ELECTRIC PLANT BOARD OF THE CITY OF VANCEBURG, KENTUCKY

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2026

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

Kelley Galloway Smith Goolsby, PSC
Certified Public Accountants and Advisors

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INDEPENDENT AUDITOR'S REPORT

Board Members
Electric Plant Board of the
City of Vanceburg
Vanceburg, Kentucky

Report of the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities and each major fund of the Electric Plant Board of the City of Vanceburg, Kentucky, a component unit of the City of Vanceburg, Kentucky, (the "Board"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Board'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 business-type activities and each major fund of the Electric Plant Board of the City of Vanceburg, Kentucky as of June 30, 2026, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Electric Plant Board of the City of Vanceburg, Kentucky, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 GAAS 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 GAAS 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 Electric Plant Board of the City of Vanceburg, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Electric Plant Board of the City of Vanceburg, Kentucky's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the Board's Proportionate Share of the Net Pension and OPEB Liability (Asset) and the Schedule of Pension and OPEB Contributions and related notes to required supplemental information on pages 28 through 34 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 a 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2026, on our consideration of Electric Plant Board of the City of Vanceburg, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Electric Plant Board of the City of Vanceburg, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Electric Plant Board of the City of Vanceburg, Kentucky's internal control over financial reporting and compliance.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
September 17, 2026

ELECTRIC PLANT BOARD
OF THE CITY OF VANCEBURG
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2026

	Business-Type Activities - Enterprise Funds		
	Electric Fund	Gas, Water and Sewer Fund	Total
ASSETS			
Current assets-			
Unrestricted:			
Cash	$ 2,244,112	$ 106,801	$ 2,350,913
Customer accounts receivable, net	902,330	272,325	1,174,655
Other accounts receivable	-	-	-
Accrued interest receivable	8,631	-	8,631
Prepaids	10,115	3,372	13,487
Supplies inventories	344,516	160,714	505,230
Total unrestricted current assets	3,509,704	543,212	4,052,916
Restricted:			
Cash	220,476	1,725,110	1,945,586
Total restricted current assets	220,476	1,725,110	1,945,586
Total current assets	3,730,180	2,268,322	5,998,502
Capital assets:			
Land	36,134	192,486	228,620
Structures and improvements	742,615	592,848	1,335,463
Utility plant	10,677,074	26,865,984	37,543,058
Machinery and equipment	2,314,651	1,365,152	3,679,803
Construction in progress	-	-	-
	13,770,474	29,016,470	42,786,944
Less: Accumulated depreciation	(8,757,030)	(15,107,938)	(23,864,968)
Capital assets, net	5,013,444	13,908,532	18,921,976
Net OPEB asset	-	-	-
Total non-current assets	5,013,444	13,908,532	18,921,976
Total assets	8,743,624	16,176,854	24,920,478
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension related	126,647	122,386	249,033
Deferred OPEB related	58,404	56,438	114,842
Total deferred outflows of resources	185,051	178,824	363,875
Total assets and deferred outflows of resources	$ 8,928,675	$ 16,355,678	$ 25,284,353

ELECTRIC PLANT BOARD
OF THE CITY OF VANCEBURG
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)
STATEMENT OF NET POSITION - PROPRIETARY FUNDS (CONCLUDED)
JUNE 30, 2026

	Business-Type Activities - Enterprise Funds		
	Electric Fund	Gas, Water and Sewer Fund	Total
LIABILITIES			
Current liabilities-			
Unrestricted:			
(payable from current assets)			
Accounts payable	$ 724,183	$ 46,274	$ 770,457
Accrued payroll and payroll items - current	86,678	75,975	162,653
Other accrued liabilities	56,693	5,180	61,873
Total unrestricted current liabilities (payable from current assets)	867,554	127,429	994,983
Restricted:			
(payable from restricted assets)			
Customer deposits	47,221	11,333	58,554
Accrued interest payable	4,983	18,317	23,300
Current portion of long-term debt obligations	333,306	328,331	661,637
Total restricted current liabilities (payable from restricted assets)	385,510	357,981	743,491
Total current liabilities	1,253,064	485,410	1,738,474
Accrued payroll and payroll items, less current portion	25,245	50,121	75,366
Long-term debt obligations, less current portion, net of discount	801,908	3,658,775	4,460,683
Net pension liability	864,820	835,718	1,700,538
Net OPEB liability	14,936	14,433	29,369
Total non-current liabilities	1,706,909	4,559,047	6,265,956
Total liabilities	2,959,973	5,044,457	8,004,430
DEFERRED INFLOWS OF RESOURCES			
Deferred pension related	144,976	140,097	285,073
Deferred OPEB related	200,662	193,910	394,572
Total deferred inflows of resources	345,638	334,007	679,645
NET POSITION			
Net investment in capital assets	3,878,230	9,921,426	13,799,656
Restricted for debt retirement	138,383	1,611,335	1,749,718
Restricted for other purposes	29,889	84,125	114,014
Unrestricted	1,576,562	(639,672)	936,890
Total net position	5,623,064	10,977,214	16,600,278
Total liabilities, deferred inflows of resources, and net position	$ 8,928,675	$ 16,355,678	$ 25,284,353

The accompanying notes to financial statements
are an integral part of this statement.

ELECTRIC PLANT BOARD
OF THE CITY OF VANCEBURG
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2026

	Business-Type Activities - Enterprise Funds		
	Electric Fund	Gas, Water and Sewer Fund	Total
OPERATING REVENUES			
Sales of electric and power	$ 8,275,020	$ -	$ 8,275,020
Sales of gas, water and sewer	-	2,807,124	2,807,124
Tap and connection fees	11,570	40,100	51,670
Total operating revenues	8,286,590	2,847,224	11,133,814
OPERATING EXPENSES			
Cost of purchased power	6,551,099	-	6,551,099
Cost of purchased natural gas	-	564,455	564,455
Maintenance, operations and administration	1,494,394	1,325,012	2,819,406
Depreciation	251,354	596,993	848,347
Total operating expenses	8,296,847	2,486,460	10,783,307
Operating income (loss)	(10,257)	360,764	350,507
NON-CAPITAL SUBSIDIES			
Interfund transfers	(201,573)	201,573	-
Transfers out to City of Vanceburg	(337,680)	(112,560)	(450,240)
Total non-capital subsidies	(539,253)	89,013	(450,240)
Operating income (loss) and non-capital subsidies	(549,510)	449,777	(99,733)
OTHER NON-OPERATING REVENUES (EXPENSES)			
Interest income	74,668	31,297	105,965
Interest expense	(49,358)	(101,868)	(151,226)
Gain on disposal of capital assets	16,673	5,019	21,692
Fiduciary fees	(3,515)	-	(3,515)
Total other non-operating revenue (expense)	38,468	(65,552)	(27,084)
CHANGE IN NET POSITION	(511,042)	384,225	(126,817)
NET POSITION, JUNE 30, 2025	6,134,106	10,592,989	16,727,095
NET POSITION, JUNE 30, 2026	$ 5,623,064	$ 10,977,214	$ 16,600,278

The accompanying notes to financial statements
are an integral part of this statement.

