

CITY OF VERSAILLES
Versailles, Kentucky



FINANCIAL STATEMENTS
June 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Versailles, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Versailles, Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Versailles, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Versailles, Kentucky, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Versailles, 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 the aggregate, that raise substantial doubt about the City of Versailles, 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Versailles, 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 City of Versailles, 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 management's discussion and analysis, budgetary comparison information and pension and OPEB schedules on pages 4-15 and 54-65 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Versailles, Kentucky's basic financial statements. The accompanying combining nonmajor governmental fund financial statements, long-term debt schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental fund financial statements, long-term debt schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2024, on our consideration of the City of Versailles, 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 the City of Versailles, 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 City of Versailles, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
April 18, 2024

City of Versailles, Kentucky
Management's Discussion and Analysis (MD&A)
June 30, 2023

Our discussion and analysis of the City of Versailles's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2023. Please read the following in conjunction with the auditors' report on page 1-3 and the City's financial statements, which begin on page 16.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 16 and 17) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 18. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 4 of this Management's Discussion and Analysis. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are considered regardless of when cash is received or paid.

These two statements report the net position of the City and the changes in it. One can think of the City's net Position—the difference between assets and liabilities—as one way to measure financial health or financial position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health or position is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, changes in property tax rates or valuation, infrastructure asset condition, and new or changed government legislation.

In the Statement of Net Position and the Statement of Activities, we divide the City into two activity types:

Governmental activities—Most of the City's basic services are reported here, including general government administration, police, fire, cemetery and streets. Property taxes, licenses and permits, and grants finance most of these activities.

Business-type activities—The City collects fees from customers to cover the costs of the services, which includes water, sewer and sanitation services.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 8. The fund financial statements begin on page 18 and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

City of Versailles, Kentucky
Management's Discussion and Analysis (MD&A)(Continued)
June 30, 2023

The City has two kinds of funds:

Governmental Fund—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets, that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom the governmental funds statement that explains the relationship (or differences) between them.

Proprietary Fund—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's water, sewer and sanitation fund (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The City as Trustee

The City is the trustee for its expendable cemetery trust. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 23 and 24. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain requirement supplementary information concerning budgetary comparison schedules for the general fund.

In FY 2023, the City implemented a new accounting standard, GASB 96 – Subscription-based Information Technology Arrangement. The new standard had no impact on the City's financial statements.

City of Versailles, Kentucky
Management's Discussion and Analysis (MD&A)(Continued)
June 30, 2023

Financial Analysis of the City as a Whole

Our analysis begins with a summary of the City's Statement of Net Position, which is presented on Table A-1 followed by an explanation of the results.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Current & Other Assets	\$ 17.3	\$ 8.0	\$ 14.8	\$ 15.3	\$ 32.1	\$ 23.3
Capital Assets	27.8	27.3	62.0	62.4	89.8	89.7
Total Assets	<u>45.1</u>	<u>35.3</u>	<u>76.8</u>	<u>77.7</u>	<u>121.9</u>	<u>113.0</u>
Deferred outflows	4.2	3.9	1.0	1.3	5.2	5.2
Non-Current Liabilities	36.3	25.4	37.9	39.5	74.2	64.9
Current Liabilities	3.2	1.9	3.0	3.4	6.2	5.3
Total Liabilities	<u>39.5</u>	<u>27.3</u>	<u>40.9</u>	<u>42.9</u>	<u>80.4</u>	<u>70.2</u>
Deferred Inflows	2.8	4.9	0.4	0.8	3.2	5.7
Net Investment in Capital Assets	21.9	21.1	25.7	24.4	47.6	45.5
Restricted	11.2	1.7	4.9	5.3	16.1	7.0
Unrestricted	(26.1)	(15.8)	5.9	5.6	(20.2)	(10.2)
Total Net Position	<u>\$ 7.0</u>	<u>\$ 7.0</u>	<u>\$ 36.5</u>	<u>\$ 35.3</u>	<u>\$ 43.5</u>	<u>\$ 42.3</u>

In prior years, the City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pension and GASB 75 associated with other post-retirement benefits. As a result of the standards, the City has reported its proportionate share of the net pension and OPEB liability, pension and OPEB expense, and deferred outflows and inflows related to the City's participation in the County's Employees Retirement System. See Note 8 and 9 for more details and summary of changes impacting FY 2023.

During FY 2022, the City's Enterprise Fund loaned the General Fund \$2 million to acquire the Edgewood property.

The City's total governmental net position remained consistent from \$7,036,605 at 2022 to \$6,956,991 at 2023.

For governmental activities, current liabilities increased from \$1.9 million in 2022 to \$3.2 million in 2023, primarily due to an increase in unearned income related to ARPA and an increase in the current portion of long-term debt.

In the business-type activity (Enterprise Fund), total net position increased from \$35.3 million in 2022 to \$36.5 million in 2023; primarily due to operating revenues exceeding expenditures by approximately \$1.6 million.

In FY 2023, for governmental activities, current and other assets increased from \$8.0 million to \$17.3 million, primarily as the result of the \$9.2 million 2022 General Obligation Bond issued in FY 2023 and the bond proceeds increased restricted cash. This also caused non-current liabilities to increase from \$25.4 million in 2022 to \$36.3 million in 2023.

City of Versailles, Kentucky
Management's Discussion and Analysis (MD&A)(Continued)
June 30, 2023

For governmental activities, the City had \$11.2 million of restricted net position related to debt service/construction, municipal road aid, cemetery, and law enforcement. For business-type activities, the City had approx. \$4.9 million of restricted net position related to debt service and construction.

In FY 2023 for business-type activities, total liabilities decreased from \$42.9 million to \$40.9 million, primarily due to scheduled debt service payments.

Changes in net position are presented in Table A-2, which is also followed by an explanation of the results. Both activity types are presented on the accrual basis.

Table A-2
Change in Net Position (In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues						
Charges for services	\$ 1.5	\$ 1.2	\$ 8.2	\$ 7.6	\$ 9.7	\$ 8.8
Operating Grants & Contributions	2.6	2.9	0.4	-	3.0	2.9
Capital Grants & Contributions	0.9	0.3	0.1	0.1	1.0	0.4
General Revenues						
Taxes	0.8	0.8	-	-	0.8	0.8
Licenses	8.0	7.6	-	-	8.0	7.6
Intergovernmental	-	-	-	-	-	-
Other Revenues	0.7	0.5	0.4	-	1.1	0.5
Total Revenue	14.5	13.3	9.1	7.7	23.6	21.0
Expenses:						
Program Expenses						
General Government and Interest	2.7	2.9	-	-	2.7	2.9
Police & Dispatch	6.8	6.4	-	-	6.8	6.4
Fire	2.1	1.9	-	-	2.1	1.9
Streets	2.7	2.5	-	-	2.7	2.5
Cemetery	0.3	0.4	-	-	0.3	0.4
Water/Sewer/Sanitation	-	-	7.9	7.5	7.9	7.5
Total Expenses	14.6	14.1	7.9	7.5	22.5	21.6
Change in Net Position	\$ (0.1)	\$ (0.8)	\$ 1.2	\$ 0.2	\$ 1.1	\$ (0.6)

Governmental activity revenue increased by approximately \$1.2 million from 2022 to 2023 as shown in Table A-2. The increase in revenue is largely attributable to license revenue and intergovernmental revenue.

Governmental activity expenses for FY 2023 increased \$0.5 million from FY 2022, primarily related to Police and Dispatch, and Streets.

City of Versailles, Kentucky
Management's Discussion and Analysis (MD&A)(Continued)
June 30, 2023

Business-type activity (enterprise) revenues increased from \$7.7 million in FY 2022 to \$9.1 million in FY 2023 primarily related to water and sewer charges for services. Expenses also increased in FY 2023, from \$7.5 million to \$7.9 million; primarily related to an increase in salaries, employee benefits, and repairs and maintenance.

Governmental Funds

Table A-3 details a condensed statement of the fiscal year's revenues and expenses according to the governmental fund statements shown on pages 18 and 19.

Table A-3
Condensed Governmental Funds - Revenues and Expenditures

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues			
Taxes	\$ 818,122	\$ 785,249	\$ 32,873
Licenses and permits	8,043,983	7,632,241	411,742
Intergovernmental revenues	3,661,880	3,076,375	585,505
Charges for services	1,152,392	1,154,394	(2,002)
Other income	677,656	292,884	384,772
Total Revenues	<u>\$ 14,354,033</u>	<u>\$ 12,941,143</u>	<u>\$ 1,412,890</u>
Expenditures			
General government	\$2,175,898	\$2,673,595	\$497,697
Merged police operations	5,077,090	4,544,309	(532,781)
Other police operations/grants	64,206	108,650	44,444
911 communications	1,078,285	1,062,770	(15,515)
Fire department	1,909,474	1,675,335	(234,139)
Street department	1,353,424	1,076,490	(276,934)
Cemetery department	338,421	359,030	20,609
Capital outlay	2,864,221	4,470,587	1,606,366
Debt service	683,607	428,075	(255,532)
Total Expenditures	<u>\$15,544,626</u>	<u>\$16,398,841</u>	<u>\$854,215</u>

The information above shows that total revenues for governmental funds increased from 2022. License and permit revenue increased by approximately 5% primarily related to increases in the payroll tax and net profits revenue for FY 2023.

Intergovernmental revenues increased approximately 19% from FY 2022 to FY 2023, primarily due to ARPA federal funds.

The information above shows that expenses for governmental funds decreased by approximately \$0.9 million from 2022 to 2023. The decrease is primarily attributable to capital outlays that decreased by approximately \$1.6 million primarily because of the large Edgewood land acquisition in FY 2022. Expenses for merged police operations, fire department, street department, and debt service increased from the prior year.

City of Versailles, Kentucky
Management's Discussion and Analysis (MD&A)(Continued)
June 30, 2023

Table A-4
General Fund - Budget & Actual

	Budget	Actual	Difference Favorable (Unfavorable)
Revenues			
Taxes	\$ 765,000	\$ 818,122	\$ 53,122
Licenses and permits	6,866,500	8,043,983	1,177,483
Intergovernmental revenues	4,647,417	3,486,698	(1,160,719)
Charges for services	125,000	125,292	292
Other income	265,782	626,733	360,951
Total Revenues	\$ 12,669,699	\$ 13,100,828	\$ 431,129
Expenditures			
General government	\$ 2,662,703	\$ 2,175,898	\$ 486,805
Merged police operations	5,571,717	5,077,090	494,627
Other police operations/grants	90,000	64,206	25,794
Fire department	1,989,090	1,909,474	79,616
Street department	1,385,040	1,353,424	31,616
Cemetery department	356,726	334,257	22,469
Capital outlay	2,642,586	2,578,113	64,473
Debt service	817,925	683,607	134,318
Total Expenditures	\$ 15,515,787	\$ 14,176,069	\$ 1,339,718

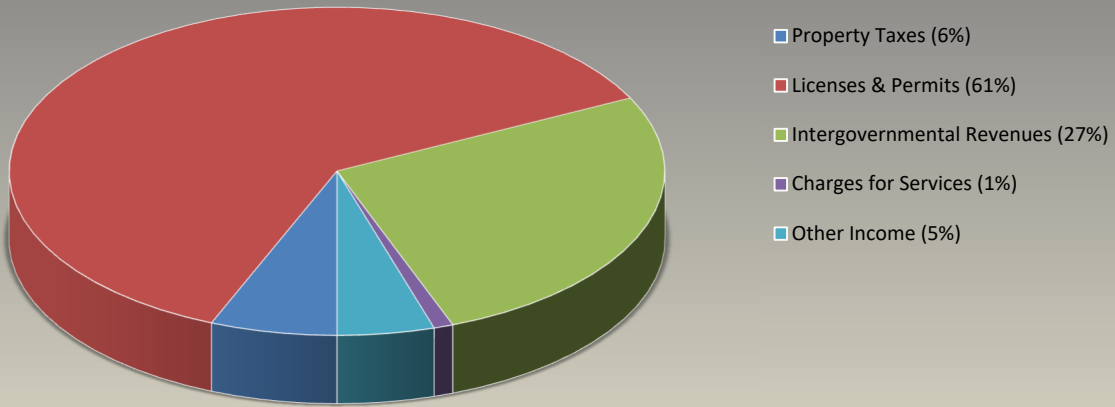
Budget Highlights

The City's General Fund budgeted \$12.7 million in revenues for 2023 and generated \$13.1 million in actual revenues. Actual licenses and permits revenue were more than budgeted balance by \$1.2 million. Actual Intergovernmental revenues were less than budgeted levels by \$1.2 million.

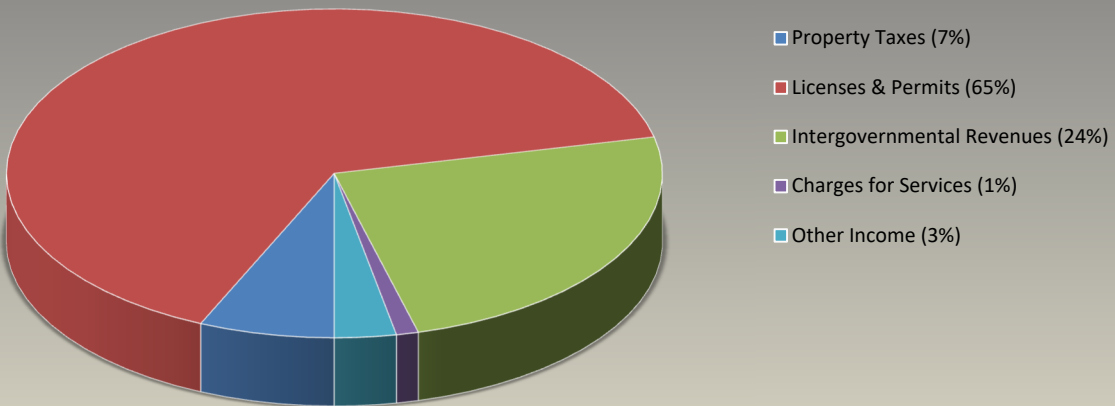
The City's General Fund budgeted \$15.5 million in expenditures and had actual expenses of \$14.2 million. All departments of the City were under budget. Police and Fire were under budget primarily related to payroll and benefits.

