

CITY OF VERSAILLES
Versailles, Kentucky

FINANCIAL STATEMENTS
June 30, 2024

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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, 2024, 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, 2024, 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 57-68 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 and individual 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 October 16, 2025, 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
October 16, 2025

City of Versailles, Kentucky
Management's Discussion and Analysis (MD&A)
June 30, 2024

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, 2024. 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, 2024

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.

City of Versailles, Kentucky
Management's Discussion and Analysis (MD&A)(Continued)
June 30, 2024

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.

Table A-1
Net Assets (In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Current & Other Assets	\$ 16.0	\$ 17.3	\$ 15.7	\$ 14.8	\$ 31.7	\$ 32.1
Capital Assets	36.0	27.8	62.1	62.0	98.1	89.8
Total Assets	52.0	45.1	77.8	76.8	129.8	121.9
Deferred outflows	3.4	4.2	0.7	1.0	4.1	5.2
Non-Current Liabilities	36.0	36.3	34.8	37.9	70.8	74.2
Current Liabilities	2.6	3.2	3.8	3.0	6.4	6.2
Total Liabilities	38.6	39.5	38.6	40.9	77.2	80.4
Deferred Inflows	7.0	2.8	1.1	0.4	8.1	3.2
Net Investment in Capital Assets	19.3	21.9	26.9	25.7	46.2	47.6
Restricted	6.2	11.2	5.2	4.9	11.4	16.1
Unrestricted	(15.7)	(26.1)	6.7	5.9	(9.0)	(20.2)
Total Net Position	\$ 9.8	\$ 7.0	\$ 38.8	\$ 36.5	\$ 48.6	\$ 43.5

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 2024.

The City's total governmental net position increased from \$6,971,991 at 2023 to \$9,749,627 at 2024. Restricted net assets decreased as funds were used for debt service and construction projects.

For governmental activities, current liabilities decreased from \$3.2 million in 2023 to \$2.6 million in 2024, primarily due to a decrease in unearned income related to ARPA.

In the business-type activity (Enterprise Fund), total net position increased from \$36.5 million in 2023 to \$38.8 million in 2024; primarily due to operating and capital grants and contributions.

In FY 2024, for governmental activities, current and other assets decreased from \$17.3 million to \$16.0 million, primarily as the result of the use of restricted cash from the 2022 General Obligation Bond.

City of Versailles, Kentucky
Management's Discussion and Analysis (MD&A)(Continued)
June 30, 2024

During FY 2024, the City recorded a long-term receivable for \$2.7 million related to lease agreement with the City of Versailles, Kentucky Public Properties Corporation.

For governmental activities, the City had \$6.2 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. \$5.2 million of restricted net position related to debt service and construction.

In FY 2024 for business-type activities, total liabilities decreased from \$40.9 million to \$38.6 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	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program Revenues						
Charges for services	\$ 1.4	\$ 1.5	\$ 8.4	\$ 8.2	\$ 9.8	\$ 9.7
Operating Grants & Contributions	4.2	2.6	0.1	0.4	4.3	3.0
Capital Grants & Contributions	2.5	0.9	1.2	0.1	3.7	1.0
General Revenues						
Taxes	0.9	0.8	-	-	0.9	0.8
Licenses	8.5	8.0	-	-	8.5	8.0
Intergovernmental	-	-	-	-	-	-
Other Revenues	0.6	0.7	0.6	0.4	1.2	1.1
Total Revenue	<u>18.1</u>	<u>14.5</u>	<u>10.3</u>	<u>9.1</u>	<u>28.4</u>	<u>23.6</u>
Expenses:						
Program Expenses						
General Government and Interest	3.3	2.7	-	-	3.3	2.7
Police & Dispatch	6.9	6.8	-	-	6.9	6.8
Fire	2.1	2.1	-	-	2.1	2.1
Streets	2.7	2.7	-	-	2.7	2.7
Cemetery	0.3	0.3	-	-	0.3	0.3
Water/Sewer/Sanitation	-	-	8.0	7.9	8.0	7.9
Total Expenses	<u>15.3</u>	<u>14.6</u>	<u>8.0</u>	<u>7.9</u>	<u>23.3</u>	<u>22.5</u>
Change in Net Position	<u>\$ 2.8</u>	<u>\$ (0.1)</u>	<u>\$ 2.3</u>	<u>\$ 1.2</u>	<u>\$ 5.1</u>	<u>\$ 1.1</u>

Governmental activity revenue increased by approximately \$3.6 million from 2023 to 2024 as shown in Table A-2. The increase in revenue is largely attributable to grant revenue.