ELECTRIC PLANT BOARD
OF THE CITY OF VANCEBURG
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2026

	Business-Type Activities - Enterprise Funds		
	Electric Fund	Gas, Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 8,508,419	$ 2,826,491	$ 11,334,910
Payments to suppliers	(7,154,174)	(1,272,121)	(8,426,295)
Payments to employees and related benefits	(894,061)	(786,096)	(1,680,157)
Net cash provided by (used for) operating activities	460,184	768,274	1,228,458
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers out to City of Vanceburg	(337,680)	(112,560)	(450,240)
Interfund transfers	(201,573)	201,573	-
Net cash provided by (used for) non-capital financing activities	(539,253)	89,013	(450,240)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from long-term debt	-	-	-
Principal payments on long-term debt	(321,420)	(320,149)	(641,569)
Interest payments	(50,166)	(102,721)	(152,887)
Fiduciary fees	(3,515)	-	(3,515)
Proceeds from the disposal of capital assets	16,673	5,019	21,692
Acquisition and construction of capital assets	-	(8,500)	(8,500)
Capital grants and contributions received	-	-	-
Net cash provided by (used for) capital and related financing activities	(358,428)	(426,351)	(784,779)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	77,058	31,297	108,355
Net cash provided by (used for) investing activities	77,058	31,297	108,355
Increase (decrease) in cash and cash equivalents	(360,439)	462,233	101,794
Cash and cash equivalents, June 30, 2025	2,825,027	1,369,678	4,194,705
Cash and cash equivalents, June 30, 2026	$ 2,464,588	$ 1,831,911	$ 4,296,499

ELECTRIC PLANT BOARD
OF THE CITY OF VANCEBURG
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2026

	Business-Type Activities - Enterprise Funds		
	Electric Fund	Gas, Water and Sewer Fund	Total
Reconciliations of operating income (loss) to net cash provided by (used for) operating activities -			
Operating income (loss)	$ (10,257)	$ 360,764	$ 350,507
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities -			
Depreciation	251,354	596,993	848,347
Net pension adjustment	(106,821)	(132,336)	(239,157)
Net OPEB adjustment	(63,786)	(79,070)	(142,856)
Changes in assets and liabilities -			
Customer accounts receivable	(81,429)	(11,363)	(92,792)
Other accounts receivable	277,947	-	277,947
Prepaid insurance	(3,908)	(1,304)	(5,212)
Supplies inventories	14,451	21,278	35,729
Accounts payable	172,705	12,103	184,808
Accrued payroll and payroll liabilities	(8,377)	14,667	6,290
Other accrued liabilities	9,667	931	10,598
Deposits	8,638	(14,389)	(5,751)
Total adjustments	470,441	407,510	877,951
Net cash provided by (used for) operating activities	$ 460,184	$ 768,274	$ 1,228,458
Reconciliation of cash:			
Cash	$ 2,244,112	$ 106,801	$ 2,350,913
Restricted cash	220,476	1,725,110	1,945,586
Total cash and cash equivalents	$ 2,464,588	$ 1,831,911	$ 4,296,499

The accompanying notes to financial statements
are an integral part of this statement.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Electric Plant Board of the City of Vanceburg, Kentucky (the "Board"), a discretely presented component unit of the City of Vanceburg, Kentucky is presented to assist in understanding the Board's financial statements. The financial statements and notes are representations of the Board's management, who are responsible for their integrity and objectivity. These accounting policies, as applied to the aforementioned financial statements, conform to generally accepted accounting principles applicable to governmental units.

Reporting Entity

The Board was created pursuant to an ordinance adopted by the City Council of the City of Vanceburg, Kentucky ("City") on July 11, 1939. The Board was reorganized by additional ordinances dated February 4, 1964 and July 1, 1995, and provides electric, water, gas and sewer services to the citizens of Vanceburg, Kentucky and surrounding areas. The Board is a discretely presented component unit of the City.

Basic Financial Statements

Basic financial statements consist of the following:

- Business-type government wide / fund financial statements and
- Notes to the basic financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The account classification structures used by the Board conform to accounting principles generally accepted in the United States of America consistent with governmental enterprise fund accounting. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The accounts of the Board are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Board reports the following major proprietary funds:

- The Electric Fund accounts for the activities of providing electric service to the citizens of the City and surrounding areas.
- The Gas, Water and Sewer Fund accounts for the activities of providing gas, water and sewer service to the citizens of the City and surrounding areas.

Proprietary funds distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses are revenues and expenses other than those classified as nonoperating under accounting principles generally accepted in the United States of America. Nonoperating revenues and expenses include subsidies received and provided, contributions to permanent and term endowments, revenues and expenses related to financing, resources from the disposal of capital assets and inventory, and investment income and expenses. Revenues and expenses that otherwise would be classified as nonoperating are classified as operating when the related transactions constitute the proprietary fund's principal ongoing operations.

Noncapital subsidies include resources received from another party or fund for which the Board does not provide goods or services and that directly or indirectly keep the Board's current or future fees and charges lower than they otherwise would be; resources provided to another party or fund for which the other party or fund does not provide goods or services to the Board and that are recoverable through the Board's current or future pricing policies; and all other transfers.

The principal operating revenues of the Board are charges to customers for electric, gas, water, and sewer services, including tap and connection fees. Operating expenses include the costs of providing those services, administrative expenses, and depreciation. The Board reports interfund transfers and transfers to the City of Vanceburg as noncapital subsidies. Interest income, interest expense, gains or losses on the disposal of capital assets and inventory, and other financing-related revenues and expenses are reported as other nonoperating revenues and expenses.

Assets, Liabilities and Net Position

Cash and Investments

In accordance with state requirements, the Board has adopted an investment policy that, among other things, authorizes types and concentrations of investments and maximum investment terms.

Authorized investments include:

- Securities of the U.S. government or its agencies
- Certificates of deposits (or time deposits) placed with commercial banks and/or savings and loan associations
- Shares of money market funds.

Investments in certificates of deposits are stated at cost, which approximates market value. For purposes of the statement of cash flows, the Board has defined cash and cash equivalents to be change and petty cash funds, checking accounts, time deposits, and certificates of deposits.

Receivable and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as *interfund receivables/interfund payables*, i.e., the current portion of interfund loans, or *advances to/from other funds*, and the noncurrent portion of interfund loans. All other outstanding balances between funds are reported as *interfund receivables/interfund payables*.