City of Versailles, Kentucky
Management's Discussion and Analysis (MD&A)(Continued)
June 30, 2023

General Fund Revenue-June 30, 2023

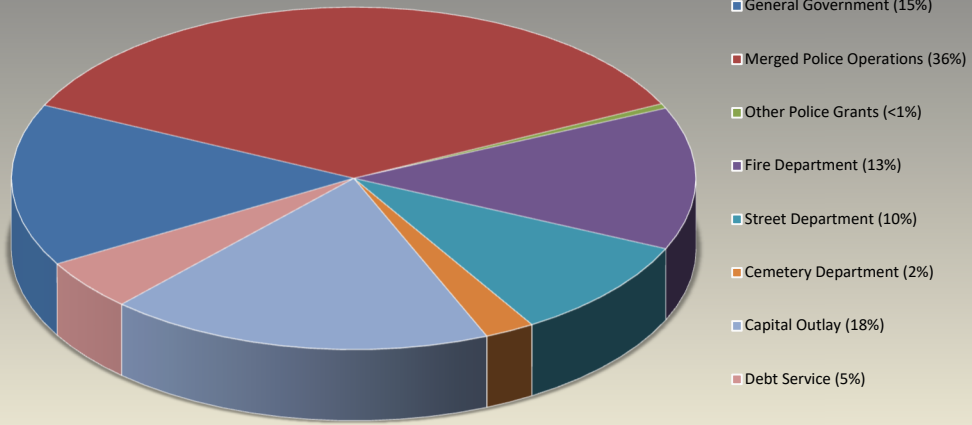


General Fund Revenue-June 30, 2022

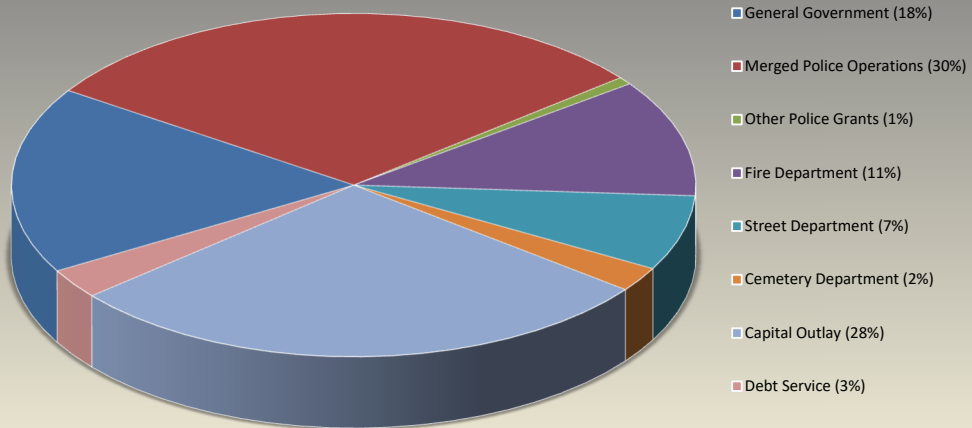


City of Versailles, Kentucky
 Management's Discussion and Analysis (MD&A)(Continued)
 June 30, 2023

General Fund Expenditures-June 30, 2023



General Fund Expenditures-June 30, 2022



City of Versailles, Kentucky
Management's Discussion and Analysis (MD&A)(Continued)
June 30, 2023

Table A-5

Enterprise Fund - Revenue - Budget & Actual

	Budget	Actual	Variance
Charges for Services	\$ 8,293,500	\$ 8,010,033	\$ (283,467)
Other Revenues	253,000	163,923	(89,077)
Total Revenues	\$ 8,546,500	\$ 8,173,956	\$ (372,544)

The City's Enterprise Fund budgeted \$8.5 million in revenues for 2023 and generated \$8.2 million. Actual charges for services for water and sewer were \$0.3 million less than management's estimate.

Note: Tables A-6, A-7, and A-8 do not include expense accounts, such as depreciation, debt service, and interest.

Table A-6

Enterprise Fund - Water Department Expenditures - Budget & Actual

	Budget	Actual	Variance
Salaries	\$ 753,000	\$ 765,682	\$ (12,682)
Payroll Taxes	55,788	55,710	78
Employee Benefits	343,442	331,836	11,606
Advertising and printing	10,000	9,543	457
Professional and technical	10,000	9,732	268
Repairs and maintenance	529,600	148,792	380,808
Utilities	537,800	508,144	29,657
Telephone and postage	30,000	31,340	(1,340)
Insurance	61,227	61,226	1
Chemicals	220,000	224,330	(4,330)
Uniforms	4,000	2,893	1,107
Motor fuel	19,000	16,158	2,842
Office supplies	3,500	3,734	(234)
Other expenses	369,745	331,131	38,614
Purchase of water	15,000	14,929	71
Training/travel	4,500	4,219	281
Lab analysis	15,000	12,933	2,067
Purchase of water meters	725,000	-	725,000
Total Expenditures	\$ 3,706,602	\$ 2,532,331	\$ 1,174,271

City of Versailles, Kentucky
Management's Discussion and Analysis (MD&A)(Continued)
June 30, 2023

Table A-7
Enterprise Fund - Sewer Department Expenditures - Budget & Actual

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Salaries	\$ 613,785	\$ 594,865	\$ 18,920
Payroll Taxes	46,649	44,141	2,508
Employee Benefits	269,003	258,833	10,170
Advertising and printing	9,000	9,092	(92)
Professional and technical	20,000	21,924	(1,924)
Repairs and maintenance	398,650	154,677	243,973
Utilities	381,000	360,463	20,537
Telephone and postage	29,000	29,641	(641)
Insurance	50,326	50,326	-
Chemicals	40,000	44,946	(4,946)
Office supplies	1,800	2,001	(201)
Uniforms	3,500	2,854	646
Motor fuel	25,000	22,167	2,833
Other expenses	294,825	40,519	254,306
Sludge removal	85,000	74,718	10,282
Training/travel	4,000	3,430	570
Lab analysis	25,000	31,210	(6,210)
Meter replacement	725,000	-	725,000
Dumpster collection	4,000	3,462	538
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>\$ 3,025,538</u>	<u>\$ 1,749,269</u>	<u>\$ 1,276,269</u>

The Water Department budgeted \$3.7 million in expenses for 2023 and generated \$2.5 million. Water meter, repair expenses, and other expenses were under budget. Certain capital assets are budgeted in the above but not included in expenses since they are capitalized.

The Sewer Department budgeted \$3.0 million in expenses for 2023 and generated \$1.7 million. Meter replacement, repair expenses, and other expenses were under budget. Certain capital assets are budgeted in the above but not included in expenses since they are capitalized.

City of Versailles, Kentucky
Management's Discussion and Analysis (MD&A)(Continued)
June 30, 2023

Capital Assets

Table A-8 shows the breakdown of capital assets net of depreciation for both governmental and business-type activities. During FY 2023, the City had approximately \$2.9 million in capital additions related to governmental activities. During FY 2023, the City had approximately \$2.0 million in capital additions related to business type activities.

Table A-8
Capital Assets at Year-End, Net of Depreciation (In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Land	\$ 5.1	\$ 5.1	\$ 0.3	\$ 0.3	\$ 5.4	\$ 5.4
Infrastructure	12.5	13.5	-	-	12.5	13.5
Buildings & improvements	6.0	6.3	59.3	61.4	65.3	67.7
Equipment	1.0	0.8	2.3	0.6	3.3	1.4
Vehicles	1.3	0.8	0.1	0.1	1.4	0.9
Construction in progress	2.0	0.7	0.1	-	2.1	0.7
Total Capital Assets	\$ 27.9	\$ 27.2	\$ 62.1	\$ 62.4	\$ 90.0	\$ 89.6

Debt Service

Table A-9

Table A-10 provides a summary of all the City's outstanding indebtedness (In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Notes payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Leases payable	-	-	-	-	-	-
Bonds payable	15.20	6.20	36.13	38.00	51.33	44.20
Total Debt Outstanding	\$ 15.20	\$ 6.20	\$ 36.13	\$ 38.00	\$ 51.33	\$ 44.20

The City issued a 2022 GO bond—anticipation note for \$9.2 in FY 2023. The City made debt service payments as scheduled.

City of Versailles, Kentucky
Management's Discussion and Analysis (MD&A)(Continued)
June 30, 2023

Economic Factors and Next Year's Budget

The City's Finance Committee, Mayor and Council considered many factors when setting the fiscal year 2023-24 budget. The FY2024 economic landscape is expected to continue to stay strong even with the rising interest rates and inflation. The strong tax base along with the bond proceeds received during FY2023, combined to allow the City to budget several FY2024 capital projects including the Downtown Revitalization Project, the Fire Station 1 Improvement Project, High Street Sidewalk Project and the new Maintenance Garage Project.

All City personnel received a 6% cost of living raise July 1, 2023. The Department Heads and staff have worked very diligently to formulate a comprehensive budget for the operations of the City for the upcoming fiscal year. Internally, management has taken measures to monitor and control costs including reviewing all agreements with outside agencies for proper cost sharing and scrutinizing department budgets to prioritize essential services. This budget is based upon realistic expectations of revenue and expenditures, rather than overestimating revenue and underestimating expenditures.

The budget for fiscal year 2024 begins on July 1, 2023, and represents a comprehensive spending plan for all city funds. The budget reflects all known and estimated increases in costs as well as the estimated projections for the various sources of revenues. Our insurance premium tax, net profit and property tax revenue are all dependent on economic conditions and as such these numbers will be subject to continued analysis and review.

As the economy continues to improve, the City budgeted revenues to remain stable and constant from the prior year. The FY 2024 budget will include industrial property sales totaling \$7,125,000. The City has budgeted to expend approximately \$1,000,000 of ARPA funds on the New Maintenance Garage project and the Fire Station 1 Improvements.

The budgeted capital items include the Downtown Revitalization Project, the purchase of additional Edgewood property, a Paratech Trailer and Equipment for the Fire Department, the New Maintenance Garage, and the Fire Station 1 Improvements. The Utilities Budget remains supportive of our daily activities and provides funds to complete scheduled projects including a portion of the New Maintenance Garage.

Contacting the City's Financial Management

This financial report is designed to provide the citizens of the City, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the revenues it receives. If you have questions about this report or need additional financial information, contact Elizabeth Reynolds at 196 South Main Street, Versailles, Kentucky.

CITY OF VERSAILLES, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2023

	Primary Government			Component Unit Public Properties
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,472,812	\$ 6,298,344	\$ 10,771,156	\$ 89,384
Investments	904,579	-	904,579	-
Accounts receivable, net	2,420,476	1,248,072	3,668,548	-
Grants receivable	204,771	69,027	273,798	-
Lease receivable - current	5,718	-	5,718	580,480
Inventories	-	453,790	453,790	-
Internal balances, net	683,928	(683,928)	-	-
Total current assets	<u>8,692,284</u>	<u>7,385,305</u>	<u>16,077,589</u>	<u>669,864</u>
Noncurrent assets				
Restricted cash and cash equivalents	9,725,803	4,804,016	14,529,819	2,143,119
Restricted investments	-	591,458	591,458	-
Capital assets				
Construction in progress	2,030,716	130,260	2,160,976	-
Land and improvements	5,056,643	320,125	5,376,768	-
Plant and utility systems, net	-	50,346,949	50,346,949	-
Depreciable buildings, property, and equipment, net	8,266,695	11,216,075	19,482,770	-
Infrastructure, net	12,483,925	-	12,483,925	-
Long-term lease receivable, net	895,896	-	895,896	3,342,499
Advance to (from) other funds	(2,024,000)	2,024,000	-	-
Total noncurrent assets	<u>36,435,678</u>	<u>69,432,883</u>	<u>105,868,561</u>	<u>5,485,618</u>
Total assets	<u>45,127,962</u>	<u>76,818,188</u>	<u>121,946,150</u>	<u>6,155,482</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	2,632,751	427,996	3,060,747	-
Deferred outflows - OPEB	1,518,897	335,711	1,854,608	-
Defeasance on refunding	-	241,713	241,713	5,176
Total deferred outflows of resources	<u>4,151,648</u>	<u>1,005,420</u>	<u>5,157,068</u>	<u>5,176</u>
Total assets and deferred outflows of resources	<u>\$ 49,279,610</u>	<u>\$ 77,823,608</u>	<u>\$ 127,103,218</u>	<u>\$ 6,160,658</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 780,836	\$ 288,798	\$ 1,069,634	\$ 622,206
Compensated absences	4,949	-	4,949	-
Accrued payroll liabilities	125,704	15,586	141,290	-
Accrued taxes payable	-	61,375	61,375	-
Accrued interest payable	189,319	94,235	283,554	14,171
Deposits payable	-	430,403	430,403	-
Unearned revenue	1,461,583	-	1,461,583	1,009,009
Other accrued liabilities	-	196,070	196,070	-
Retainage payable	40,209	-	40,209	-
Current portion of long-term obligations	615,000	1,920,000	2,535,000	860,000
Total current liabilities	<u>3,217,600</u>	<u>3,006,467</u>	<u>6,224,067</u>	<u>2,505,386</u>
Noncurrent liabilities				
Compensated absences	238,469	82,660	321,129	-
Bonds and notes payable	14,584,504	34,211,330	48,795,834	3,731,666
Net pension liability	16,828,877	2,824,111	19,652,988	-
Net OPEB liability	4,673,090	770,851	5,443,941	-
Total noncurrent liabilities	<u>36,324,940</u>	<u>37,888,952</u>	<u>74,213,892</u>	<u>3,731,666</u>
Total liabilities	<u>39,542,540</u>	<u>40,895,419</u>	<u>80,437,959</u>	<u>6,237,052</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	460,518	67,636	528,154	-
Deferred inflows - OPEB	1,417,947	314,681	1,732,628	-
Deferred inflows of resources - leases	901,614	-	901,614	-
Total deferred inflows of resources	<u>2,780,079</u>	<u>382,317</u>	<u>3,162,396</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	21,933,782	25,670,464	47,604,246	-
Restricted for				
Debt service and construction	9,725,803	4,846,540	14,572,343	-
Other purposes	1,423,090	81,107	1,504,197	(76,394)
Unrestricted	(26,125,684)	5,947,761	(20,177,923)	-
Total net position	<u>6,956,991</u>	<u>36,545,872</u>	<u>43,502,863</u>	<u>(76,394)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 49,279,610</u>	<u>\$ 77,823,608</u>	<u>\$ 127,103,218</u>	<u>\$ 6,160,658</u>