Governmental activity expenses for FY 2024 increased \$0.7 million from FY 2023, primarily related to General Government and Interest.

City of Versailles, Kentucky
Management's Discussion and Analysis (MD&A)(Continued)
June 30, 2024

Business-type activity (enterprise) revenues increased from \$9.1 million in FY 2023 to \$10.3 million in FY 2024 primarily related to capital grants and contributions. Expenses also increased in FY 2024, from \$7.9 million to \$8.0 million.

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

	2024	2023	Change
Revenues			
Taxes	\$ 884,673	\$ 818,122	\$ 66,551
Licenses and permits	8,432,602	8,043,983	388,619
Intergovernmental revenues	5,839,832	3,661,880	2,177,952
Charges for services	1,180,469	1,152,392	28,077
Other income	819,236	677,656	141,580
Total Revenues	<u>\$ 17,156,812</u>	<u>\$ 14,354,033</u>	<u>\$ 2,802,779</u>
Expenditures			
General government	\$2,772,906	\$2,175,898	\$597,008
Merged police operations	5,558,486	5,077,090	481,396
Other police operations/grants	60,897	64,206	(3,309)
911 communications	1,150,811	1,078,285	72,526
Fire department	1,981,976	1,909,474	72,502
Street department	1,192,783	1,353,424	(160,641)
Cemetery department	355,884	338,421	17,463
Capital outlay	12,634,815	2,864,221	9,770,594
Debt service	1,433,842	683,607	750,235
Total Expenditures	<u>\$27,142,400</u>	<u>\$15,544,626</u>	<u>\$11,597,774</u>

The information above shows that total revenues for governmental funds increased from 2023. License and permit revenue increased by approximately 5% primarily related to increases in the payroll tax, insurance premium tax and net profits revenue for FY 2024.

Intergovernmental revenues increased approximately 60% from FY 2023 to FY 2024, primarily due to the recognition of ARPA federal funds.

The information above shows that expenses for governmental funds increased by approximately \$11.6 million from 2023 to 2024. The increase is primarily attributable to capital outlays that increased by approximately \$9.7 million primarily related to the Downtown Revitalization Project and Edgewood Farm. Expenses for merged police operations and debt service also increased from the prior year.

City of Versailles, Kentucky
Management's Discussion and Analysis (MD&A)(Continued)
June 30, 2024

Table A-4
General Fund - Budget & Actual

	Budget	Actual	Difference Favorable (Unfavorable)
Revenues			
Taxes	\$ 815,000	\$ 884,673	\$ 69,673
Licenses and permits	7,425,500	8,432,602	1,007,102
Intergovernmental revenues	3,988,982	5,638,971	1,649,989
Charges for services	135,000	108,895	(26,105)
Other income	368,322	722,995	354,673
Total Revenues	<u>\$ 12,732,804</u>	<u>\$ 15,788,136</u>	<u>\$ 3,055,332</u>
Expenditures			
General government	\$ 2,777,974	\$ 2,772,906	\$ 5,068
Merged police operations	6,179,478	5,558,486	620,992
Other police operations/grants	75,000	60,897	14,103
Fire department	2,073,212	1,981,976	91,236
Street department	1,239,273	1,188,542	50,731
Cemetery department	371,463	351,514	19,949
Capital outlay	12,782,419	12,182,053	600,366
Debt service	1,570,063	1,433,842	136,221
Total Expenditures	<u>\$ 27,068,882</u>	<u>\$ 25,530,216</u>	<u>\$ 1,538,666</u>