The Board's employees read meters to measure customer consumption of electric, gas, sewer and water in the middle of the month. Estimates for unbilled receivables were based on consumption for the meter reading period immediately following the year end. This usage was prorated for the number of days within the fiscal year and multiplied by the appropriate rates. The allowance for doubtful accounts is estimated using accounts receivable past due more than 60 days.

All customer receivables are shown net of an allowance for uncollectible accounts and estimated refunds due. As of June 30, 2026, the allowance for uncollectible accounts was $125,000.

Inventories

All materials and supplies inventories are valued at cost using the average-cost method.

Restricted Assets

Certain proceeds of the Board's bond obligations, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. In the absence of specific statutory provisions governing the issuance of bonds, these bond monies may be invested in accordance with the ordinance,

resolutions, or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the Board's general investment policy. In no instance have additional types of investments been authorized that are not permitted by the Board's general investment policy.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as needed.

Capital Assets

Capital assets, which include land, structures, and improvements, equipment, and utility plant are reported in the financial statements. Such assets are recorded at historical cost. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend assets' lives are not capitalized and are expensed currently.
Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Board are depreciated using a straight-line method over the following estimated useful lives:

Assets	Years
Structures and improvements	20-50
Utility plant	10-50
Machinery and equipment	05-10

Depreciation expense charged to operations during the year ended June 30, 2026 was $848,347.

Long-Term Liabilities

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities, or proprietary fund type statement of net position. Initial issuance costs are deferred and amortized over the life of the bonds using the straight-line method.

Interest Expense

Interest expense incurred during the construction of financed projects is capitalized during the construction period. There was no capitalized interest recorded for the year ended June 30, 2026. Current year interest expense was $151,226.

Encumbrances

The Board does not use a system of encumbrances in their accounting and reporting methods.

Capital Grants/Contributions

Grants that are restricted to the purchase or construction of property, plant and equipment are recorded as other income, per GASB 33. The Board received capital grants in the amount of $-0- for the year ended June 30, 2026.

Tap and connection fees are charged to customers for initially connecting to the Board's utility systems. Because the Board provides a connection service in exchange for the fees, the fees are recognized as operating revenue when the connection service is provided. Tap and connection fees totaled $51,670 for the year ended June 30, 2026.

Net Position and Fund Equity

In the proprietary funds financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets represents

capital assets less accumulated depreciation less outstanding principal of related debt. Net investment in capital assets does not include the unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the Board (such as creditors, grantors, contributors, laws, and regulations of other governments) and includes unspent proceeds of bonds issued to acquire or construct capital assets. The Board's other restricted net position is temporarily restricted (ultimately expendable) assets. All other net position is considered unrestricted.

Bond Issuance Costs

Debt issuance costs are expensed in the period they are incurred. There were no bond issuance costs for the year ended June 30, 2026.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position – Proprietary Funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the Statement of Net Position – Proprietary Funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Pension and Other Post-Employment Benefits (OPEB)

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

Use of Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts reported in the basic financial statements and accompanying disclosures. Actual results could differ from those estimates.

Compensated Absences

Employees of the Board earn vacation, sick leave, and other types of paid leave in accordance with provisions of the Board's personnel policies. In accordance with GASB Statement No. 101, Compensated Absences, the Board has recognized a liability for compensated absences as the benefits are earned, rather than when they are paid or become due upon termination.

The liability is calculated based on (1) the amount of leave earned through the end of the fiscal year, (2) the probability that the leave will be paid, either through usage or upon termination, (3) the employees' current pay rates, and (4) the estimated amount of fringe benefits that the Board will be obligated to pay. Management feels that the amount of leave that can be expected to be used or paid out upon termination is as follows:

- Vacation Time - 100% usage or paid out upon termination
- Comp Time - 100% usage or paid out upon termination
- Sick Time - The lesser of time available or five days

As of June 30, 2026, the liability for compensated absences was $76,934 and $100,770 for the Electric and Utility Funds, respectively.

The portion expected to be paid within one year is reported as a current liability and the remaining is reported as a noncurrent liability in the financial statements. Management feels that the amount of leave that can be expected to be used or paid within one year is as follows:

- Vacation Time - 100% of the amount accrued
- Comp Time - 10% of the amount accrued
- Sick Time - 100% of the amount accrued

As of June 30, 2026, the long term portion of the liability for compensated absences was $25,245 and $50,121 for the Electric and Utility Funds, respectively.

Recent and Future Accounting Pronouncements

In May 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements* ("GASB 103") with the objective to enhance the effectiveness of the financial reporting model for decision-making and assessing government accountability. The improvements target the following established accounting and financial reporting requirements:

- Management's discussion and analysis;
- Unusual or infrequent items (previously known as extraordinary and special items);
- Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
- Major component unit information; and
- Budgetary comparison information.

The effective date for GASB 103 is for fiscal years beginning after June 15, 2025. Adoption of the provisions of this Statement did not have a significant effect on the Board's financial statements.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, which enhances financial reporting transparency by requiring separate note disclosures for certain types of capital assets, including a) Lease assets under GASB Statement No. 87, b) Subscription-based information technology arrangements (SBITAs) under GASB Statement No. 96, c) Intangible right-to-use assets under GASB Statement No. 94, d) Other intangible assets not otherwise separately reported, and e) Capital assets held for sale. The provisions of GASB 104 are effective for fiscal years beginning after June 15, 2025. Adoption of the provisions of this Statement did not have a material effect on the Board's financial statements.

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*, which improves financial reporting requirements for subsequent events by clarifying the period during which subsequent events should be evaluated and the accounting and disclosure requirements for recognized and nonrecognized subsequent events. GASB 105 defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. The Statement also requires disclosure of the date through which subsequent events have been evaluated and establishes specific note disclosure requirements for nonrecognized subsequent events. The provisions of GASB 105 are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter, with earlier application encouraged. The Board is currently evaluating the impact that adoption of this Statement will have on its financial statements.

(2) DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Board's deposits may not be returned, or the Board will not be able to recover collateral securities in the possession of an outside party. The Board's policies for deposits and investments are based on statutes and are summarized below.

Kentucky Revised Statute 66.480 authorizes the Board to invest in obligations of the United States and its agencies; certificates of deposit or interest-bearing accounts at banks or savings and loan institutions insured by the FDIC; uncollateralized certificates of deposit, bankers acceptances, or commercial paper

issued by any bank or savings and loan institution rated in the highest three categories by a nationally recognized rating agency; bonds or certificates of indebtedness of the Commonwealth of Kentucky and its agencies; securities issued by a state or local government or their agencies rated in the highest three categories by a nationally recognized rating agency; and shares in mutual funds under certain conditions.