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

CITY OF VERSAILLES, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Public Properties
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 2,169,863	\$ 383,928	\$ 1,000	\$ -	\$ (1,784,935)	\$ -	\$ (1,784,935)	
Police operations	5,764,521	3,549	2,331,570	127,505	(3,301,897)	-	(3,301,897)	
Disptach	1,035,194	1,014,950	-	-	(20,244)	-	(20,244)	
Fire department	2,139,897	-	99,814	-	(2,040,083)	-	(2,040,083)	
Street department	2,734,147	1,120	180,771	764,927	(1,787,329)	-	(1,787,329)	
Cemetery	344,562	133,893	-	-	(210,669)	-	(210,669)	
Interest on long-term debt	486,545	-	-	-	(486,545)	-	(486,545)	
Total governmental activities	<u>14,674,728</u>	<u>1,537,440</u>	<u>2,613,155</u>	<u>892,432</u>	<u>(9,631,701)</u>	<u>-</u>	<u>(9,631,701)</u>	
Business-type activities								
Utilities - Water and sewer	<u>7,857,949</u>	<u>8,173,956</u>	<u>374,027</u>	<u>102,871</u>	<u>-</u>	<u>792,905</u>	<u>792,905</u>	
Total primary government	<u>\$ 22,532,677</u>	<u>\$ 9,711,396</u>	<u>\$ 2,987,182</u>	<u>\$ 995,303</u>	<u>(9,631,701)</u>	<u>792,905</u>	<u>(8,838,796)</u>	
Component Unit								
Public Properties Corporation	<u>\$ 3,112,804</u>	<u>\$ 2,458,199</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ (654,605)</u>

General revenue				
Taxes				
Property taxes, levied for general purposes	818,122	-	818,122	-
License fees				
Franchise	585,578	-	585,578	-
Payroll	4,175,870	-	4,175,870	-
Insurance premiums	2,484,421	-	2,484,421	-
Net profits	771,254	-	771,254	-
Occupational	25,740	-	25,740	-
Investment earnings (loss)	433,354	289,312	722,666	249,141
Miscellaneous	155,606	-	155,606	-
Total general revenues	<u>9,449,945</u>	<u>289,312</u>	<u>9,739,257</u>	<u>249,141</u>
Transfers in (out)	-	-	-	-
Gain (loss) on disposal of assets and insurance proceeds	<u>102,142</u>	<u>105,880</u>	<u>208,022</u>	<u>303,500</u>
Total general revenues and gains (losses)	<u>9,552,087</u>	<u>395,192</u>	<u>9,947,279</u>	<u>552,641</u>
Change in net position	(79,614)	1,188,097	1,108,483	(101,964)
Net position, beginning	<u>7,036,605</u>	<u>35,357,775</u>	<u>42,394,380</u>	<u>25,570</u>
NET POSITION, ENDING	<u>\$ 6,956,991</u>	<u>\$ 36,545,872</u>	<u>\$ 43,502,863</u>	<u>\$ (76,394)</u>

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

CITY OF VERSAILLES, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 13,413,378	\$ 785,237	\$ 14,198,615
Investments	233,284	671,295	904,579
Accounts receivable, net	2,376,568	18,908	2,395,476
Grants receivable	204,771	-	204,771
Lease receivable	901,614	-	901,614
Due from other funds	730,259	-	730,259
 Total assets	\$ 17,859,874	\$ 1,475,440	\$ 19,335,314
LIABILITIES			
Accounts payable	\$ 778,992	\$ 1,844	\$ 780,836
Accrued payroll liabilities	116,962	8,742	125,704
Compensated absences	4,949	-	4,949
Unearned revenue	1,461,583	-	1,461,583
Interfund loan	2,024,000	-	2,024,000
Due to other funds	15,991	30,340	46,331
 Total liabilities	4,402,477	40,926	4,443,403
DEFERRED INFLOWS OF RESOURCES			
Leases	901,614	-	901,614
Unavailable resources	343,708	-	343,708
 Total deferred inflow of resources	1,245,322	-	1,245,322
FUND BALANCE			
Fund balance			
Restricted	9,867,486	986,176	10,853,662
Committed	515,000	448,338	963,338
Unassigned	1,829,589	-	1,829,589
 Total fund balance	12,212,075	1,434,514	13,646,589
 Total liabilities, deferred inflow of resources, and fund balance	\$ 17,859,874	\$ 1,475,440	\$ 19,335,314

Amounts reported for governmental activities in the statement of net position are different because:

Fund balances reported above	\$ 13,646,589
Unavailable revenue only recorded in the funds.	343,708
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	27,837,979
Long-term receivables for property taxes are not current financial resources and are therefore are not reported in the funds.	25,000
Long-term liabilities and related pension/OPEB deferred inflows/outflows are not due and payable in the current period and therefore are not reported in the funds.	(34,896,285)
 Net position governmental activities	 \$ 6,956,991

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

CITY OF VERSAILLES, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
for the year ended June 30, 2023

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 818,122	\$ -	\$ 818,122
Licenses and permits	8,043,983	-	8,043,983
Intergovernmental revenues	3,486,698	175,182	3,661,880
Charges for services	125,292	1,027,100	1,152,392
Other income (loss)	626,733	50,923	677,656
Total revenues	13,100,828	1,253,205	14,354,033
EXPENDITURES			
Current			
General government	2,175,898	-	2,175,898
Merged police operations	5,077,090	-	5,077,090
Other police operations/grants	64,206	-	64,206
911 communications	-	1,078,285	1,078,285
Fire department	1,909,474	-	1,909,474
Street department	1,353,424	-	1,353,424
Cemetery department	334,257	4,164	338,421
Capital outlay	2,578,113	286,108	2,864,221
Debt service	683,607	-	683,607
Total expenditures	14,176,069	1,368,557	15,544,626
Excess of Revenues Over (Under) Expenditures	(1,075,241)	(115,352)	(1,190,593)
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of bond anticipation notes	9,195,000	-	9,195,000
Premium on issuance of bond anticipation notes	142,493	-	142,493
Proceeds from the sale of assets	113,114	-	113,114
Transfers in (out)	(20,468)	20,468	-
Net change in fund balances	8,354,898	(94,884)	8,260,014
Fund Balance, beginning of year	3,857,177	1,529,398	5,386,575
Fund Balance, end of year	\$ 12,212,075	\$ 1,434,514	\$ 13,646,589
Net change in fund balances			\$ 8,260,014
Add: Capital outlay			2,864,221
Add: Debt service			683,607
Add: Unavailable revenue recognized in current year on opioid revenue			295,231
Less: Unavailable revenue recognized in the prior year on grant revenue			(156,293)
Add: Change in long-term compensated absences			85,721
Less: Depreciation on governmental activities			(2,293,066)
Less: Proceeds from the sale of assets			(113,114)
Add: Gain on disposal of assets			102,142
Less: Retainage payable			(40,209)
Less Proceeds and premium on issuance of bond anticipation notes			(9,337,493)
Add: Decrease in net pension liability			368,433
Less: Increase in net OPEB liability			(312,264)
Less: Interest on long-term debt and bond issuance costs			(486,545)
Change in net position governmental activities			\$ (79,614)

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

CITY OF VERSAILLES, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

	<u>Business-type Activities</u> <u>Water & Sewer</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 6,298,344
Accounts receivable, net	1,248,072
Grant receivable	69,027
Due from other funds	15,403
Inventory	453,790
Total current assets	<u>8,084,636</u>
Noncurrent assets	
Restricted assets	
Cash and cash equivalents	4,804,016
Investments	591,458
Advances to other funds	2,024,000
Land	320,125
Construction in progress	130,260
Property and equipment	93,095,320
Less: accumulated depreciation	<u>(31,532,296)</u>
Total noncurrent assets	<u>69,432,883</u>
Total assets	<u>77,517,519</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	427,996
Deferred outflows - OPEB	335,711
Defeasance on refunding	241,713
Total deferred outflows of resources	<u>1,005,420</u>
Total assets and deferred outflows of resources	<u>\$ 78,522,939</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 288,798
Accrued payroll	15,586
Taxes payable	61,375
Accrued interest payable	94,235
Deposits payable	430,403
Other accrued liabilities	196,070
Due to other funds	699,331
Current portion, long-term debt	1,920,000
Total current liabilities	<u>3,705,798</u>
Noncurrent liabilities	
Compensated absences	82,660
Bonds and notes payable	34,211,330
Net pension liability	2,824,111
Net OPEB liability	770,851
Total noncurrent liabilities	<u>37,888,952</u>
Total liabilities	<u>41,594,750</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	67,636
Deferred inflows - OPEB	314,681
Total deferred inflows of resources	<u>382,317</u>
NET POSITION	
Net investment in capital assets	25,670,464
Restricted for debt service and construction	4,846,540
Restricted for other purposes	81,107
Unrestricted	5,947,761
Total net position	<u>36,545,872</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 78,522,939</u>

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

CITY OF VERSAILLES, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2023

	<u>Business-type Activities</u> <u>Water & Sewer</u>
OPERATING REVENUES	
Charges for services	\$ 8,010,033
Other revenues	163,923
Total operating revenues	<u>8,173,956</u>
OPERATING EXPENSES	
Salaries	1,360,547
Payroll taxes	99,851
Employee benefits	590,669
Advertising and printing	18,635
Professional and technical	31,656
Repairs and maintenance	303,467
Utilities	868,607
Telephone and postage	60,981
Insurance	111,552
Chemicals	269,276
Disinfection supplies	125
Technical supplies	2,001
Uniforms	5,747
Motor fuel	38,325
Office supplies	3,734
Other materials	25,416
Other expenses	336,195
Purchase of water	14,929
Sludge removal	84,636
Depreciation	2,285,374
Training/travel	7,649
Lab analysis	44,143
Dumpster collection	3,462
Total operating expenses	<u>6,566,977</u>
Operating income	<u>1,606,979</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	289,312
Interest expense	(1,294,565)
Gain (loss) on disposal of assets and insurance proceeds	105,880
Amortization expense and bond issue cost	3,593
Impact fees	102,871
(Deficiency) of nonoperating revenues over expenses	<u>(792,909)</u>
Capital Contributed	
Grants	<u>374,027</u>
Change in net position	1,188,097
Net position, beginning	<u>35,357,775</u>
NET POSITION, ENDING	<u>\$ 36,545,872</u>

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

CITY OF VERSAILLES, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2023

	<u>Business-type Activities</u> <u>Water & Sewer</u>
Cash flows from operating activities:	
Receipts from customers	\$ 8,052,369
Cash payments to employees	(2,045,188)
Cash payments to others for services	(2,479,920)
Net cash provided by (used by) operating activities	<u>3,527,261</u>
Cash flows from non-capital financing activities:	
Due to/from other funds	<u>683,928</u>
Net cash provided by (used by) non-capital financing activities	<u>683,928</u>
Cash flows from capital and related financing activities:	
Purchase of construction in progress	(323,513)
Purchase of property, plant and equipment	(1,876,654)
Proceeds from disposal of capital assets	105,880
Grants received	305,000
Impact fees	102,871
Payment of bond and note payable principal	(1,870,000)
Interest expense	(1,156,750)
Net cash provided by (used by) capital and related financing activities	<u>(4,713,166)</u>
Cash flows from investing activities:	
Sale/maturity of investments	1,528,918
Investment income	<u>269,179</u>
Net cash provided by (used by) investing activities	<u>1,798,097</u>
Net increase (decrease) in cash and cash equivalents	<u>1,296,120</u>
Cash and cash equivalents, July 1, 2022	<u>9,806,240</u>
Cash and cash equivalents, June 30, 2023	<u>\$ 11,102,360</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities	
Operating income	\$ 1,606,979
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:	
Depreciation	2,285,374
Changes in net pension liability	59,732
Changes in net OPEB liability	(66,572)
Changes in assets and liabilities:	
Receivables, net	(121,587)
Inventory	(241,040)
Accounts payable	(47,856)
Payroll liabilities	12,719
Other liabilities	39,512
Net cash provided by (used by) operating activities	<u>\$ 3,527,261</u>
Reconciliation of total cash and cash equivalents	
Current assets - cash and cash equivalents	\$ 6,298,344
Restricted assets - cash and cash equivalents	<u>4,804,016</u>
Total cash and cash equivalents	<u>\$ 11,102,360</u>
Supplement disclosure of cash flow information:	
Amortization expense	<u>\$ (3,593)</u>
Net change in capital assets payable	<u>\$ (196,253)</u>

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

CITY OF VERSAILLES, KENTUCKY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2023

	Private Purpose Trust
ASSETS	
Cash and cash equivalents	\$ -
Investments	<u>26,677</u>
Total assets	<u>26,677</u>
LIABILITIES	
Accounts payable	-
Other liabilities	<u>-</u>
Total liabilities	<u>-</u>
NET POSITION	
Held in trust for cemetery	<u>\$ 26,677</u>

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

CITY OF VERSAILLES, KENTUCKY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
for the year ended June 30, 2023

	<u>Private Purpose Trust</u>
ADDITIONS	
Investment income (loss)	<u>\$ 1,776</u>
Total additions	<u>1,776</u>
Less: investment expenses	
Trust fees	178
Miscellaneous	<u>-</u>
Total investment expenses	<u>178</u>
Total change in additions	1,598
DEDUCTIONS	
Distributions to general fund	<u>-</u>
Total deductions	<u>-</u>
Net increase (decrease) in net position	<u>1,598</u>
Net position, beginning	<u>25,079</u>
Net position, ending	<u>\$ 26,677</u>

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

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Versailles, Kentucky (the City) operates under the City Council form of government and has budgetary authority over the following functional areas: public safety, public service, water and sewer, general administration, and for financial reporting purposes, all funds and account groups that are controlled by or dependent on the City, as determined on the basis of budget adoption, management oversight responsibility, and taxing authority. The accounting policies of the City of Versailles conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The financial statements of the City of Versailles, Kentucky include the funds, account groups and entities over which the Mayor and Council exercise significant oversight responsibility. Oversight responsibility, as defined by Section 2100 of the GASB Codification of Government Accounting and Financial Reporting Standards, was determined on the basis of the City's ability to significantly influence operation, select the governing body, and participate in fiscal management and the scope of public service. Based on these criteria there are no affiliated entities.

Discretely Presented Component Unit – The component unit column in the government-wide financial statements includes the financial data of the City's discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from the City. The following component unit is included in the City's reporting entity because the primary government is able to impose its will on the organization.

The City of Versailles Public Properties Corporation is included in the reporting entity as a discretely presented component unit because the City appoints all of the governing body and the City has the ability to impose its will on the Corporation. The Corporation is involved in holding, developing and managing property leased to the Kentucky Community and Technical College System.

B. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements include a statement of net position and the statement of activities. These statements display information about the City as a whole. The statements distinguish between governmental and business-type activities of the City. These financial statements include the financial activities of the City except for fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. The government-wide statement of activities reflects costs of government by function for governmental activities and business-type activities. Program revenues include charges paid by recipients for the goods or services offered by the program and grants or contributions that are restricted to the program. Revenues which are not classified as program revenues are presented as general revenues of the City. The primary government is reported separately from certain legally separate component units.

Fund Financial Statements

Fund financial statements report detailed information about the City. The accounts of the City are organized on the basis of funds, each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, fund balance/net position, revenues and expenditures or expenses.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

Fund Financial Statements (continued)

Governmental funds are those through which most governmental functions are financed. The governmental fund measurement focus is upon determination of financial position and budgetary control over revenues and expenditures. Proprietary fund types are used to account for operations that are financed and operated in a manner similar to business enterprises where intent of the governing body is that costs of providing services are to be financed or recovered primarily through user charges. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City no longer considers the payroll fund a fiduciary fund.

