June 30, 2018 – Pension and OPEB – 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 AND ZONING
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
BUDGET TO ACTUAL
for the year ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
OPERATING REVENUES			
Fees	\$ 85,000	\$ 233,624	\$ 148,624
Geographic Information System (GIS) Mapping	26,800	25,518	(1,282)
City of Midway	33,332	33,332	-
City of Versailles	133,325	133,325	-
Woodford County Fiscal Court	133,325	133,325	-
Other revenues	<u>250</u>	<u>130</u>	<u>(120)</u>
Total operating revenues	<u>412,032</u>	<u>559,254</u>	<u>147,222</u>
OPERATING EXPENSES			
Advertising	2,000	1,500	(500)
Auto	10,100	1,437	(8,663)
Depreciation	-	3,402	3,402
Dues and publications	750	869	119
Education and training	2,000	313	(1,687)
GIS Mapping	39,500	28,880	(10,620)
Insurance	33,216	61,255	28,039
Miscellaneous	-	6,960	6,960
Office supplies	1,650	1,266	(384)
Outside Services	27,700	22,650	(5,050)
Payroll taxes	19,833	19,722	(111)
Postage	1,500	1,476	(24)
Printing	600	1,209	609
Professional fees	26,600	19,893	(6,707)
Rent/Leases	9,800	9,729	(71)
Retirement	67,378	155,770	88,392
Salaries	270,255	252,397	(17,858)
Telephone	3,600	3,120	(480)
Travel	<u>750</u>	<u>9</u>	<u>(741)</u>
Total operating expenses	<u>517,232</u>	<u>591,857</u>	<u>74,625</u>
OPERATING INCOME (LOSS)	<u>(105,200)</u>	<u>(32,603)</u>	<u>72,597</u>
Nonoperating income			
Interest income	<u>200</u>	<u>180</u>	<u>(20)</u>
Total nonoperating income	<u>200</u>	<u>180</u>	<u>(20)</u>
CHANGE IN NET POSITION	(105,000)	(32,423)	72,577
Net position at beginning of the year	<u>(450,670)</u>	<u>(450,670)</u>	<u>-</u>
NET POSITION END OF YEAR	<u>\$ (555,670)</u>	<u>\$ (483,093)</u>	<u>\$ (72,577)</u>



**INDEPENDENT AUDITORS' 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 and Zoning 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 Versailles-Midway-Woodford County Planning and Zoning (the Commission), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Versailles-Midway-Woodford County Planning and Zoning's basic financial statements, and have issued our report thereon dated January 17, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Versailles-Midway-Woodford County Planning and Zoning'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Versailles-Midway-Woodford County Planning and Zoning's internal control. Accordingly, we do not express an opinion on the effectiveness of Versailles-Midway-Woodford County Planning and Zoning's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness (2021-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Versailles-Midway-Woodford County Planning and Zoning'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

Versailles-Midway-Woodford County Planning and Zoning Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Versailles-Midway-Woodford County Planning and Zoning Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RFH

RFH, PLLC
Lexington, Kentucky
January 17, 2022

VERSAILLES-MIDWAY-WOODFORD COUNTY PLANNING AND ZONING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2021

FINDING: 2021-001 – Material Weakness – Material Adjustments (Recurring)

Condition: Material misstatements were identified during the audit that were not identified by the Commission's internal controls over financial reporting.

Criteria: The Commission is required to have internal controls over the period-end financial reporting process that enable the Commission to record and process year-end journal entries and record year end accruals to produce financial statements that are in accordance with generally accepted accounting principles.

Cause: The Commission failed to properly account for specific transactions at year end.

Effect: The Commission relied on auditor prepared accounting adjustments to ensure the financial statements were properly stated in accordance with generally accepted accounting principles. The Commission reviewed, approved and accepted responsibility for the accounting adjustments; as the auditor cannot be a component of the Commission's internal controls.

Recommendation: We recommend management review the period-end financial reporting process, including a review of all balance sheet accounts for reasonableness and implement a process to record all period-end closing entries prior to the start of the audit. In addition, all audit adjustments should be posted as of the financial statement date and not in the current period.

Response: The Commission will review year end accounting records for reasonableness and record all prior year audit adjustments to the Commission's records.