At June 30, 2026, the carrying amount of the Board's deposits with financial institutions, including petty cash, was $4,296,499, and the bank balance was $4,308,662. Of the bank balance, $1,602,567 was covered by federal depository insurance, $2,706,095 was collateralized by securities held by the pledging financial institution's trust department or agent in the board's name.

(3) CAPITAL ASSETS

Capital asset activities for the year ended June 30, 2026 were as follows:

	Balance June 30, 2025	Additions	Deletions	Balance June 30, 2026
Nondepreciable assets:				
Land	$ 228,620	$ -	$ -	$ 228,620
Construction in progress	-	-	-	-
Total	228,620	-	-	228,620
Depreciable assets:				
Structures and improvements	1,335,463	-	-	1,335,463
Utility plant	37,543,058	-	-	37,543,058
Machinery and equipment	3,858,627	8,500	(187,324)	3,679,803
Total	42,737,148	8,500	(187,324)	42,558,324
Total capital assets	42,965,768	8,500	(187,324)	42,786,944
Less: accumulated depreciation for:				
Structures and improvements	(493,954)	(25,918)	-	(519,872)
Utility plant	(19,612,085)	(726,353)	-	(20,338,438)
Machinery and equipment	(3,097,906)	(96,076)	187,324	(3,006,658)
Total accumulated depreciation	(23,203,945)	(848,347)	187,324	(23,864,968)
Capital assets, net	$ 19,761,823	$ (839,847)	$ -	$ 18,921,976

Depreciation expense was charged to operations as follows:

Electric Fund	$ 251,354
Gas, Water and Sewer fund	596,993
	$ 848,347

The Board has no outstanding construction commitments at June 30, 2026.

During the year ended June 30, 2026, various surplus vehicles with no remaining net book value were auctioned for proceeds of $21,692, resulting in a gain of $21,692. The gain is reported as other nonoperating revenue in the Statement of Revenues, Expenses and Changes in Fund Net Position—Proprietary Funds.

(4) TRANSFERS

Transfers Out to the City of Vanceburg

Payments in lieu of taxes and other payments as permitted by KRS 96.810 by the Electric Fund and the Gas, Water and Sewer Fund have been classified in the Statement of Revenue, Expenses and Changes in Net Position - Proprietary Funds as transfers from these funds to the City as follows:

Electric fund	$ 337,680
Gas, water and sewer fund	112,560
	$ 450,240

Interfund Transfers

The following interfund transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	Electric	Utility	Sewer operations	$ 201,718
Operating	Electric	Utility	Gas operations	1,712
Operating	Utility	Electric	Water operations	1,857

Interdepartmental Transfers

The following interdepartmental transfers were made during the year:

Type	From Depart.	To Depart.	Purpose	Amount
Operating	Sewer	Water	Project Funds	$ 73,800

(5) LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities reported in financial statements for the year ended June 30, 2026:

	Beginning Balance	Additional Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Bonds payable:					
Gas, water and sewer fund	$ 2,575,750	$ -	$ 180,083	$ 2,395,667	$ 187,083
Less: Discounts on bonds	(22,293)	-	(1,528)	(20,765)	-
	2,553,457	-	178,555	2,374,902	187,083
Notes payable:					
Electric fund	1,456,634	-	321,420	1,135,214	333,306
Gas, water and sewer fund	1,752,270	-	140,066	1,612,204	141,248
	3,208,904	-	461,486	2,747,418	474,554
Compensated absences	153,226	24,478	-	177,704	102,338
	153,226	24,478	-	177,704	102,338
Total long-term liabilities	$ 5,915,587	$ 24,478	$ 640,041	$ 5,300,024	$ 763,975

Bonds Payable

At June 30, 2026, bonds payable consisted of the following water and sewer revenue bonds:

Date Issued	Final Maturity	Interest Rate	Authorized and Issued	Outstanding
01/21/2000	01/01/2039	3.25	$ 469,000	$ 252,000
02/14/2001	01/01/2040	3.25	1,008,000	517,000
11/20/2014	02/01/2040	2.00-3.75	2,980,000	1,626,667
			$ 4,457,000	$ 2,395,667

The November 20, 2014 bond issue was sold at a discount of $38,474. This amount is being amortized over the life of the bond.

Debt service requirements to maturity for the water and sewer revenue bonds to be paid from future water and sewer revenues are as follows:

Fiscal Year	Principal	Interest	Total
2027	$ 187,083	$ 81,092	$ 268,175
2028	193,083	75,367	268,450
2029	200,083	69,383	269,466
2030	207,083	62,990	270,073
2031	194,333	56,175	250,508
2032 - 2036	815,583	190,353	1,005,936
2037 - 2040	598,419	49,957	648,376
	$ 2,395,667	$ 585,317	$ 2,980,984

Under the provisions of the Bond Ordinances authorizing the 2000 and 2001 bonds, the Board is required to maintain a bond sinking fund that requires monthly deposits of sufficient amounts to fund annual principal and interest requirements in advance. The ordinance further requires a depreciation fund requiring monthly deposits. This fund has a balance of $164,326 at June 30, 2026.

The Bond Ordinances also require that the system shall charge such rates and charges for all services and facilities rendered by the Board, which rates and charges shall be reasonable and just, taking into account and consideration the cost and value of the System, including all extensions, additions and improvement thereto, the cost of maintaining, repairing and operating the same and the amounts necessary for the retirement of all bonds and the accruing interest on all bonds.

The Bond Ordinances further require that the Board shall not reduce the rates and charges for the services rendered by the Board without first filing with the City Clerk, a certification from an independent Consulting Engineer to the effect that the annual net revenues (defined as gross revenues less current expenses) of the then existing Board for the fiscal year preceding the year in which such reduction is proposed, as such annual net revenues are adjusted, after taking into account the projected reduction in annual net revenues of the Board anticipated to result from any such proposed rate decrease, are equal to not less than 120% of the annual debt service requirements for principal and interest on all of the then Outstanding Bonds payable from the revenues of the Board.