The following funds are used by the City of Versailles:

Governmental Funds

General Fund – The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The special revenue funds of the City are used to account for proceeds of specific revenue sources that are legally restricted to disbursements for specified purposes. The City has two special revenue funds. The Road Fund accounts for the municipal road aid program. The 911 Fund accounts for the activities of the City of Versailles Emergency Medical Services.

Permanent Fund – The permanent fund is used to account for the Versailles Cemetery Perpetual and Rose Crest Trust income and expenditures. This fund reports resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the program.

Proprietary Funds

Proprietary (enterprise) funds are used to account for the ongoing organizations and activities of the City, which are similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in cash flows.

Enterprise funds are established to account for the acquisition, operations and maintenance of the City's facilities and services which are entirely or predominantly self-supported by user charges or where the City has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The accounts are maintained on the accrual basis of accounting. The City's enterprise operations include the following:

Enterprise Fund – The enterprise fund is used to account for water and sewer services. The operations of which are financed by user charges.

Fiduciary Funds

The fiduciary fund consist of a Private Purpose Trust which provides information for the expendable cemetery trust.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and recognized in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for individual funds.

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. Their focus is on individual funds rather than reporting funds by type. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and expenses are recognized at the time the liability occurs.

Permits, fines and forfeits, and miscellaneous revenues (except for investment earnings) are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available in all funds.

D. Budgeting

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

Budgeted amounts in the financial statements are as adopted by ordinance of the City.

E. Cash and Cash Equivalents

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

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Accounts Receivable

The Water and Sewer Fund accounts receivable are for services to customers. If a customer fails to pay their bill by the 25th of the month, their service is cutoff and is not reinstated until the individual pays a reconnect fee. Deposits are applied to customers' final bill and any unpaid balance after applying the deposit is fully reserved and carried on the books for a period of five years.

G. Restricted Cash and Investments

The City has restricted cash and investments to satisfy bond issue requirements. The City also has restricted cash accounts related to their use for bond payments and capital expenditures.

H. Investments

Investments are carried at fair value, except for short-term government obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market prices.

I. Inventory

Inventory consists of water and sewer supplies. Inventory amounts are stated at cost.

J. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due from/to other funds". Receivables and payables resulting from long-term interfund loans are classified as "advances from/to other funds". These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances and are eliminated in the total column of the government-wide statement of net position.

K. Capital Assets

Capital assets are reported at cost. Donated assets are valued at their fair market value on the date of donation. Capital assets are depreciated using the straight-line method over the estimated useful life of the asset as follows:

Buildings and improvements	25-40 years
Land improvements	10-20 years
Machinery and equipment	5-10 years
Vehicles	5-20 years
Utility systems	25-40 years
Infrastructure	5-40 years

L. Accrued Liabilities and Long-term Obligations

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

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Accrued Liabilities and Long-term Obligations (continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources.

Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

M. Compensated Absences

City employees are allowed to accumulate sick leave and vacation time equal to one and one-half times the employee's current vacation leave allowed. Regular full-time employees (40 hours per week) receive 8 hours of sick time per month while those expected to work 24-hour shifts receive 12 hours per month. Vacation time is accrued at the rate of 1/12th of the annual rate per month of employment.

N. Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element 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 then. For the City, deferred outflows are reported on the government-wide statement of net position for pension and OPEB related liabilities, and for the unamortized gain on the defeasance of refunding debt.

O. Deferred Inflows of Resources

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include unavailable revenue, items related to lease receivables, and items related to the pension liabilities. Unavailable revenue represents receivables that will not be collected within the available period (typically sixty days after fiscal year - end) and is only reported in the governmental fund financial statements. Deferred inflows of resources related to lease receivables are recorded initially at the value of the lease receivable plus any payments received at or before the commencement of the lease term, and then recognized as revenue in a systemic and rational manner over the life of the lease. Deferred inflows of resources related to pension and OPEB liabilities are reported in the government-wide statement of net position.

P. Pensions

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

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Postemployment Benefits Other Than Pensions (OPEB)

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

R. Leases

Effective July 1, 2021, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease receivable and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. See Notes 4 and 5 for information regarding the City's lease receivables and liabilities.

S. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

T. Fund Balance

Fund balance of the governmental funds is classified as follows:

Nonspendable — amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of the City of Versailles. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Council.

Unassigned — all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, or unassigned fund balance is available, the City considers amounts to have been spent first out of committed funds, and finally unassigned funds, as needed, unless City Council or the finance committee has provided otherwise in its commitment or assignment actions.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Fund Balance (continued)

As of June 30, 2023, fund balance is composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:			
Road surface repairs	\$ -	\$ 314,881	\$ 314,881
VPD debt service	390,287	-	390,287
Law enforcement	52,986	-	52,986
2022 GO Bond proceeds	9,335,516	-	9,335,516
Opioid settlement funds	88,697	-	88,697
Cemetery permanent fund	-	671,295	671,295
Committed:			
Public safety	325,000	-	325,000
City hall repairs	95,000	-	95,000
Falling Springs	95,000	-	95,000
911	-	448,338	448,338
Unassigned	<u>1,829,589</u>	<u>-</u>	<u>1,829,589</u>
 Total fund balances	 <u>\$ 12,212,075</u>	 <u>\$ 1,434,514</u>	 <u>\$ 13,646,589</u>

V. Proprietary Revenues

Proprietary funds report all revenues and expenses as operating, except interest income, proceeds from sale of assets and insurance, interest expense, amortization, impact fees and capital contributions.

W. Change in Accounting Policy

Effective July 1, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-based Information Technology Arrangements. GASB Statement No. 96 requires recognition of a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability for subscription-based information technology arrangements (SBITA) that were previously classified as operating expenses. It establishes uniform guidance for SBITA accounting based on the foundational principle that SBITA are financings of the right to use vendor-provided information technology assets. Government entities are required to recognize a subscription liability and an intangible right-to-use subscription asset. These changes had no effect on the financial statements.

X. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through April 18, 2024, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2023, have not been evaluated by the City.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

2. CASH AND INVESTMENTS

The City's investment policy follows applicable state statutes and allows the City to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge as security obligations of the United States government or its agencies, and certain shares of mutual funds. In addition, trust funds may invest in uninsured corporate securities.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's investment policy states that unless matched to a specific cash flow need, the City's funds should not, in general, be invested in securities maturing more than one year from the date of purchase.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2023, the City held investments in two municipal bonds. Ratings of the municipal bonds were as follows:

<u>Municipal Security</u>	<u>Rating</u>
Menifee County KY School District Fin. Corporation Bonds, 1.500%, 5/1/25	A1
Pike County KY School District Fin. Corporation Bonds, 1.750%, 11/1/23	A1

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the City's policy requires a collateralized level of 103% of market value, plus accrued interest.

PRIMARY GOVERNMENT

At June 30, 2023, the City's bank balances were substantially covered by federal depository insurance or by collateral pledged. The City's bank balances totaled \$27,663,015 at June 30, 2023. As of June 30, 2023, \$13,783,400 was covered by FDIC or SIPC, \$10,163,424 was held as collateral by the custodial banks in the City's name and \$4,483,063 was held by the custodial banks but not in the City's name. The City held the remaining balances in municipal securities, which do not require collateral pledged.

COMPONENT UNIT

At June 30, 2023, the Public Properties Corporation's bank deposits were substantially covered by federal depository insurance or by collateral held by the custodial banks in the Corporation's name. The bank balances totaled \$2,246,587. As of June 30, 2023, \$250,000 was covered by FDIC or SIPC and \$1,484,684 was held as collateral by the custodial banks in the Corporation's name. The Corporation held the remaining balances in U.S. Treasury Obligations, which do not require collateral pledged.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy is that, with the exception of fully insured or fully collateralized investments and demand deposit accounts, no more than 20% of the City's total investment portfolio shall be invested in a single security type or with a single financial institution.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

2. CASH AND INVESTMENTS (CONTINUED)

The City's investments at June 30, 2023, are as follows:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>1 year or less</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Primary Government					
Certificates of deposit	\$ 247,784	\$ 247,784	\$ -	\$ -	\$ -
U.S. govt. obligations	26,247	26,247	-	-	-
Mutual funds	507,924	507,924	-	-	-
Corporate bonds	137,125	-	-	137,125	-
Municipal bonds	<u>576,957</u>	<u>479,068</u>	<u>97,889</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,496,037</u>	<u>\$ 1,261,023</u>	<u>\$ 97,889</u>	<u>\$ 137,125</u>	<u>\$ -</u>
Fiduciary Fund					
Cash	\$ 13	\$ 13	\$ -	\$ -	\$ -
Mutual funds	2,116	2,116	-	-	-
Equities	<u>24,548</u>	<u>24,548</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 26,677</u>	<u>\$ 26,677</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investment Valuation

The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

For those investments measured at fair value, the investments' fair value measurements are as follows at June 30, 2023:

<u>Investments</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Primary Government				
U.S. Government Obligations	\$ 26,247	\$ 26,247	\$ -	\$ -
Mutual funds	507,924	-	-	-
		507,924		
Municipal bonds	576,957	-	576,957	-
Corporate bonds	<u>137,125</u>	<u>-</u>	<u>137,125</u>	<u>-</u>
Total	<u>\$ 1,248,253</u>	<u>\$ 534,171</u>	<u>\$ 714,082</u>	<u>\$ -</u>
Fiduciary Funds				
Cash	\$ 13	\$ 13	\$ -	\$ -
Mutual funds	2,116	2,116	-	-
Equities	<u>24,548</u>	<u>24,548</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 26,677</u>	<u>\$ 26,677</u>	<u>\$ -</u>	<u>\$ -</u>

Investments in certificates of deposit totaling \$247,784 are valued at cost and are not included in the above table.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

3. ACCOUNTS RECEIVABLE

Receivables at June 30, 2023, of the City's major individual funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Nonmajor Funds	Governmental Funds
Governmental Funds:			
Taxes	\$ 38,770	\$ -	\$ 38,770
Licenses, permits, billings	1,826,296	-	1,826,296
Charges for service	7,643	-	7,643
Intergovernmental	215,575	18,908	234,483
Other	<u>313,284</u>	<u>-</u>	<u>313,284</u>
Gross receivables	2,401,568	18,908	2,420,476
Less: allowance for uncollectible	<u>(25,000)</u>	<u>-</u>	<u>(25,000)</u>
Net receivables	<u>\$ 2,376,568</u>	<u>\$ 18,908</u>	<u>\$ 2,395,476</u>
Business-type Activities:			
Customer	\$ 1,278,072		
Less: allowance for uncollectible	<u>(30,000)</u>		
Net receivables	<u>\$ 1,248,072</u>		

Lease Receivables and Deferred Inflows of Resources

On June 1, 2000 the City entered into a lease agreement with Crown Castle South LLC to lease out a cell tower owned by the City. The initial agreement was for five years with four optional renewals of five years and was scheduled to terminate in 2017. The renewal was extended to provide an additional six renewals of five years and is scheduled to terminate in fiscal year 2048. Upon adoption of GASB 87, the City recognized both a lease receivable and a deferred inflow of resources related to the lease agreement totaling \$317,080. The City calculated the present value of future lease payments based on an incremental borrowing rate of 3.0%. The balance of the lease receivable as of June 30, 2023 totaled \$309,448. The City reported interest revenue totaling \$9,356 and lease revenue totaling \$4,294 for fiscal year 2023.

On September 16, 2008 the City entered into a lease agreement with Crown Castle South LLC to lease out a cell tower owned by the City. The initial agreement was for five years with four optional renewals of five years and was scheduled to terminate in 2025. The renewal was extended to provide an additional six renewals of five years and is scheduled to terminate in fiscal year 2055. In accordance with GASB 87, the City recognized both a lease receivable and a deferred inflow of resources related to the lease agreement totaling \$595,829. The City calculated the present value of future lease payments based on an incremental borrowing rate of 3.0%. The balance of the lease receivable as of June 30, 2023 totaled \$592,166. The City reported interest revenue totaling \$17,783 and lease revenue totaling \$1,105 for fiscal year 2023.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

3. ACCOUNTS RECEIVABLE (CONTINUED)

The present value of expected future minimum lease payments are as follows:

June 30,	Principal	Interest	Total
2024	\$ 5,718	\$ 26,970	\$ 32,688
2025	5,892	26,796	32,688
2026	7,975	26,601	34,576
2027	9,185	26,335	35,520
2028	11,380	26,032	37,412
2029-2033	74,502	124,300	198,802
2034-2038	118,591	110,021	228,612
2039-2043	174,609	88,281	262,890
2044-2048	219,431	57,423	276,854
2049-2053	176,041	29,027	205,068
2054-2056	<u>98,289</u>	<u>3,603</u>	<u>101,892</u>
	<u>\$ 901,614</u>	<u>\$ 545,388</u>	<u>\$ 1,447,002</u>

The deferred inflows of resources will be recognized over the term of the lease agreements as lease revenue. During 2023, the City recognized \$27,139 of interest revenue and \$5,399 of lease revenue from the lease agreements.

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

On May 3, 2022, the General Fund received \$2,000,000 from the Water and Sewer Fund in the form of a promissory note. The proceeds were used towards the purchase of Edgewood Farm. The note bears fixed interest at 1.2% with monthly payments of \$2,000 due each month beginning July 2022. The term of the loan expires June 30, 2024, in which full principal and any unpaid interest will be due to the Water and Sewer Fund. The note has been presented as an advance on the financial statements and had a balance of \$2,024,000 as of June 30, 2023. The advance was eliminated for purposes of government-wide financial statements.