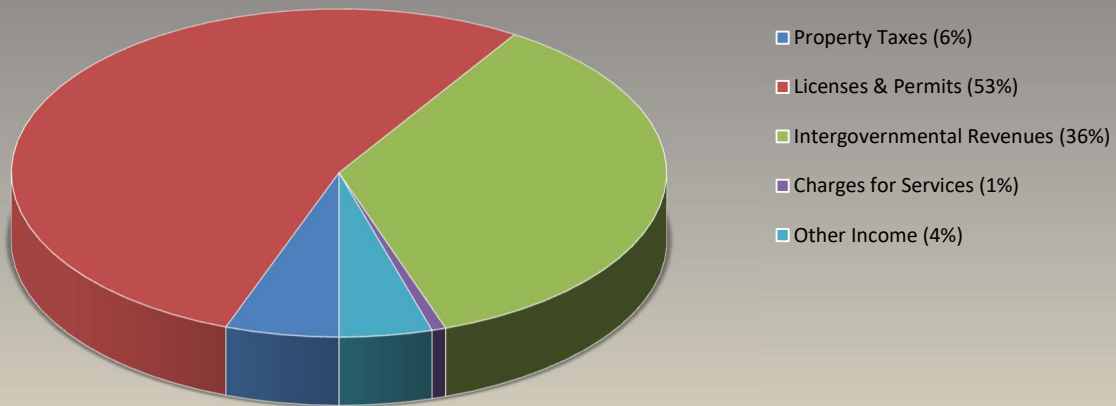
Budget Highlights

The City's General Fund budgeted \$12.7 million in revenues for 2024 and generated \$15.8 million in actual revenues. Actual licenses and permits revenue were more than budgeted balance by \$1.0 million. Actual Intergovernmental revenues were more than budgeted levels by \$1.6 million.

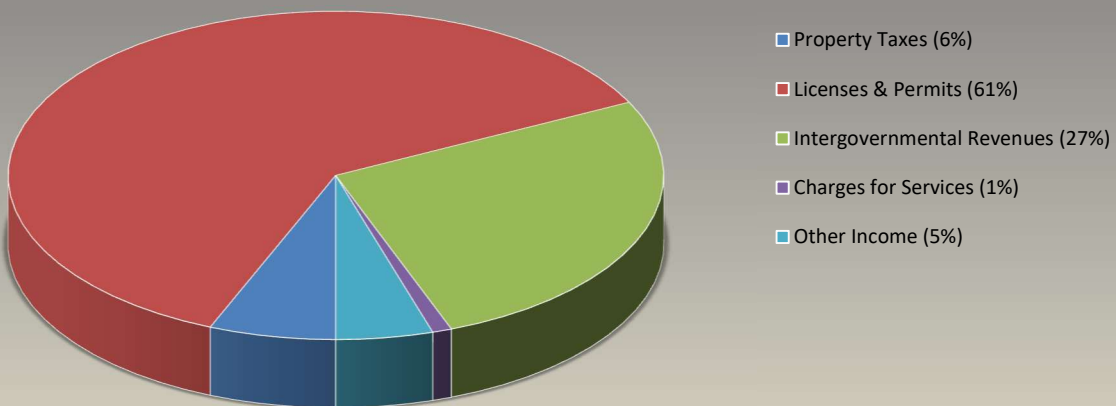
The City's General Fund budgeted \$27.1 million in expenditures and had actual expenses of \$25.5 million. All departments of the City were under budget.

City of Versailles, Kentucky
Management's Discussion and Analysis (MD&A)(Continued)
June 30, 2024