Notes Payable

At June 30, 2026 loans payable were as follows:

Kentucky Bond Corporation - In July 2012, a note payable was obtained to refinance certain electric utility improvements. The loan was in the amount of $4,165,000 and for a term of 17.5 years. The interest rate on the loan varies from 2.00% to 3.15%. At June 30, 2026, the outstanding balance on the loan was $973,750. Debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2027	$ 259,167	$ 32,453	$ 291,620
2028	269,167	24,030	293,197
2029	279,167	15,283	294,450
2030	166,249	5,902	172,151
	$ 973,750	$ 77,668	$ 1,051,418

Kentucky Infrastructure Authority Project A11-06 - On August 31, 2012, the City of Vanceburg for the benefit of the Vanceburg Electric Plant Board entered into a Clean Water SRF construction loan in the amount of $2,000,000 for the CSO Renovation project. Funding will be utilized for the first phase of a two phase project to eliminate sewer overflows from the sanitary sewer system. The term of the loan is 20 years. The interest rate is fixed at 1%. The terms state that 30% of the total principal balance (or $600,000) will be forgiven. The terms of the loan state conditions that must be met by the Board, one of which being a schedule of rate increases for sewer and water rates through 2014. As part of the loan underwriting the Board is to make an annual deposit on December 1st into a replacement cost account that the Board maintains in the amount of $5,000 until the balance reaches $50,000; the Board has funded the full $50,000 upfront. At June 30, 2026, the Board had $560,705 (net of grant forgiveness of $600,000)

borrowed from the Kentucky Infrastructure Authority at 1%. Debt service requirements to maturity are as follows (subject to change with additional draws):

Fiscal Year	Principal	Interest	Total
2027	$ 72,359	$ 5,427	$ 77,786
2028	73,085	4,701	77,786
2029	73,817	3,969	77,786
2030	74,557	3,229	77,786
2031	75,305	2,481	77,786
2032 - 2034	191,582	2,883	194,465
	$ 560,705	$ 22,690	$ 583,395

Kentucky Infrastructure Authority Project F13-032 - On October 1, 2013, the City of Vanceburg for the benefit of the Vanceburg Electric Plant Board, entered into a Clean Water construction loan in the amount of $850,000 for drinking water supply project. Funding will be utilized for the construction of a new raw water production well and SCADA system and the installation of approximately 1,550 radio read meters. The well will enhance the water supply for the city and facilitate the future proposed interconnection of the area water systems. The radio read meters will be installed at rural customer locations that do not have other city utility services. The term of the loan is 20 years. The interest rate is fixed at 0.75%. The terms state that 25% of the total principal balance (or $212,500) will be forgiven. The terms of the loan state conditions that must be met by the Board, one of which being a schedule of rate increases for sewer and water rates through 2014. As part of the loan underwriting the Board is to make an annual deposit on December 1st into a replacement cost account that the Board maintains in the amount of $2,100 until the balance reaches $21,000; the Board has funded the full $21,000 upfront. At June 30, 2026 the Board had $282,597 (net of grant forgiveness of $212,470) borrowed from the Kentucky Infrastructure Authority at 0.75%. Debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2027	$ 32,321	$ 2,059	$ 34,380
2028	32,564	1,816	34,380
2029	32,809	1,571	34,380
2030	33,055	1,325	34,380
2031	33,303	1,077	34,380
2032 - 2035	118,545	2,361	120,906
	$ 282,597	$ 10,209	$ 292,806

Kentucky Infrastructure Authority Project A14-002 - On April 3, 2014, the City of Vanceburg for the benefit of the Vanceburg Electric Plant Board was approved by the KIA for a new $665,000 loan. Funding will be utilized for the Wastewater Treatment Plan Rehabilitation project. The project involves replacement of various components including influent flow meter, chart recorder, auto refrigerated composite sampler blowers, motors, control panel, and sewage pump. The clarifier will be repaired. Modifications will be made to the grit removal system and new chlorine, sulfur dioxide feeds and a new sludge drying bed will also be added. Repair or replacement of 660 linear feet of 12 inch sewer lines will be made to correct inflow and infiltration issues. The term of the loan is 20 years. The interest rate is fixed at 0.75%. As part of the loan underwriting, the Board is to make an annual deposit on December 1st into a replacement cost account that the Board maintains in the amount of $1,700 until the balance reaches $17,000; the Board has funded the full $17,000 upfront. At June 30, 2026, the Board had $172,470 (net of grant forgiveness of $340,829) borrowed from Kentucky Infrastructure Authority at 0.75%. Debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2027	$ 16,672	$ 1,262	$ 17,934
2028	16,797	1,137	17,934
2029	16,923	1,011	17,934
2030	17,050	884	17,934
2031	17,179	756	17,935
2032 - 2036	87,849	1,820	89,669
	$ 172,470	$ 6,870	$ 179,340

Kentucky Infrastructure Authority Project A19-013 - On June 9, 2022, the City of Vanceburg for the benefit of the Vanceburg Electric Plant Board was approved by the KIA for a new $1,131,000 loan. Funding will be utilized for the Meadowbrook and Black Oak Sewer Consolidation project. The terms of the loan is 30 years. The interest rate is fixed at 0.50%. As part of the loan underwriting, the Board is to make an annual deposit on December 1st into a replacement cost account that the Board maintains in the amount of $2,800 until the balance reaches $56,000; the Board has funded the full $56,000 upfront. At June 30, 2026, the Board had $596,432 (net of grant forgiveness of $400,000) borrowed from Kentucky Infrastructure Authority at 0.50%. Debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2027	$ 19,896	$ 2,957	$ 22,853
2028	19,996	2,858	22,854
2029	20,096	2,758	22,854
2030	20,197	2,657	22,854
2031	20,298	2,556	22,854
2032 - 2036	103,023	11,245	114,268
2037 - 2041	105,628	8,640	114,268
2042 - 2046	108,298	5,970	114,268
2047 - 2051	111,036	3,232	114,268
2052 - 2054	67,964	596	68,560
	$ 596,432	$ 43,469	$ 639,901

At June 30, 2026 notes payable were as follows:

Altec Capital - on May 5, 2023, the Board entered into a note payable for the purchase of a 2023 Ford F550 Altec Bucket Truck. The note payable was in the amount of $163,745 and for a term of five years. At June 30, 2026, the outstanding balance of the note payable was $34,908.

Altec Capital - on February 6, 2025, the Board entered into a note payable for the purchase of a 2025 Ford F550 Altec Bucket Truck. The note payable was in the amount of $197,144 and for a term of five years. At June 30, 2026, the outstanding balance of the note payable was $126,556.

Debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2027	$ 74,139	$ 8,232	$ 82,371
2028	42,115	3,095	45,210
2029	45,210	-	45,210
	$ 161,464	$ 11,327	$ 172,791

(6) PENSION PLAN

County Employees Retirement System

Plan description: Substantially all full-time employees of the Board participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky Public Pensions Authority under the governance of the CERS Board of Trustees. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

The Kentucky Public Pensions Authority issues a publicly available annual comprehensive financial report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to the Kentucky Public Pensions Authority, 1260 Louisville Road, Frankfort, Kentucky 40601, or by calling (502) 564-4646 or at https://kyret.ky.gov.

Benefits provided: Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions: Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members. For the year ending June 30, 2026, employers were required to contribute 18.62% (18.62% - pension, 0.00% - insurance) of the member's salary. During the year ending June 30, 2026, the Board contributed $192,657 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2026, the Board reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2024. An expected total pension liability as of June 30, 2025 was determined using standard roll-forward techniques. The Board's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2025. At June 30, 2025, the Board's proportion was 0.03056%.