Short-term interfund receivables and payables within governmental activities and business-type activities eliminated for purposes of government-wide financial statements as of June 30, 2023 are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water & Sewer Fund	\$ 699,919
Water & Sewer Fund	General Fund	\$ 15,991
General Fund	Municipal Road Aid Fund	\$ 30,340

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

5. CAPITAL ASSETS

A summary of the Primary Government's capital asset activity during the fiscal year follows:

<u>Governmental Activities</u>	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 5,056,643	\$ -	\$ -	\$ 5,056,643
Construction in progress	<u>752,546</u>	<u>1,928,102</u>	<u>(649,932)</u>	<u>2,030,716</u>
Total	<u>5,809,189</u>	<u>1,928,102</u>	<u>(649,932)</u>	<u>7,087,359</u>
Capital assets being depreciated:				
Buildings and improvements	8,839,482	25,750	-	8,919,232
Equipment	2,735,158	384,094	(14,129)	3,105,123
Vehicles	4,127,597	773,543	(401,483)	4,499,657
Infrastructure	<u>26,663,073</u>	<u>402,664</u>	<u>-</u>	<u>27,065,737</u>
Total	<u>42,419,310</u>	<u>1,586,051</u>	<u>(415,612)</u>	<u>43,589,749</u>
Total capital assets	<u>48,228,499</u>	<u>3,514,153</u>	<u>(1,065,544)</u>	<u>50,677,108</u>
Less: accumulated depreciation				
Buildings and improvements	2,574,555	362,201	-	2,936,756
Equipment	1,938,180	200,519	(14,129)	2,124,570
Vehicles	3,267,388	319,115	(390,511)	3,195,992
Infrastructure	<u>13,170,580</u>	<u>1,411,231</u>	<u>-</u>	<u>14,581,811</u>
Total accumulated depreciation	<u>20,950,703</u>	<u>2,293,066</u>	<u>(404,640)</u>	<u>22,839,129</u>
Governmental activities capital assets, net	<u>\$ 27,277,796</u>	<u>\$ 1,221,087</u>	<u>\$ (660,904)</u>	<u>\$ 27,837,979</u>
 <u>Business-type Activities</u>				
Capital assets not depreciated:				
Land	\$ 320,125	\$ -	\$ -	\$ 320,125
Construction in progress	<u>3,000</u>	<u>127,260</u>	<u>-</u>	<u>130,260</u>
Total	<u>323,125</u>	<u>127,260</u>	<u>-</u>	<u>450,385</u>
Capital assets being depreciated:				
Buildings	17,485,248	98,665	-	17,583,913
Equipment	1,683,191	1,706,794	(28,258)	3,361,727
Vehicles	574,928	-	-	574,928
Plant and utility systems	<u>71,703,557</u>	<u>71,195</u>	<u>(200,000)</u>	<u>71,574,752</u>
Total	<u>91,446,924</u>	<u>1,876,654</u>	<u>(228,258)</u>	<u>93,095,320</u>
Total capital assets	<u>91,770,049</u>	<u>2,003,914</u>	<u>(228,258)</u>	<u>93,545,705</u>
Less: accumulated depreciation				
Buildings	5,976,445	374,348	-	6,350,793
Equipment	989,798	135,797	(28,258)	1,097,337
Vehicles	515,606	25,611	-	541,217
Plant and utility systems	<u>21,793,331</u>	<u>1,749,618</u>	<u>-</u>	<u>23,542,949</u>
Total accumulated depreciation	<u>29,275,180</u>	<u>2,285,374</u>	<u>(28,258)</u>	<u>31,532,296</u>
Business-type activities capital assets, net	<u>\$ 62,494,869</u>	<u>\$ (281,460)</u>	<u>\$ (200,000)</u>	<u>\$ 62,013,409</u>

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

5. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities:		Business-type activities:	
General government	\$ 16,945	Water	\$ 839,380
Police operations	572,079	Sewer	<u>1,445,994</u>
Fire department	206,104		
Street department	1,476,330	Total	<u>\$ 2,285,374</u>
Dispatch	3,500		
Cemetery	<u>18,108</u>		
Total	<u>\$ 2,293,066</u>		

6. LONG-TERM DEBT

GOVERNMENTAL ACTIVITIES

BONDS PAYABLE

On June 27, 2019, the City entered into a General Obligation Bonds, Series 2019 for \$6,465,000. The bonds bear interest at a rate of 3.00%. The Bonds were used to pay off Bond Anticipation Notes, that were originally issued for construction on the new police department, and to fund the remaining cost of the new police department.

On July 19, 2022, the City entered into a General Obligation Bond Anticipation Note, Series 2022 for \$9,195,000. The anticipation note bears interest at a rate of 3.00%. The anticipation note will be used to finance the Edgewood property purchase and various other community development projects.

The changes in general long-term debt during 2023 are as follows:

	July 1, 2022	Additions	Retirements	June 30, 2023
2019 GO bond – VPD	\$ 5,980,000	\$ -	\$ 255,000	\$ 5,725,000
Premium on GO bond – VPD	178,692	-	10,511	168,181
2022 GO bond – anticipation note	-	9,195,000	-	9,195,000
Premium on 2022 GO bond	-	111,323	-	111,323
Net pension liability	14,696,220	2,132,657	-	16,828,877
Net OPEB liability	4,451,922	221,168	-	4,673,090
Long-term compensated absences	<u>324,190</u>	<u>-</u>	<u>85,721</u>	<u>238,469</u>
Total	<u>\$ 25,631,024</u>	<u>\$11,660,148</u>	<u>\$ 351,232</u>	<u>\$ 36,939,940</u>

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

6. LONG-TERM DEBT (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

The annual requirements to amortize general obligation bonds outstanding as of June 30, 2023, are as follows:

June 30	Principal	Interest	Total
2024	\$ 615,000	\$ 438,375	\$ 1,053,375
2025	630,000	419,700	1,049,700
2026	645,000	400,575	1,045,575
2027	8,405,000	264,825	8,669,825
2028	295,000	134,325	429,325
2029-2033	1,625,000	530,625	2,155,625
2034-2038	1,875,000	268,125	2,143,125
2039-2040	<u>830,000</u>	<u>25,050</u>	<u>855,050</u>
	<u>\$ 14,920,000</u>	<u>\$ 2,481,600</u>	<u>\$ 17,401,600</u>

COMPLIANCE WITH BOND ORDINANCES

The bond ordinance for each series is consistent in that certain restricted accounts are required to be established. A summary of the required accounts and their significant provisions in order of priority follows:

Sinking Fund

Amounts sufficient to pay the current principal and interest requirements are to be set aside each month. The City has restricted \$390,287 at June 30, 2023. Funds restricted previously for construction are now restricted for principal payments on debt obligations.

BUSINESS-TYPE ACTIVITIES

BONDS AND NOTES PAYABLE

On May 31, 2012, the City issued \$9,825,000 of Water and Sewer Revenue Refunding and Improvement Bonds, Series 2012. The proceeds were used to advance refund previously issued 2004 Water and Sewer Revenue Bonds and provide \$800,000 for construction associated with the Sewer System Evaluation Survey and Wastewater Plant Expansion projects. The net proceeds of \$8,831,935 (after payment of underwriting fees, insurance and other issuance costs) were used to fund the escrow account. The escrow account was used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2004 Series bonds. As a result, the 2004 Series bonds are considered to be defeased and the liability for those bonds has been removed from long-term debt. The new issue will reduce debt service payments by \$407,020 and has a net economic gain of \$347,073. The new issue bears fixed interest at 2.00%-2.70%. At June 30, 2023, \$2,155,000 of the defeased bonds are still outstanding.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

6. LONG-TERM DEBT (CONTINUED)

BUSINESS-TYPE ACTIVITIES (CONTINUED)

On March 14, 2013, the City issued \$7,835,000 of Water and Sewer Refunding Revenue Bonds, Series 2013. The proceeds were used to advance refund previously issued 2005 Water and Sewer Revenue Bonds. The net proceeds of \$7,654,920 (after payment of underwriting fees, insurance and other issuance costs) were used to fund the escrow account. The escrow account was used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2005 Series bonds. As a result, the 2005 Series bonds are considered to be defeased and the liability for those bonds has been removed from long-term debt. The new issue will reduce debt service payments by \$254,329 and has a net economic gain of \$220,077. The new issue bears fixed interest at 1.500%-2.375%. At June 30, 2023, \$3,515,000 of the defeased bonds are still outstanding.

On January 28, 2014, the City issued \$5,710,000 of Water and Sewer Revenue Bonds, Series 2014. The proceeds were used for rehabilitation and repairs of the sanitary sewer system. The bonds bear fixed interest at 3.05%-4.00%.

On July 28, 2016, the City issued \$10,000,000 of Water and Sewer Revenue Bonds, Series 2016. The proceeds were used for expanding and upgrading the City's wastewater treatment plant. The bonds bear fixed interest at 2.00%-3.00%.

On June 12, 2018, the City issued \$14,440,000 of Water and Sewer Revenue Bonds, Series 2018. The proceeds are being used for sanitary sewer system expansion and improvements. The bonds bear fixed interest at 3.000%-3.625%.

At June 30, 2023, the business-type activities had the following bonds and notes payable outstanding:

Description	Series	Amount	Current Portion
Revenue Bonds	2012	\$ 2,280,000	\$ 1,125,000
Revenue Bonds	2013	3,570,000	795,000
Revenue Bonds	2014	5,710,000	-
Revenue Bonds	2016	10,000,000	-
Revenue Bonds	2018	<u>14,440,000</u>	<u>-</u>
Total payable at par		<u>\$ 36,000,000</u>	<u>\$ 1,920,000</u>
Add: unamortized bond premium		131,330	
Less: current portion payable		<u>(1,920,000)</u>	
Total long-term portion		<u>\$ 34,211,330</u>	

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

6. LONG-TERM DEBT (CONTINUED)

BUSINESS-TYPE ACTIVITIES (CONTINUED)

The annual requirements to amortize all revenue bonds and notes outstanding as of June 30, 2023, are as follows:

June 30,	Principal	Interest	Total
2024	\$ 1,920,000	\$ 1,107,741	\$ 3,027,741
2025	1,960,000	1,060,020	3,020,020
2026	1,970,000	1,011,978	2,981,978
2027	1,905,000	962,751	2,867,751
2028	1,960,000	909,544	2,869,544
2029-2033	10,750,000	3,572,193	14,322,193
2034-2038	12,720,000	1,606,716	14,326,716
2039	<u>2,815,000</u>	<u>51,022</u>	<u>2,866,022</u>
	<u>\$ 36,000,000</u>	<u>\$ 10,281,965</u>	<u>\$ 46,281,965</u>

The changes in long-term debt during 2023 are as follows:

	July 1, 2022	Additions	Retirements	June 30, 2023
W&S revenue bonds	\$ 37,870,000	\$ -	\$ 1,870,000	\$ 36,000,000
Bond premium	134,923	-	3,593	131,330
Net pension liability	2,543,927	280,184	-	2,824,111
Net OPEB liability	763,687	7,164	-	770,851
Long-term compensated absences	<u>74,391</u>	<u>8,269</u>	<u>-</u>	<u>82,660</u>
Total	<u>\$ 41,386,928</u>	<u>\$ 295,617</u>	<u>\$ 1,873,593</u>	<u>\$ 39,808,952</u>

COMPLIANCE WITH BOND ORDINANCES

The bond ordinance for each series is consistent in that certain restricted accounts are required to be established. A summary of the required accounts and their significant provisions in order of priority follows:

Water and Sewer Revenue Bond and Interest Redemption Account

Amounts sufficient to pay the current principal and interest requirements of the outstanding revenue bonds are to be set aside monthly in this account. The monthly payment is to be equal to one-sixth of the next interest payment and one-twelfth of the next principal payment as long as the required minimum balance, as noted below, has been met. If the required minimum balance has not been met the monthly payment must be equal to one-fifth of the next interest payment and one-tenth of the next principal payment. The City has restricted \$1,235,296 at June 30, 2023.

Water and Sewer Revenue Debt Reserve Account

Amounts sufficient to pay the maximum amount of principal and interest becoming due in any one year must be set aside in this account as a required minimum balance. The City has restricted \$3,509,575 at June 30, 2023.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

6. LONG-TERM DEBT (CONTINUED)

BUSINESS-TYPE ACTIVITIES (CONTINUED)

Water and Sewer Maintenance and Operation Account

The bond ordinance established this account to pay operating expenses and the account is reflected in the accompanying financial statements as non-restricted. The bond ordinance provides for monthly deposits from the Revenue Account equal to the anticipated expenses of operating and maintaining the system for the following month.

Water and Sewer Depreciation Account

Monthly deposits of not less than 10% of the funds remaining in the Enterprise fund are to be made into this fund so long as the unexpended balance in the depreciation fund is less than \$100,000. The City further agrees to deposit the proceeds from the sale of any equipment no longer usable or needed, all fees or charges collected from potential customers and any proceeds received from property damage insurance. These funds are to be used for paying the cost of unusual or extraordinary maintenance, repairs, renewals, replacements and the cost of constructing additions and improvements to the system which will either enhance its revenue-producing capacity or provide a higher degree of service. The City has restricted \$101,669 at June 30, 2023.

If the Bond and Interest Redemption Account and Debt Service Account are not sufficient to pay the next maturing interest and/or principal on any November 30 or May 31, the City shall transfer from the Depreciation Account such amounts as are necessary to eliminate the deficiency and avoid default.

If there are surplus monies after the above required transfers and payments have been made, and there is a balance in the Revenue Account in excess of the estimated amounts required to be transferred and paid into the special accounts during the next succeeding three months, such surplus funds or any part thereof may be transferred to the Depreciation Account or may be used to purchase or retire bonds or may be used to pay the interest on, or principal of, other obligations of the City incurred in connection with the system or for any other lawful purpose

COMPONENT UNIT

On October 13, 2016, the Public Properties Corporation issued \$3,900,000 in Series 2016 Revenue Refunding Bonds to currently refund the previously issued 2006 Revenue Refunding Bonds and the 2006B Revenue Bonds. The bond issue is payable solely from rental income derived from a biennially renewable Lease Purchase Agreement between the Public Properties Corporation and the Kentucky Community and Technical College System (KCTCS). The bonds bear interest at a fixed rate of 4.00-4.13%. Principal payments on the outstanding bonds, are payable on December 1 of each year and interest is payable on December 1 and June 1.

On December 27, 2018, the Public Properties Corporation issued \$4,790,000 in Series 2018 Revenue Refunding Bonds to finance construction, installation, and equipping spaces leased to KCTCS. The bond issue is payable solely from rental income and derived from a biennially renewable Lease Purchase Agreement between the Public Properties Corporation and KCTCS. The bonds bear interest at a fixed rate of 4.00%-5.00%. Principal payments on the outstanding bonds are payable on December 1 and June 1.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

6. LONG-TERM DEBT (CONTINUED)

COMPONENT UNIT (CONTINUED)

At June 30, 2023, the Corporation had the following bonds outstanding:

Description	Series	Amount	Current Portion
Revenue Refunding Bonds	2016	\$ 585,000	\$ 585,000
Revenue Refunding Bonds	2018	<u>3,815,000</u>	<u>275,000</u>
Total at par		4,400,000	<u>\$ 860,000</u>
Add: unamortized bond premiums		<u>191,666</u>	
		4,591,666	
Less: current portion payable		<u>(860,000)</u>	
Total long-term portion		<u>\$ 3,731,666</u>	

The annual requirements to amortize all revenue bonds and leases outstanding as of June 30, 2023, are as follows:

June 30,	Principal	Interest	Total
2024	\$ 860,000	\$ 157,651	\$ 1,017,651
2025	290,000	137,675	427,675
2026	305,000	122,800	427,800
2027	320,000	107,175	427,175
2028	335,000	92,475	427,475
2029-2033	1,870,000	256,088	2,126,088
2034	<u>420,000</u>	<u>8,400</u>	<u>428,400</u>
	<u>\$ 4,400,000</u>	<u>\$ 882,264</u>	<u>\$ 5,282,264</u>

The changes in long-term debt during 2023 are as follows:

	July 1, 2022	Additions	Retirements	June 30, 2023
KCTCS Revenue Bonds	\$ 5,230,000	\$ -	\$ 830,000	\$ 4,400,000
Bond Premium	<u>221,020</u>	<u>-</u>	<u>29,354</u>	<u>191,666</u>
Total	<u>\$ 5,451,020</u>	<u>\$ -</u>	<u>\$ 859,354</u>	<u>\$ 4,591,666</u>

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

7. PROJECT FINANCING

On October 13, 2016, the Public Properties Corporation issued \$3,900,000 in Series 2016 Revenue Refunding Bonds to currently refund the previously issued 2006 Revenue Refunding Bonds and the 2006B Revenue Bonds. The bond issue is payable solely from rental income derived from a biennially renewable Lease Purchase Agreement between the Public Properties Corporation and the Kentucky Community and Technical College System (KCTCS). The original lease dated March 25, 2003, was amended and restated on October 31, 2006 and again on October 13, 2016.