For the year ended June 30, 2026, the Board recognized pension expense of $(49,651). At June 30, 2026, the Board 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 experience	$ 56,376	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	170,044
Changes in proportion and differences between Board contributions and proportionate share of Contributions	-	115,029
Board contributions subsequent to the measurement date	192,657	-
Total	$ 249,033	$ 285,073

At June 30, 2026, the Board reported deferred outflows of resources for Board contributions subsequent to the measurement date of $192,657. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2027.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These amounts will be recognized in pension expense as follows:

Year	
2027	$ (41,952)
2028	(102,421)
2029	(55,256)
2030	(29,068)
2031	-
	$ (228,697)

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2024. The financial reporting actuarial valuation as of June 30, 2025, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2024
Measurement Date	June 30, 2025
Actuarial Cost Method	Entry Age Normal
Payroll growth	2.00%
Inflation	2.50%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.50%, net of pension plan investment expense, including inflation

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

The 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 rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	45.00%	4.15%
Private US Equity	8.00%	7.90%
Fixed Income		
Core Fixed Income	13.00%	2.70%
Specialty Credit	20.00%	3.83%
Cash	2.00%	1.25%
Inflation Protected		
Real Estate	5.00%	4.75%
Real Return	7.00%	5.20%
Total	**100.00%**	**4.24%**

Discount Rate: The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.50%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's proportionate share of the net pension liability to changes in the discount rate: The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current discount rate (6.50%)	1% Increase (7.50%)
Board's proportionate share of the net pension liability	$ 2,248,225	$ 1,700,538	$ 1,248,684

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in KPPA's separately issued annual comprehensive financial report which is publicly available at https://kyret.ky.gov.

Payables to the pension plan: At June 30, 2026, the payables to CERS were $15,511.

(7) OTHER POSTEMPLOYMENT BENEFIT ("OPEB") PLAN

County Employees Retirement System Insurance Fund

Plan description: The County Employees Retirement System ("CERS") Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. The CERS Insurance Fund is a cost-sharing, multiple-employer defined benefit OPEB plan administered by the Kentucky Public Pensions Authority under the governance of the CERS Board of Trustees.

The Kentucky Public Pensions Authority issues a publicly available annual comprehensive financial report that includes financial statements and required supplementary information for the CERS Insurance Fund. That report may be obtained by writing to the Kentucky Public Pensions Authority, 1260 Louisville Road, Frankfort, Kentucky 40601, or by calling (502) 564-4646 or at https://kyret.ky.gov.

Benefits provided: CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, The CERS Insurance Fund pays a percentage of the monthly contribution rate for insurance coverage based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium.

Percentage of contribution ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KPPA-administered health plans. Members who began participating in CERS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KPPA-administered health plans. Non-hazardous retirees receive $10 toward the monthly premium for each full year of service.

Contributions: CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2026, CERS allocated 0.00% of the 18.62% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2026, the Board contributed $-0- to the CERS Insurance Fund. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Implicit Subsidy: The fully insured premiums paid by the CERS Insurance Fund for coverage provided through the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability (asset).

OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS Insurance Fund

At June 30, 2026, the Board reported a liability (asset) for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of June 30, 2025. The total OPEB liability (asset) used to calculate the net OPEB liability (asset) was based on an actuarial valuation as of June 30, 2024. An expected total OPEB liability (asset) as of June 30, 2025 was determined using standard roll-forward techniques. Board's proportion of the net OPEB liability (asset) was based on contributions to CERS during the fiscal year ended June 30, 2025. At June 30, 2025, the Board's proportion was 0.030579%.

For the year ended June 30, 2026, the Board recognized OPEB expense of $(128,616), including an implicit subsidy of $14,239. At June 30, 2026, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 95,254	$ 252,487
Changes of assumptions	19,588	16,816
Net difference between projected and actual earnings on OPEB plan investments	-	66,512
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	58,757
Board contributions subsequent to the measurement date	-	-
Total	$ 114,842	$ 394,572

At June 30, 2026, the Board reported deferred outflows of resources for Board contributions subsequent to the measurement date of $-0-. These contributions will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2027.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB are amortized over the average service life of all members. These amounts will be recognized in OPEB expense as follows:

Year	
2027	$ (148,705)
2028	(125,405)
2029	(3,371)
2030	(2,249)
2031	-
	$ (279,730)

Actuarial Methods and Assumptions - The total OPEB liability (asset) in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2024
Measurement Date	June 30, 2025
Actuarial Cost Method	Entry Age Normal
Payroll Growth Rate	2.00%
Inflation	2.50%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.50%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.00% at January 1, 2026 and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.
Post-65	Initial trend starting at 8.00% at January 1, 2026 and gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2024.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year 2010.

Assumption Changes - The discount rate used to calculate the total OPEB liability increased from 5.99% to 6.26% for the nonhazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2024, valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare healthcare costs.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	45.00%	4.15%
Private US Equity	8.00%	7.90%
Fixed Income		
Core Fixed Income	13.00%	2.70%
Specialty Credit	20.00%	3.83%
Cash	2.00%	1.25%
Inflation Protected		
Real Estate	5.00%	4.75%
Real Return	7.00%	5.20%
Total	**100.00%**	**4.24%**

Discount rate - The discount rate used to measure the total OPEB liability (asset) was 6.26%. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 5.20%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2025. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plan's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plans trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the Board's proportionate share of the collective net OPEB liability (asset) of the System, calculated using the discount rate of 6.26%, as well as what the Board's proportionate share of the collective net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.26%) or 1-percentage-point higher (7.26%) than the current rate:

	1% Decrease (5.26%)	Current discount rate (6.26%)	1% Increase (7.26%)
Board's proportionate share of the net OPEB liability (asset)	$ 176,222	$ 29,369	$ (94,230)

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

	1% Decrease	Current trend rate	1% Increase
Board's proportionate share of the net OPEB liability (asset)	$ (67,871)	$ 29,369	$ 143,202

OPEB plan fiduciary net position: Detailed information about the insurance plan's fiduciary net position is available in KPPA's separately issued annual comprehensive financial report which is publicly available at https://kyret.ky.gov.

Payables to the OPEB plan: At June 30, 2026, the payables to CERS were $-0-.

(8) COMMITMENTS AND CONTINGENCIES

On January 1, 1979, the Board elected to become a self-insurer for the purpose of Kentucky unemployment insurance taxes. The Board has pledged to the Commonwealth of Kentucky real property that exceeds double the amount of deposit otherwise required as security to insure that any unemployment benefits due would be paid.

Effective April 1, 2022, the Board contracted with Symmetry Energy Solutions to provide all purchased natural gas through March 31, 2028.

Effective June 13, 2024, the Board contracted with AEP Energy Partners, Inc. to provide all purchased power from June 1, 2025 through May 31, 2028.

(9) RISK MANAGEMENT

The Board 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 Board provides for risk

financing by purchasing coverage from commercial insurance companies. The Board also participates in the Kentucky League of Cities Workers Compensation Trust, a public entity risk pool. The Board pays premiums to the pool which in turn bears the risk of loss. The contract with the Kentucky League of Cities Workers Compensation Trust is a retrospectively rated contract. The premiums under this contract are estimated based on the ultimate cost of the experience to date of the group of entities participating. The Kentucky League of Cities Workers Compensation Trust performs an annual payroll audit of the Board and the premiums are then adjusted based on actual experience.

(10) CONCENTRATIONS OF CREDIT

The Board's revenues are generated from services extended to residents and customers in Vanceburg, Kentucky and the surrounding area. The billings to two large commercial customers account for roughly 18% of electric sales and 42% of gas sales for the year ended June 30, 2026.

(11) SEGMENT INFORMATION

The Board issues separate revenue bonds to finance water and sewer departments. The two departments together with the gas department are accounted for in a single fund, but investors in those bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial activity for these departments is as follows:

CONDENSED STATEMENT OF NET POSITION

	Water Department	Sewer Department	Gas Department	Total
Assets:				
Current assets	$ 1,187,996	$ 831,892	$ 248,434	$ 2,268,322
Capital assets	6,040,608	7,821,429	46,495	13,908,532
Total assets	7,228,604	8,653,321	294,929	16,176,854
Deferred outflows of resources:				
Deferred pension related	60,045	38,269	24,072	122,386
Deferred OPEB related	27,689	17,648	11,101	56,438
Total deferred outflows of resources	87,734	55,917	35,173	178,824
Total assets and deferred outflows of resources	$ 7,316,338	$ 8,709,238	$ 330,102	$ 16,355,678
Liabilities:				
Current liabilities	$ 253,130	$ 173,678	$ 58,602	$ 485,410
Noncurrent liabilities	2,609,717	1,766,152	183,178	4,559,047
Total liabilities	2,862,847	1,939,830	241,780	5,044,457
Deferred inflows of resources:				
Deferred pension related	68,734	43,807	27,556	140,097
Deferred OPEB related	95,136	60,634	38,140	193,910
Total deferred inflows of resources	163,870	104,441	65,696	334,007
Net position:				
Net investment in capital assets	3,669,923	6,205,008	46,495	9,921,426
Other restricted	873,679	772,165	49,616	1,695,460
Unrestricted	(253,981)	(312,206)	(73,485)	(639,672)
Total net position	4,289,621	6,664,967	22,626	10,977,214
Total liabilities, deferred inflow of resources and net position	$ 7,316,338	$ 8,709,238	$ 330,102	$ 16,355,678

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

	Water Department	Sewer Department	Gas Department	Total
Operating Revenues				
Sales and service revenues (pledged against bonds)	$ 1,522,787	$ 396,926	$ 887,411	$ 2,807,124
Tap and connection fees	39,500	-	600	40,100
Total operating revenues	1,562,287	396,926	888,011	2,847,224
Operating Expenses				
Depreciation expense	(370,453)	(221,365)	(5,175)	(596,993)
Other operating expenses	(712,300)	(416,943)	(760,224)	(1,889,467)
Total operating expenses	(1,082,753)	(638,308)	(765,399)	(2,486,460)
Operating income (loss)	479,534	(241,382)	122,612	360,764
Non-Capital Subsidies				
Inter-Department transfers	73,800	(73,800)	-	-
Interfund transfers	(1,857)	201,718	1,712	201,573
Transfers out	(45,024)	(22,512)	(45,024)	(112,560)
Total non-capital subsidies	26,919	105,406	(43,312)	89,013
Operating income (loss) and non-capital subsidies	506,453	(135,976)	79,300	449,777
Other Non-Operating Revenues (Expenses)				
Investment income	9,131	17,555	4,611	31,297
Gain on disposal of capital assets	2,428	2,591	-	5,019
Interest expense	(80,665)	(21,203)	-	(101,868)
Total non-operating revenues (expenses)	(69,106)	(1,057)	4,611	(65,552)
Change in net position	437,347	(137,033)	83,911	384,225
Beginning net position	3,852,274	6,802,000	(61,285)	10,592,989
Ending net position	$ 4,289,621	$ 6,664,967	$ 22,626	$ 10,977,214

CONDENSED STATEMENT OF CASH FLOWS NET CASH PROVIDED BY (USED BY)

	Water Department	Sewer Department	Gas Department	Total
Operating activities	$ 745,990	$ (28,258)	$ 50,542	$ 768,274
Noncapital financing activities	26,919	105,406	(43,312)	89,013
Capital and related financing activities	(275,404)	(150,947)	-	(426,351)
Investing activities	9,131	17,555	4,611	31,297
Net increase (decrease)	506,636	(56,244)	11,841	462,233
Beginning cash	383,675	830,094	155,909	1,369,678
Ending cash	$ 890,311	$ 773,850	$ 167,750	$ 1,831,911

REQUIRED SUPPLEMENTARY INFORMATION

ELECTRIC PLANT BOARD
OF THE CITY OF VANCEBURG
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)
SCHEDULE OF THE BOARD'S PROPORTIONATE
SHARE OF THE NET PENSION AND OPEB LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2026

	Reporting Fiscal Year (Measurement Date) 2026 (2025)	Reporting Fiscal Year (Measurement Date) 2025 (2024)	Reporting Fiscal Year (Measurement Date) 2024 (2023)	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)
COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION:										
Board's proportion of the net pension liability	0.030560%	0.033361%	0.033276%	0.035999%	0.037430%	0.037792%	0.039786%	0.034985%	0.035270%	0.035711%
Board's proportionate share of the net pension liability	$ 1,700,538	$ 1,995,129	$ 2,135,157	$ 2,602,373	$ 2,386,456	$ 2,898,615	$ 2,798,167	$ 2,130,693	$ 2,064,462	$ 1,758,292
Board's covered-employee payroll	$ 1,033,942	$ 1,051,367	$ 967,949	$ 997,567	$ 958,513	$ 959,093	$ 1,005,851	$ 869,724	$ 858,738	$ 851,876
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	164.471%	189.765%	220.586%	260.872%	248.975%	302.225%	278.189%	244.985%	240.406%	206.402%
Plan fiduciary net position as a percentage of the total pension liability	65.340%	61.610%	57.480%	52.420%	57.330%	47.810%	50.450%	53.540%	53.320%	55.500%
COUNTY EMPLOYEES RETIREMENT SYSTEM - OPEB:										
Board's proportion of the net OPEB liability (asset)	0.030579%	0.033394%	0.033275%	0.035993%	0.037422%	0.037781%	0.039786%	0.034985%	0.035270%	
Board's proportionate share of the net OPEB liability (asset)	$ 29,369	$ (57,765)	$ (45,942)	$ 710,327	$ 716,425	$ 912,296	$ 669,014	$ 621,134	$ 709,048	
Board's covered-employee payroll	$ 1,033,942	$ 1,051,367	$ 967,949	$ 997,567	$ 958,513	$ 959,093	$ 1,005,851	$ 869,724	$ 858,738	
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	2.840%	-5.494%	-4.746%	71.206%	74.743%	95.121%	66.512%	71.417%	82.569%	
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	97.660%	104.890%	104.230%	60.950%	61.910%	51.670%	60.440%	57.620%	52.390%	