The restated lease commenced on October 13, 2016, and is automatically renewed for three additional periods of two years each. KCTCS agrees to pay to the Public Properties Corporation monthly payments equal to the principal and interest due on the 2016 Revenue Refunding Bonds (\$50,290). The lease is an absolute net lease under which KCTCS pays, in addition to rent, any and all expenses related to the leased premises. KCTCS has agreed to pay \$21,500 per month as "additional rent" on the property. The "additional rent" is placed in escrow to cover any additional expenses on the property during the term of the lease. The property shall become the property of KCTCS upon performance of all obligations under the lease.

On December 27, 2018, the Public Properties Corporation issued \$4,790,000 in Series 2018 Revenue Bonds to fund construction, installation and equipping of additional office space leased to KCTCS. The bond issue is payable solely from rental income derived from a biennially renewable Lease Purchase Agreement, dated December 1, 2018, between the Public Properties Corporation and the Kentucky Community and Technical College System (KCTCS). The original lease commenced on December 1, 2018 and expired on June 30, 2020, and is renewable for seven additional terms of two years each to expire on December 1, 2033. The lease was renewed on June 30, 2022 for two years and will be renewable on June 30, 2024. KCTCS agrees to pay to the Public Properties Corporation monthly payments equal to the principal and interest due on the 2018 Revenue Bonds (\$36,018). The lease is an absolute net lease under which KCTCS pays, in addition to rent, any and all expenses related to the leased premises. KCTCS has agreed to pay \$11,000 per month as "additional rent" on the property. The "additional rent" is placed in escrow to cover any additional expenses on the property during the term of the lease. The property shall become the property of KCTCS upon performance of all obligations under the lease.

Minimum lease payments to be received under the lease agreements, for which lease receivables and deferred revenue have been recorded, are as follows:

June 30,	Principal	Interest	Total
2024	\$ 580,480	\$ 154,130	\$ 734,610
2025	294,357	137,859	432,216
2026	307,256	124,960	432,216
2027	330,721	111,495	432,216
2028	334,775	97,441	432,216
2029-2033	1,907,217	253,863	2,161,080
2034	<u>178,173</u>	<u>1,918</u>	<u>180,091</u>
	<u>\$ 3,922,979</u>	<u>\$ 881,666</u>	<u>\$ 4,804,645</u>

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

8. RETIREMENT PLAN

The City of Versailles is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Public Pensions Authority (KPPA) administers the CERS. The plan issues publicly available financial statements which may be downloaded from the KPPA website.

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

Contributions – For the year ended June 30, 2023, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium.

The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2023, participating employers contributed 26.79% of each employee's wages for non-hazardous job classifications and 49.59% of each employee's wages for hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 9. Plan members contributed 23.40% to the pension trust for non-hazardous job classifications and 42.81% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications and 8% of wages to their own account for hazardous classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. Each member's account is credited with a 4% employer pay credit for non-hazardous members, and a 7.5% pay credit for hazardous members. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2023, the City contributed \$678,761 or 100% of the required contribution for non-hazardous job classifications, and \$1,292,936, for the year ended June 30, 2023, or 100% of the required contribution for hazardous job classifications, to the same pension trust.

Benefits – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

8. RETIREMENT PLAN (CONTINUED)

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old and 4 years service
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	Not available

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

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2023, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net		
Pension Liability	Non-hazardous	Hazardous
<u>\$ 19,652,988</u>	<u>\$ 6,490,497</u>	<u>\$ 13,162,491</u>

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward using generally accepted actuarial procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2022, was as follows:

Non-hazardous	Hazardous
.089784%	.431351%

The proportionate share at June 30, 2022 decreased .001991% for non-hazardous and increased .003549% for hazardous compared to the proportionate share as of June 30, 2021.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

8. RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2023, the City recognized pension expense of \$1,575,694. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 384,331	\$ 57,801
Changes of assumptions	109,570	-
Net difference between projected and actual earnings on Plan investments	470,410	-
Changes in proportion and differences between City contributions and proportionate share of contributions	183,827	470,353
City contributions subsequent to the measurement date	<u>1,912,609</u>	<u>-</u>
 Total	 <u>\$ 3,060,747</u>	 <u>\$ 528,154</u>

The \$1,912,609 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Contributions exclude \$59,088 of contributions for employees that previously retired and were subsequently re-employed. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,

2024	\$ 183,755
2025	\$ 10,241
2026	\$ (88,773)
2027	\$ 514,761

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

Non-hazardous

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

Hazardous

Inflation	2.30%
Salary increases	3.55 to 19.05%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

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

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

8. RETIREMENT PLAN (CONTINUED)

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	20.00%	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Total	100.00%	4.28%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		6.58%

Discount Rate – The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 30-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net pension liability	Discount rate	City's proportionate share of net pension liability
1% decrease	5.25%	\$ 8,112,334	5.25%	\$ 16,396,030
Current discount rate	6.25%	\$ 6,490,497	6.25%	\$ 13,162,491
1% increase	7.25%	\$ 5,149,130	7.25%	\$ 10,528,963

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

8. RETIREMENT PLAN (CONTINUED)

Payable to the Pension Plan – At June 30, 2023, the City reported a payable of \$15,902 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023. The payable includes both the pension and insurance contribution allocation.

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 8, the City of Versailles participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 8, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2023, the employer's contribution was 3.39% to the insurance trust for non-hazardous job classifications and 6.78% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pension Authority are financed through employer contributions and investment earnings.

For the year ended June 30, 2023, the City contributed \$98,333, or 100% of the required contribution for non-hazardous job classifications, and \$204,768, or 100% of the required contribution for hazardous job classifications.

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

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

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

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

Tier 2	Participation date	After September 1, 2008 and before December 31, 2013
	Insurance eligibility	15 years of service credit required
	Benefit	Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date	After December 31, 2013
	Insurance eligibility	15 years of service credit required
	Benefit	Set dollar amount based on service credit accrued, increased annually

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2023, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Total Net OPEB Liability	Non-hazardous	Hazardous
<u>\$ 5,443,941</u>	<u>\$ 1,771,603</u>	<u>\$ 3,672,338</u>

The net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2022 was as follows:

Non-hazardous	Hazardous
.089769%	.431133%

The proportionate share at June 30, 2022 decreased .00199% for non-hazardous and increased .00333% for hazardous compared to the proportionate share as of June 30, 2021.

For the year ended June 30, 2023, the City recognized OPEB expense of \$648,997. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 259,470	\$ 623,767
Changes of assumptions	893,211	-
Net difference between projected and actual earnings on Plan investments	205,943	862,754
Changes in proportion and differences between City contributions and proportionate share of contributions	97,584	246,107
City contributions subsequent to the measurement date	<u>398,400</u>	<u>-</u>
Total	<u>\$ 1,854,608</u>	<u>\$ 1,732,628</u>

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

The \$398,400 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Contributions exclude \$8,636 of contributions for employees that previously retired and were subsequently re-employed. Contributions also include an allocation for the implicit subsidy of \$103,935, which are required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

Year ending June 30,	
2024	\$ (15,230)
2025	\$ (30,469)
2026	\$ (183,202)
2027	\$ 62,711
2028	\$ (110,230)

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

Non-hazardous

Inflation	2.30%
Salary increases	3.30 to 10.30%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend:	
Pre – 65:	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post – 65:	Initial trend starting at 9.00% at January 1, 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Hazardous

Inflation	2.30%
Salary increases	3.55 to 19.05%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend:	
Pre – 65:	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post – 65:	Initial trend starting at 9.00% at January 1, 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Liquidity	20.00%	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Total	100.00%	4.28%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		6.58%

Discount Rate – The discount rate used to measure the total OPEB liability was 5.70% and 5.61% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index.” However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

	Non-hazardous		Hazardous	
	Discount rate	City’s proportionate share of net OPEB liability	Discount rate	City’s proportionate share of net OPEB liability
1% decrease	4.70%	\$ 2,368,342	4.61%	\$ 5,102,599
Current discount rate	5.70%	\$ 1,771,603	5.61%	\$ 3,672,338
1% increase	6.70%	\$ 1,278,287	6.61%	\$ 2,510,692

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

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

	Non-hazardous	Hazardous
	City's proportionate share of net OPEB liability	City's proportionate share of net OPEB liability
1% decrease	\$ 1,317,145	\$ 2,564,345
Current trend rate	\$ 1,771,603	\$ 3,672,338
1% increase	\$ 2,317,310	\$ 5,022,914

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

10. COMMITMENTS AND CONTINGENCIES

On October 14, 2014, the City entered into an interlocal cooperation agreement with the County of Woodford, Kentucky ("County"). The interlocal cooperation agreement amended a previous agreement related to the operation of a joint parks and recreation program. The City and the County have agreed to share on an equal basis the existing bond payments, previously used for the construction of the Falling Springs facility. The agreement also calls for the City to pay 45% of the general operating, maintenance and capital expenditures of the parks and recreation facility.

The following commitments to construction projects and purchase materials have been made by the City as of June 30, 2023:

High Street Sidewalks - \$551,350
Downtown Revitalization - \$2,800,000
Radio Communication - \$50,000
Maintenance Garage - \$1,000,000

11. CONCENTRATIONS

The City has a concentration of revenue for occupational tax and water and sewer. Five industrial companies generated approximately 31% of the City's occupational tax revenue. Four users generated approximately 15% of the utility operation's service revenue. Also, at June 30, 2023, approximately 10% of the utility operation's accounts receivable was due from four users.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

12. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2023 were levied in September 2022 on the assessed property located in the City of Versailles as of the preceding January 1. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	Date
1. Due date for payment	October 31
2. Face value payment period	October 1 – October 31
3. Past due date, 10% penalty	November 1
4. Lien Date	January 1 of year following Levy Date

13. INSURANCE AND RISK MANAGEMENT

The City is exposed to various forms of loss associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The City has purchased certain policies which are retrospectively rated including workers' compensation insurance. Premiums for these policies are based upon the City's experience to date. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

14. POLICE OPERATING EXPENDITURES

The City entered into an Interlocal Cooperation Agreement pertaining to the operation of police services covering the County with the Woodford Fiscal Court. The agreement was renewed in October 2013 and in March 2018. The agreement calls for the County to reimburse the City for 38% of all police operating expenditures and 50% of all capital expenditures. Police department expenditures that qualify under this agreement are as follows:

	Original Budget	Actual	Variance Favorable (Unfavorable)
Police Operating	\$ 5,461,921	\$ 5,077,090	\$ 384,831
Police Capital	<u>404,920</u>	<u>121,195</u>	<u>283,725</u>
Total cost shared with County	<u>\$ 5,866,841</u>	<u>\$ 5,198,285</u>	<u>\$ 668,556</u>

Classification and reporting per the above varies from the financial statements due to differences in classification between the interlocal agreement and generally accepted accounting principles.

15. TAX ABATEMENTS

The City is currently under agreement to forego collection of .5% of the 1.5% occupational license fee for two local businesses (More Than A Bakery and Yokohama Industries America, Inc.). Both agreements are for up to 10 years and granted pursuant to the Kentucky Business Investment Act of the 2009 Extraordinary Legislative Session. More Than A Bakery's agreement is for up to 345 new hires and Yokohama Industries America, Inc. is for up to 134 new hires. There were no revenues abated on either agreement during 2023.