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

ELECTRIC PLANT BOARD
OF THE CITY OF VANCEBURG
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2026

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION:										
Contractually required contribution	$ 192,657	$ 203,790	$ 245,389	$ 226,500	$ 211,185	$ 184,993	$ 185,105	$ 163,149	$ 125,936	$ 119,794
Contributions in relation to the contractually required contribution	192,657	203,790	245,389	226,500	211,185	184,993	185,105	163,149	125,936	119,794
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Board's covered-employee payroll	$ 1,034,678	$ 1,033,942	$ 1,051,367	$ 967,949	$ 997,567	$ 958,513	$ 959,093	$ 1,005,851	$ 869,724	$ 858,738
Board's contributions as a percentage of its covered-employee payroll	18.62%	19.71%	23.34%	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%
COUNTY EMPLOYEES RETIREMENT SYSTEM - OPEB:										
Contractually required contribution	$ -	$ -	$ -	$ 32,813	$ 57,659	$ 45,615	$ 45,642	$ 52,971	$ 40,867	$ 40,618
Contributions in relation to the contractually required contribution	-	-	-	32,813	57,659	45,615	45,642	52,971	40,867	40,618
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Board's covered-employee payroll	$ 1,034,678	$ 1,033,942	$ 1,051,367	$ 967,949	$ 997,567	$ 958,513	$ 959,093	$ 1,005,851	$ 869,724	$ 858,738
Board's contributions as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%

ELECTRIC PLANT BOARD
OF THE CITY OF VANCEBURG
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS
FOR THE YEAR ENDED JUNE 30, 2026

(1) CHANGES OF ASSUMPTIONS

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is 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 post-retirement (disabled) is 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 following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020:

- Senate Bill 249 passed during the 2020 legislative session and 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 does not impact the calculation of the total pension liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2019.

For the valuation performed as of June 30, 2024, demographic and economic assumptions were updated based on the 2022 experience study and the single discount rates used to calculate the total pension liability was changed to 6.50%. A 1% increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 is assumed to reflect the shift in retirement pattern due to House Bill 506. Additionally, in conjunction with the review of the healthcare per capita claims cost, the assumed increase in the future healthcare costs, or trend assumption, is reviewed on an annual basis. The trend assumption for the non-Medicare Plans was increased during the select period as a result of this review.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The following actuarial methods and assumptions were used to determine contribution rates for the year ending June 30, 2025:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	30 years, closed
Payroll Growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation
Mortality	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
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

(3) CHANGES OF BENEFITS

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

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

Senate Bill 209 passed during the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by $5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Options (PLSO) form of payment for members retiring on or after January 1, 2024. The bill introduced an expansion of the lump-sum payment options, allowing for payouts equal to 48 or 60 times the member's Basic, or Survivorship 100% monthly retirement allowance. The lifetime monthly retirement allowance is adjusted actuarially to account for the selected lump sum payment option. House Bill 506 additionally modified the minimum separation period required for a retiree to reemploy with a participating employer of the Systems administered by the KPPA while still receiving their retirement allowance. This adjustment standardized the separation period to one month for all scenarios within each plan for retirement dates effective January 1, 2024 and after.

ELECTRIC PLANT BOARD
OF THE CITY OF VANCEBURG
(A COMPONENT UNIT OF THE CITY OF VANCEBURG, KENTUCKY)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLANS
FOR THE YEAR ENDED JUNE 30, 2026

(1) CHANGES OF ASSUMPTIONS

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is 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 post-retirement (disabled) is 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.

For the June 30, 2020 measurement date, the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The assumed impact of the Cadillac Tax (previously a 0.9% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation.

For the June 30, 2022 measurement date, the single discount rates used to calculate the total OPEB liability was changed to 5.70%.

For the valuation performed as of June 30, 2023, demographic and economic assumptions were updated based on the 2022 experience study and the single discount rates used to calculate the total OPEB liability was changed to 5.93%. A 1% increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 is assumed to reflect the shift in retirement pattern due to House Bill 506. Additionally, in conjunction with the review of the healthcare per capita claims cost, the assumed increase in the future healthcare costs, or trend assumption, is reviewed on an annual basis. The trend assumption for the non-Medicare Plans was increased during the select period as a result of this review.

For the valuation performed as of June 30, 2024, the discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99% for the nonhazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023, valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare healthcare costs.

For the valuation performed as of June 30, 2025, the discount rate used to calculate the total OPEB liability increased from 5.99% to 6.26% for the nonhazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2024, valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare healthcare costs.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2025:

Valuation Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.80% at January 1, 2025, gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 8.50% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Mortality	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.

(3) CHANGES OF BENEFITS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2019, is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021 is determined using these updated benefit provisions.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Options (PLSO) form of payment for members retiring on or after January 1, 2024. The bill introduced an expansion of the lump-sum payment options, allowing for payouts equal to 48 or 60 times the member's Basic, or Survivorship 100% monthly retirement allowance. The lifetime monthly retirement allowance is adjusted actuarially to account for the selected lump sum payment option.

House Bill 506 additionally modified the minimum separation period required for a retiree to reemploy with a participating employer of the Systems administered by the KPPA while still receiving their retirement allowance. This adjustment standardized the separation period to one month for all scenarios within each plan for retirement dates effective January 1, 2024 and after.

Senate Bill 10 passed during the 2025 legislative session and increased the insurance benefit for members who began participation on or after July 1, 2003, to $40 a month for nonhazardous CERS service and $50 a month for hazardous CERS service, effective January 1, 2026. These increases are only payable when a member is not eligible for Medicare benefits and only if they have met certain service thresholds at retirement. Additionally, this legislation increases the insurance member contribution rate for hazardous members from 1% of pay to 2% of pay, effective July 1, 2026, and extended the required member contribution to CERS members hired on or after July 1, 2003, but prior to September 1, 2008, for both funds.

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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 Members
Electric Plant Board of the
City of Vanceburg
Vanceburg, 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 business-type activities and each major fund of the Electric Plant Board of the City of Vanceburg, Kentucky, a component unit of the City of Vanceburg, Kentucky (the "Board"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 17, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board'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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board'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.*

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 Board'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.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
September 17, 2026