The City is also under agreement to forego collection of ad valorem taxes for one local business (Castle & Key). The agreement is for five years. During 2023, \$2,929 of revenue was abated.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VERSAILLES, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISONS
GENERAL FUND
for the year ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Property taxes	\$ 765,000	\$ 765,000	\$ 818,122	\$ 53,122
License and permits	6,866,500	6,866,500	8,043,983	1,177,483
Intergovernmental revenues	3,859,605	4,647,417	3,486,698	(1,160,719)
Charges for services	122,000	125,000	125,292	292
Other income	<u>172,200</u>	<u>265,782</u>	<u>626,733</u>	<u>360,951</u>
Total revenues	<u>11,785,305</u>	<u>12,669,699</u>	<u>13,100,828</u>	<u>431,129</u>
Expenditures				
Current				
General government	2,263,360	2,662,703	2,175,898	486,805
Merged police operations	5,466,920	5,571,717	5,077,090	494,627
Other police operations/grants	30,000	90,000	64,206	25,794
Fire department	1,921,870	1,989,090	1,909,474	79,616
Street department	1,188,309	1,385,040	1,353,424	31,616
Cemetery department	339,426	356,726	334,257	22,469
Capital outlay	1,155,920	2,642,586	2,578,113	64,473
Debt service	<u>430,000</u>	<u>817,925</u>	<u>683,607</u>	<u>134,318</u>
Total expenditures	<u>12,795,805</u>	<u>15,515,787</u>	<u>14,176,069</u>	<u>1,339,718</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,010,500)</u>	<u>(2,846,088)</u>	<u>(1,075,241)</u>	<u>1,770,847</u>
Other Financing Sources (Uses)				
Proceeds from issuance of bond anticipation notes	-	9,195,000	9,195,000	-
Premium on issuance of bond anticipation notes	-	-	142,493	142,493
Proceeds from the sale of assets	-	94,916	113,114	18,198
Transfers	<u>-</u>	<u>-</u>	<u>(20,468)</u>	<u>(20,468)</u>
Total Other Financing Sources (uses)	<u>-</u>	<u>9,289,916</u>	<u>9,430,139</u>	<u>140,223</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	(1,010,500)	6,443,828	8,354,898	1,911,070
Fund Balance, July 1, 2022	<u>3,857,177</u>	<u>3,857,177</u>	<u>3,857,177</u>	<u>-</u>
Fund Balance, June 30, 2023	<u>\$ 2,846,677</u>	<u>\$ 10,301,005</u>	<u>\$ 12,212,075</u>	<u>\$ 1,911,070</u>

CITY OF VERSAILLES, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NONHAZARDOUS
Last Ten Fiscal Years

Reporting Fiscal Year (Measurement Date)	2014 (2013)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)
City's proportion of the net pension liability	0.088599%	0.088599%	0.093242%	0.087756%	0.088281%	0.090752%	0.091200%	0.084499%	0.091775%	0.089784%
City's proportionate share of the net pension liability (asset)	\$ 3,259,727	\$ 2,873,792	\$ 4,008,936	\$ 4,320,766	\$ 5,167,358	\$ 5,527,073	\$ 6,414,137	\$ 6,481,003	\$ 5,851,376	\$ 6,490,497
City's covered employee payroll	\$ 2,058,814	\$ 2,146,544	\$ 2,308,636	\$ 2,249,067	\$ 2,331,079	\$ 2,425,156	\$ 2,504,768	\$ 2,334,800	\$ 2,561,532	\$ 2,479,341
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	158.33%	133.88%	173.65%	192.11%	221.67%	227.91%	256.08%	277.58%	228.43%	261.78%
Plan fiduciary net position as a percentage of the total pension liability	61.22%	66.80%	59.97%	59.97%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%

**CITY OF VERSAILLES, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - HAZARDOUS
Last Ten Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2014 (2013)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)
City's proportion of the net pension liability	0.482254%	0.482254%	0.483150%	0.440924%	0.417738%	0.459272%	0.456288%	0.452975%	0.427802%	0.431351%
City's proportionate share of the net pension liability (asset)	\$ 6,470,696	\$ 5,795,872	\$ 7,416,876	\$ 7,565,995	\$ 9,345,940	\$ 11,107,296	\$ 12,604,022	\$ 13,657,355	\$ 11,388,771	\$ 13,162,491
City's covered employee payroll	\$ 2,489,255	\$ 2,543,977	\$ 2,595,363	\$ 2,458,224	\$ 2,478,969	\$ 2,750,780	\$ 2,809,570	\$ 2,727,223	\$ 2,618,822	\$ 2,804,207
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	259.95%	227.83%	285.77%	307.78%	377.01%	403.79%	448.61%	500.78%	434.88%	469.38%
Plan fiduciary net position as a percentage of the total pension liability	57.74%	63.46%	57.52%	57.52%	49.78%	49.26%	46.63%	44.11%	52.26%	47.11%

**CITY OF VERSAILLES, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS - NONHAZARDOUS
Last Ten Fiscal Years**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required employer contribution	\$ 294,935	\$ 295,040	\$ 279,608	\$ 325,186	\$ 351,163	\$ 406,273	\$ 450,616	\$ 494,376	\$ 621,873	\$ 678,761
Contributions relative to contractually required employer contribution	<u>294,935</u>	<u>295,040</u>	<u>279,608</u>	<u>325,186</u>	<u>351,163</u>	<u>406,273</u>	<u>450,616</u>	<u>494,376</u>	<u>621,873</u>	<u>678,761</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 2,146,544	\$ 2,308,636	\$ 2,249,067	\$ 2,331,079	\$ 2,425,156	\$ 2,504,768	\$ 2,334,800	\$ 2,561,532	\$ 2,479,341	\$ 2,672,248
Employer contributions as a percentage of covered-employee payroll	13.74%	12.78%	12.43%	13.95%	14.48%	16.22%	19.30%	19.30%	25.08%	25.40%

**CITY OF VERSAILLES, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS - HAZARDOUS
Last Ten Fiscal Years**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required employer contribution	\$ 553,824	\$ 538,019	\$ 497,695	\$ 538,184	\$ 610,673	\$ 698,740	\$ 819,803	\$ 787,218	\$ 1,019,105	\$ 1,292,936
Contributions relative to contractually required employer contribution	<u>553,824</u>	<u>538,019</u>	<u>497,695</u>	<u>538,184</u>	<u>610,673</u>	<u>698,740</u>	<u>819,803</u>	<u>787,218</u>	<u>1,019,105</u>	<u>1,292,936</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 2,543,977	\$ 2,595,363	\$ 2,458,224	\$ 2,478,969	\$ 2,750,780	\$ 2,809,570	\$ 2,727,223	\$ 2,618,822	\$ 2,804,207	\$ 3,007,017
Employer contributions as a percentage of covered-employee payroll	21.77%	20.73%	20.25%	21.71%	22.20%	24.87%	30.06%	30.06%	36.34%	43.00%

**CITY OF VERSAILLES, KENTUCKY
REQUIRED SUPPLEMENTAL SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - NONHAZARDOUS
Last Seven Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)
City's proportion of the net OPEB liability	0.087756%	0.088281%	0.090748%	0.091177%	0.084474%	0.091754%	0.089769%
City's proportionate share of the net OPEB liability (asset)	\$ 1,392,061	\$ 1,774,750	\$ 1,661,230	\$ 1,533,556	\$ 2,039,814	\$ 1,756,584	\$ 1,771,603
City's covered employee payroll	\$ 2,249,067	\$ 2,331,079	\$ 2,425,156	\$ 2,504,768	\$ 2,334,800	\$ 2,561,532	\$ 2,479,341
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	61.90%	76.13%	68.50%	61.23%	87.37%	68.58%	71.45%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%

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

**CITY OF VERSAILLES, KENTUCKY
REQUIRED SUPPLEMENTAL SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HAZARDOUS
Last Seven Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)
City's proportion of the net OPEB liability	0.440924%	0.417738%	0.459297%	0.456199%	0.452911%	0.427801%	0.431133%
City's proportionate share of the net OPEB liability (asset)	\$ 2,063,481	\$ 3,453,313	\$ 3,274,608	\$ 3,375,226	\$ 4,185,385	\$ 3,459,025	\$ 3,672,338
City's covered employee payroll	\$ 2,458,224	\$ 2,478,969	\$ 2,750,780	\$ 2,809,570	\$ 2,727,223	\$ 2,618,822	\$ 2,804,207
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	83.94%	139.30%	119.04%	120.13%	153.47%	132.08%	130.96%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%	64.24%	64.44%	58.84%	66.81%	64.13%

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

**CITY OF VERSAILLES, KENTUCKY
REQUIRED SUPPLEMENTAL
SCHEDULE OF OPEB CONTRIBUTIONS - NONHAZARDOUS
Last Ten Fiscal Years**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required employer contribution	\$ 110,547	\$ 113,585	\$ 104,357	\$ 110,260	\$ 113,982	\$ 131,751	\$ 111,137	\$ 121,929	\$ 113,837	\$ 98,333
Contributions relative to contractually required employer contribution	<u>110,547</u>	<u>113,585</u>	<u>104,357</u>	<u>110,260</u>	<u>113,982</u>	<u>131,751</u>	<u>111,137</u>	<u>121,929</u>	<u>113,837</u>	<u>98,333</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 2,146,544	\$ 2,308,636	\$ 2,249,067	\$ 2,331,079	\$ 2,425,156	\$ 2,504,768	\$ 2,334,800	\$ 2,561,532	\$ 2,479,341	\$ 2,672,248
Employer contributions as a percentage of covered-employee payroll	5.15%	4.92%	4.64%	4.73%	4.70%	5.26%	4.76%	4.76%	4.59%	3.68%

**CITY OF VERSAILLES, KENTUCKY
REQUIRED SUPPLEMENTAL
SCHEDULE OF OPEB CONTRIBUTIONS - HAZARDOUS
Last Ten Fiscal Years**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required employer contribution	\$ 354,376	\$ 352,450	\$ 311,949	\$ 231,784	\$ 257,198	\$ 294,162	\$ 259,632	\$ 253,824	\$ 249,910	\$ 204,768
Contributions relative to contractually required employer contribution	<u>354,376</u>	<u>352,450</u>	<u>311,949</u>	<u>231,784</u>	<u>257,198</u>	<u>294,162</u>	<u>259,632</u>	<u>253,824</u>	<u>249,910</u>	<u>204,768</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 2,543,977	\$ 2,595,393	\$ 2,458,224	\$ 2,478,969	\$ 2,750,780	\$ 2,809,570	\$ 2,727,223	\$ 2,618,822	2,804,207	3,007,017
Employer contributions as a percentage of covered-employee payroll	13.93%	13.58%	12.69%	9.35%	9.35%	10.47%	9.52%	9.69%	8.91%	6.81%

CITY OF VERSAILLES, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

1. GENERAL INFORMATION

Contributions

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

Payroll

The City's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the City's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

2. CHANGES OF ASSUMPTIONS

June 30, 2022 – Pension and OPEB Hazardous and Nonhazardous

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

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

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

June 30, 2021 – Pension and OPEB Hazardous and Nonhazardous

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

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

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

June 30, 2020 – Pension and OPEB Hazardous and Nonhazardous

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

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

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

CITY OF VERSAILLES, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2019 – Pension and OPEB Hazardous and Nonhazardous

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

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average for non-hazardous and 3.05% to 3.55% to 19.05% on average for hazardous.

June 30, 2018 – Pension and OPEB – Hazardous and Nonhazardous

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

June 30, 2017 – Pension and OPEB – Hazardous and Nonhazardous

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

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

June 30, 2016 – Pension and OPEB – Hazardous and Nonhazardous

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

June 30, 2015 – Pension – Hazardous and Nonhazardous

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

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

CITY OF VERSAILLES, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2014 – Pension – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

June 30, 2013 – Pension – Hazardous and Nonhazardous

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2013:

- The assumed rate of return was 7.75%.
- The assumed rate of inflation was 3.5%.
- The assumed rate of wage inflation was 1%.
- Payroll growth assumption was 4.5%.
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.

SUPPLEMENTARY INFORMATION

**CITY OF VERSAILLES, KENTUCKY
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2023**

	911 Fund	Municipal Road Aid Fund	Permanent Fund	Total Non-Major Governmental
ASSETS				
Cash and cash equivalents	\$ 458,924	\$ 326,313	\$ -	\$ 785,237
Investments	-	-	671,295	671,295
Accounts receivable	-	18,908	-	18,908
	<u>\$ 458,924</u>	<u>\$ 345,221</u>	<u>\$ 671,295</u>	<u>\$ 1,475,440</u>
LIABILITIES				
Accounts payable	\$ 1,844	\$ -	\$ -	\$ 1,844
Accrued payroll liabilities	8,742	-	-	8,742
Due to other funds	-	30,340	-	30,340
	<u>10,586</u>	<u>30,340</u>	<u>-</u>	<u>40,926</u>
FUND BALANCE				
Restricted	-	314,881	671,295	986,176
Committed	448,338	-	-	448,338
	<u>448,338</u>	<u>314,881</u>	<u>671,295</u>	<u>1,434,514</u>
Total fund balance	<u>448,338</u>	<u>314,881</u>	<u>671,295</u>	<u>1,434,514</u>
Total liabilities and fund balance	<u>\$ 458,924</u>	<u>\$ 345,221</u>	<u>\$ 671,295</u>	<u>\$ 1,475,440</u>

CITY OF VERSAILLES, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2023

	<u>911 Fund</u>	<u>Municipal Road Aid Fund</u>	<u>Permanent Fund</u>	<u>Total Non-Major Governmental</u>
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental revenues	-	175,182	-	175,182
Charges for services	1,014,950	-	12,150	1,027,100
Other income (loss)	<u>10,534</u>	<u>8,733</u>	<u>31,656</u>	<u>50,923</u>
Total revenues	<u>1,025,484</u>	<u>183,915</u>	<u>43,806</u>	<u>1,253,205</u>
EXPENDITURES				
Current				
General government	-	-	-	-
Police department	-	-	-	-
Fire department	-	-	-	-
911 communications	1,078,285	-	-	1,078,285
Street department	-	-	-	-
Cemetery department	-	-	4,164	4,164
Debt service	-	-	-	-
Capital outlay	<u>-</u>	<u>286,108</u>	<u>-</u>	<u>286,108</u>
Total expenditures	<u>1,078,285</u>	<u>286,108</u>	<u>4,164</u>	<u>1,368,557</u>
Excess of Revenues Over (Under) Expenditures	<u>(52,801)</u>	<u>(102,193)</u>	<u>39,642</u>	<u>(115,352)</u>
Other Sources (Uses)				
Operating transfers in	43,200	-	-	43,200
Operating transfers out	<u>-</u>	<u>-</u>	<u>(22,732)</u>	<u>(22,732)</u>
Total other sources (uses)	<u>43,200</u>	<u>-</u>	<u>(22,732)</u>	<u>20,468</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	(9,601)	(102,193)	16,910	(94,884)
Fund Balance, July 1, 2022	<u>457,939</u>	<u>417,074</u>	<u>654,385</u>	<u>1,529,398</u>
Fund Balance, June 30, 2023	<u>\$ 448,338</u>	<u>\$ 314,881</u>	<u>\$ 671,295</u>	<u>\$ 1,434,514</u>

**CITY OF VERSAILLES, KENTUCKY
GENERAL FUND
GENERAL OBLIGATION BOND AMORTIZATION SCHEDULE
SERIES 2019**

Fiscal Year	Interest Rate	Principal Payable by July 1	Interest Payable by July 1	Interest Payable by January 1	Total Principal and Interest
2023-24	3.00%	\$ 265,000	\$ 85,875	\$ 81,900	\$ 432,775
2024-25	3.00%	270,000	81,900	77,850	429,750
2025-26	3.00%	280,000	77,850	73,650	431,500
2026-27	3.00%	285,000	73,650	69,375	428,025
2027-28	3.00%	295,000	69,375	64,950	429,325
2028-29	3.00%	305,000	64,950	60,375	430,325
2029-30	3.00%	315,000	60,375	55,650	431,025
2030-31	3.00%	325,000	55,650	50,775	431,425
2031-32	3.00%	335,000	50,775	45,750	431,525
2032-33	3.00%	345,000	45,750	40,575	431,325
2033-34	3.00%	355,000	40,575	35,250	430,825
2034-35	3.00%	365,000	35,250	29,775	430,025
2035-36	3.00%	375,000	29,775	24,150	428,925
2036-37	3.00%	385,000	24,150	18,375	427,525
2037-38	3.00%	395,000	18,375	12,450	425,825
2038-39	3.00%	410,000	12,450	6,300	428,750
2039-40	3.00%	420,000	6,300	-	426,300
		<u>\$ 5,725,000</u>	<u>\$ 833,025</u>	<u>\$ 747,150</u>	<u>\$ 7,305,175</u>

**CITY OF VERSAILLES, KENTUCKY
GENERAL FUND
GENERAL BOND ANTICIPATION NOTES
SERIES 2022**

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal Payable by August 1</u>	<u>Interest Payable by August 1</u>	<u>Interest Payable by February 1</u>	<u>Total Principal and Interest</u>
2023-24	3.00%	\$ 350,000	\$ 137,925	\$ 132,675	\$ 620,600
2024-25	3.00%	360,000	132,675	127,275	619,950
2025-26	3.00%	365,000	127,275	121,800	614,075
2026-27	3.00%	<u>8,120,000</u>	<u>121,800</u>	<u>-</u>	<u>8,241,800</u>
		<u>\$ 9,195,000</u>	<u>\$ 519,675</u>	<u>\$ 381,750</u>	<u>\$ 10,096,425</u>

**CITY OF VERSAILLES, KENTUCKY
ENTERPRISE FUND
WATER AND SEWER REVENUE REFUNDING AND
IMPROVEMENT BOND AMORTIZATION SCHEDULE
SERIES OF 2012**

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest Payable by December 1</u>	<u>Interest Payable by June 1</u>	<u>Total Principal and Interest</u>
2023-24	2.600%	\$ 1,125,000	\$ 30,218	\$ 15,593	\$ 1,170,811
2024-25	2.700%	<u>1,155,000</u>	<u>15,593</u>	<u>-</u>	<u>1,170,593</u>
Totals		<u>\$ 2,280,000</u>	<u>\$ 45,811</u>	<u>\$ 15,593</u>	<u>\$ 2,341,404</u>

**CITY OF VERSAILLES, KENTUCKY
ENTERPRISE FUND
WATER AND SEWER REFUNDING REVENUE BOND AMORTIZATION SCHEDULE
SERIES OF 2013**

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal Payable by December 1</u>	<u>Interest Payable by December 1</u>	<u>Interest Payable by June 1</u>	<u>Total Principal and Interest</u>
2023-24	2.125%	\$ 795,000	\$ 40,897	\$ 32,450	\$ 868,347
2024-25	2.250%	805,000	32,450	23,394	860,844
2025-26	2.375%	<u>1,970,000</u>	<u>23,394</u>	<u>-</u>	<u>1,993,394</u>
Totals		<u>\$ 3,570,000</u>	<u>\$ 96,741</u>	<u>\$ 55,844</u>	<u>\$ 3,722,585</u>

**CITY OF VERSAILLES, KENTUCKY
ENTERPRISE FUND
WATER AND SEWER REVENUE BOND AMORTIZATION SCHEDULE
SERIES OF 2014**

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal Payable by December 1</u>	<u>Interest Payable by December 1</u>	<u>Interest Payable by June 1</u>	<u>Total Principal and Interest</u>
2023-24	3.050%	\$ -	\$ 102,601	\$ 102,601	\$ 205,202
2024-25	3.050%	-	102,601	102,601	205,202
2025-26	3.050%	-	102,601	102,601	205,202
2026-27	3.050%	630,000	102,601	92,994	825,595
2027-28	3.300%	650,000	92,994	82,269	825,263
2028-29	3.350%	675,000	82,269	70,963	828,232
2029-30	3.500%	695,000	70,963	58,800	824,763
2030-31	3.650%	720,000	58,800	45,660	824,460
2031-32	3.800%	750,000	45,660	31,410	827,070
2032-33	3.900%	780,000	31,410	16,200	827,610
2033-34	4.000%	<u>810,000</u>	<u>16,200</u>	<u>-</u>	<u>826,200</u>
	Totals	<u>\$ 5,710,000</u>	<u>\$ 808,700</u>	<u>\$ 706,099</u>	<u>\$ 7,224,799</u>

**CITY OF VERSAILLES, KENTUCKY
ENTERPRISE FUND
WATER AND SEWER REVENUE BOND AMORTIZATION SCHEDULE
SERIES OF 2016**

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal Payable by December 1</u>	<u>Interest Payable by December 1</u>	<u>Interest Payable by June 1</u>	<u>Total Principal and Interest</u>
2023-24	2.000%	\$ -	\$ 139,047	\$ 139,047	\$ 278,094
2024-25	2.000%	-	139,047	139,047	278,094
2025-26	2.000%	-	139,047	139,047	278,094
2026-27	2.000%	580,000	139,047	133,247	852,294
2027-28	2.125%	600,000	133,247	127,247	860,494
2028-29	2.250%	615,000	127,247	120,713	862,960
2029-30	3.000%	630,000	120,713	113,625	864,338
2030-31	3.000%	645,000	113,625	103,950	862,575
2031-32	3.000%	665,000	103,950	93,975	862,925
2032-33	3.000%	685,000	93,975	83,700	862,675
2033-34	3.000%	705,000	83,700	73,125	861,825
2034-35	3.000%	1,575,000	73,125	49,500	1,697,625
2035-36	3.000%	1,625,000	49,500	25,125	1,699,625
2036-37	3.000%	<u>1,675,000</u>	<u>25,125</u>	<u>-</u>	<u>1,700,125</u>
		<u>\$ 10,000,000</u>	<u>\$ 1,480,395</u>	<u>\$ 1,341,348</u>	<u>\$ 12,821,743</u>

**CITY OF VERSAILLES, KENTUCKY
ENTERPRISE FUND
WATER AND SEWER REVENUE BOND AMORTIZATION SCHEDULE
SERIES OF 2018**

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal Payable by December 1</u>	<u>Interest Payable by December 1</u>	<u>Interest Payable by June 1</u>	<u>Total Principal and Interest</u>
2023-24	3.000%	\$ -	\$ 252,644	\$ 252,644	\$ 505,288
2024-25	3.000%	-	252,644	252,644	505,288
2025-26	3.000%	-	252,644	252,644	505,288
2026-27	3.000%	695,000	252,644	242,219	1,189,863
2027-28	3.000%	710,000	242,219	231,569	1,183,788
2028-29	3.500%	725,000	231,569	218,881	1,175,450
2029-30	3.500%	750,000	218,881	205,756	1,174,637
2030-31	3.500%	780,000	205,756	192,106	1,177,862
2031-32	3.500%	805,000	192,106	178,019	1,175,125
2032-33	3.500%	830,000	178,019	163,494	1,171,513
2033-34	3.500%	860,000	163,494	148,444	1,171,938
2034-35	3.500%	890,000	148,444	132,869	1,171,313
2035-36	3.500%	915,000	132,869	116,856	1,164,725
2036-37	3.500%	950,000	116,856	100,231	1,167,087
2037-38	3.625%	2,715,000	100,231	51,022	2,866,253
2038-39	3.625%	<u>2,815,000</u>	<u>51,022</u>	<u>-</u>	<u>2,866,022</u>
		<u>\$ 14,440,000</u>	<u>\$ 2,992,042</u>	<u>\$ 2,739,398</u>	<u>\$ 20,171,440</u>

**CITY OF VERSAILLES, KENTUCKY
 COMPONENT UNIT - PUBLIC PROPERTIES CORPORATION
 REVENUE REFUNDING BONDS
 SERIES OF 2016**

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal Payable by December 1</u>	<u>Interest Payable by December 1</u>	<u>Interest Payable by June 1</u>	<u>Total Principal and Interest</u>
2023-24	2.00%	\$ 585,000	\$ 5,850	\$ -	\$ 590,850
		<u>\$ 585,000</u>	<u>\$ 5,850</u>	<u>\$ -</u>	<u>\$ 590,850</u>

**CITY OF VERSAILLES, KENTUCKY
 COMPONENT UNIT - PUBLIC PROPERTIES CORPORATION
 REVENUE REFUNDING BONDS
 SERIES OF 2018**

Fiscal Year	Interest Rate	Principal Payable by December 1	Interest Payable by December 1	Interest Payable by June 1	Total Principal and Interest
2023-24	5.00%	\$ 275,000	\$ 79,338	\$ 72,463	\$ 426,801
2024-25	5.00%	290,000	72,463	65,213	427,676
2025-26	5.00%	305,000	65,213	57,588	427,801
2026-27	5.00%	320,000	57,588	49,588	427,176
2027-28	4.00%	335,000	49,588	42,888	427,476
2028-29	4.00%	345,000	42,888	35,988	423,876
2029-30	4.00%	360,000	35,988	28,788	424,776
2030-31	3.50%	375,000	28,788	22,225	426,013
2031-32	3.50%	390,000	22,225	15,400	427,625
2032-33	3.50%	400,000	15,400	8,400	423,800
2033-34	4.00%	420,000	8,400	-	428,400
		<u>\$ 3,815,000</u>	<u>\$ 477,879</u>	<u>\$ 398,541</u>	<u>\$ 4,691,420</u>



**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**

To the Mayor and City Council
City of Versailles, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Versailles, Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Versailles, Kentucky's basic financial statements and have issued our report thereon dated April 18, 2024.

Report on Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2023-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Versailles, Kentucky'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*.

City of Versailles, Kentucky's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Versailles, Kentucky's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. City of Versailles, Kentucky's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

RFH

RFH, PLLC
Lexington, Kentucky
April 18, 2024



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

To the Mayor and City Council
City of Versailles, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Versailles, Kentucky's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

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

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

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

RFH

RFH, PLLC
Lexington, Kentucky
April 18, 2024

**CITY OF VERSAILLES, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2023**

GRANTOR/PROGRAM TITLE	Federal AL Number	Pass/Through Contract Number	Grant Contract Period	Passed Through to Subrecipients	Expenditures
U.S. Department of the Treasury Passed through the Kentucky Department for Local Government COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	7/1/2022-6/30/2023	\$ -	\$ 696,614
Total U.S. Department of the Treasury				\$ -	\$ 696,614
U.S. Department of Justice Equitable Sharing Program	16.922	N/A	7/1/2022-6/30/2023	\$ -	\$ 76,206
Total U.S. Department of Justice				\$ -	\$ 76,206
U.S. Department of Transportation Passed through the Kentucky Transportation Cabinet State and Community Highway Safety	20.600	N/A	7/1/2022-6/30/2023	\$ -	\$ 6,944
Total U.S. Department of Transportation				\$ -	\$ 6,944
U.S. Department of Homeland Security Hazard Mitigation Grant	97.039	N/A	7/1/2022-6/30/2023	\$ -	\$ 65,394
Total U.S. Department of Homeland Security				\$ -	\$ 65,394
Total federal awards expended				\$ -	\$ 845,158

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Versailles, Kentucky and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from these numbers.

Note 2 - Indirect Cost Rates

The City did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

**CITY OF VERSAILLES, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2023**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified Yes No

Significant deficiencies identified that are not considered to be material weaknesses Yes None reported

Non-compliance material to financial statements noted Yes No

Federal Awards:

Internal control over major programs:

Material weaknesses identified Yes No

Significant deficiencies identified that are not considered to be material weaknesses Yes None reported

Type of auditor's report issued on compliance for major programs:

Unmodified for all major programs.

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

Major Program:

AL Numbers	Name of Federal Program or Cluster
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

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

Auditee qualified as a low-risk auditee? Yes No

CITY OF VERSAILLES, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2023

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

Finding 2023-001 – Material Weakness – Audit Adjustments

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

Condition: During our audit, we identified misstatements in accounts receivable and related revenue, accounts payable and related expenditures, unearned revenue, capital assets, debt, and interfund activity that were not identified by the City's internal controls over financial reporting.

Cause: The City failed to provide proper oversight over period-end financial reporting, which resulted in misstated accounting records prior to performance of the audit.

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

Recommendation: We recommend management review the period-end financial reporting process and implement an additional analytical review and analysis of year end balances prior to the start of the audit. We also recommend additional year end analysis of accounts receivable, accounts payable, unearned revenue, capital assets, debt repayment and interfund activity to ensure balances are accurately stated. This additional oversight of the year-end financial records should ensure that any accounting errors are detected and corrected prior to the audit.

Response: The City concurs with this finding and further agrees that in the future, period-end accounting review will be more in-depth prior to the actual performance of the audit. Management will review year-end financial reporting components to ensure any budgeting transactions occurring after June 30 for the period-end June 30th will be accrued and/or adjusted as necessary. Also, internal communication will be conducted more efficiently as relates to capital projects and/or construction in progress. This finding has been further conveyed to the City's outside CPA firm who provides assistance with review of period/year-end processes of the City and they too have concurred that additional analyses of year-end reporting will be conducted with all department directors and the Treasurer prior to audit, thereby minimizing actual auditor adjustments during the audit process itself. In addition, the City Treasurer has implemented a plan with the outside CPA firm to perform a mid-year review which will include a compressive review of the audit adjustments and development of a plan to address each one.

Finding 2023-002 – Significant Deficiency – SEFA Expenditures

Criteria: The City is required to have internal controls in place that enable it to prepare complete financial statements, including the schedule of expenditure of federal awards in accordance with generally accepted accounting standards.

Condition: The City has elected to use the standard allowance of up to \$10,000,000 of Coronavirus State and Local Fiscal Recovery Funds as lost revenue. These funds can then be utilized for a broad range of general government services, which the City annually determines. In the current year, management included on the schedule of expenditure of federal awards Coronavirus State and Local Fiscal Recovery Fund expenditures that were reimbursed by other non-federal funding sources.

Cause: The City failed to have internal controls to properly identify Federal expenditures when non-federal funding sources reimbursed project expenditures.

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

Finding 2023-002 – Significant Deficiency – SEFA Expenditures (Continued)

Effect: The City overstated Coronavirus State and Local Fiscal Recovery Funds expenditures by \$87,973. The inclusion resulted in the schedule of expenditures of federal awards being overstated. However, since the City is utilizing the standard allowance of \$10,000,000 and allocating expenditures annually as general government services, these funds were reclassified back into unearned revenue to be used on other allowable expenditures in future years. The City has incurred substantially more general government services expenditures than elected in the current year. The City relied on auditor prepared accounting adjustments to ensure the financial records were properly stated.

Recommendation: We recommend management review their procedures for identifying eligible federal expenditures and perform a more thorough review of federal funds activity. We also recommend that the City ensure that future allocations of expenditures to the Coronavirus State and Local Fiscal Recovery Funds program are not reimbursed from other sources.

Response: The City agrees with the auditor's finding and recommendation. The City will add additional internal controls surrounding the review of funding sources and expenditures to ensure correct classification of State and Federal Funding.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

IV. PRIOR AUDIT FINDINGS

Finding 2022-001 – Material Weakness – Audit Adjustments

Audit adjustments were necessary to ensure that accounts receivables and related revenue, lease receivables and related deferred inflow of resources, accounts payable and related expenditures, unearned revenue, transfers and capital assets were properly stated in accordance with generally accepted accounting principles.

Status: The City continued to have material weaknesses in internal controls over period-end financial reporting resulting in material audit adjustments. See Finding 2023-001.