General Fund Revenue-June 30, 2024

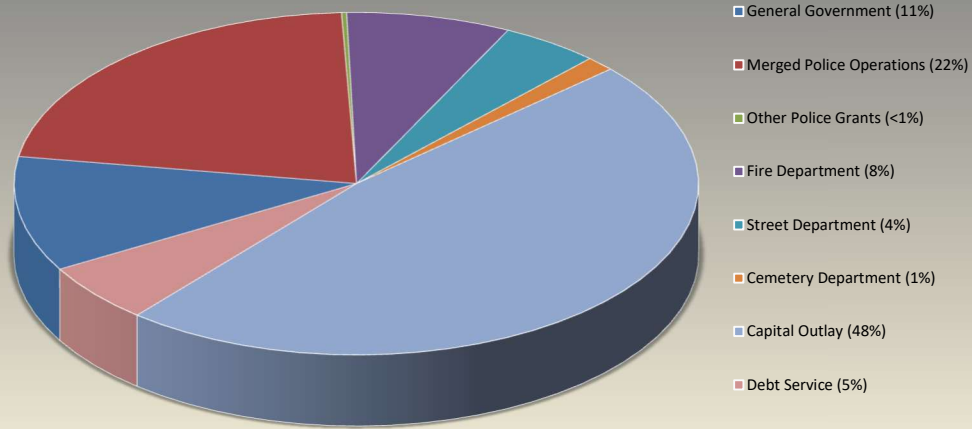


General Fund Revenue-June 30, 2023

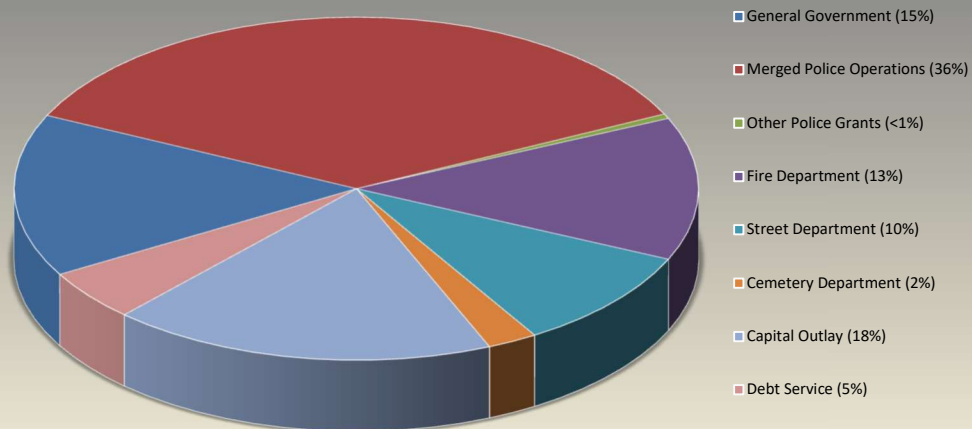


City of Versailles, Kentucky
Management's Discussion and Analysis (MD&A)(Continued)
June 30, 2024

General Fund Expenditures-June 30, 2024



General Fund Expenditures-June 30, 2023



City of Versailles, Kentucky
Management's Discussion and Analysis (MD&A)(Continued)
June 30, 2024

Table A-5

Enterprise Fund - Revenue - Budget & Actual

	Budget	Actual	Variance
Charges for Services	\$ 8,170,000	\$ 8,255,880	\$ 85,880
Other Revenues	160,000	152,391	(7,609)
Total Revenues	<u>\$ 8,330,000</u>	<u>\$ 8,408,271</u>	<u>\$ 78,271</u>

The City's Enterprise Fund budgeted \$8.3 million in revenues for 2024 and generated \$8.4 million.

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	\$ 800,000	\$ 793,687	\$ 6,313
Payroll Taxes	60,648	58,931	1,717
Employee Benefits	357,641	130,884	226,757
Advertising and printing	10,000	10,795	(795)
Professional and technical	10,000	12,060	(2,060)
Repairs and maintenance	198,000	197,624	376
Utilities	536,900	510,354	26,546
Telephone and postage	31,000	32,840	(1,840)
Insurance	76,848	76,959	(111)
Chemicals	190,000	191,066	(1,066)
Uniforms	4,000	3,363	637
Motor fuel	16,000	15,232	768
Office supplies	4,000	3,360	640
Other expenses	529,610	326,999	202,611
Purchase of water	15,000	17,220	(2,220)
Training/travel	4,500	3,638	862
Lab analysis	15,000	11,389	3,611
Valve Insertions	21,000	20,872	128
Purchase of water meters	70,000	-	70,000
Total Expenditures	<u>\$ 2,950,147</u>	<u>\$ 2,417,273</u>	<u>\$ 532,874</u>

City of Versailles, Kentucky
Management's Discussion and Analysis (MD&A)(Continued)
June 30, 2024

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

	Budget	Actual	Variance
Salaries	\$ 583,000	\$ 557,703	\$ 25,297
Payroll Taxes	47,286	41,641	5,645
Employee Benefits	258,107	97,853	160,254
Advertising and printin	8,000	8,808	(808)
Professional and tech	10,000	5,748	4,252
Repairs and maintena	311,000	248,376	62,624
Utilities	381,000	358,418	22,582
Telephone and postag	29,000	31,081	(2,081)
Insurance	59,385	60,030	(645)
Chemicals	45,000	42,031	2,969
Office supplies	2,000	835	1,165
Uniforms	3,500	2,723	777
Motor fuel	38,000	36,577	1,423
Other expenses	173,985	58,025	115,960
Sludge removal	140,000	128,929	11,071
Training/travel	3,000	1,790	1,210
Lab analysis	35,000	40,226	(5,226)
Meter replacement	61,000	-	61,000
Dumpster collection	4,000	3,418	582
Total Expenditures	<u>\$ 2,192,263</u>	<u>\$ 1,724,212</u>	<u>\$ 468,051</u>

The Water Department budgeted \$2.0 million in expenses for 2024 and generated \$2.4 million. Water meter, employee benefits, and other expenses were under budget.

The Sewer Department budgeted \$2.1 million in expenses for 2024 and generated \$1.7 million. Meter replacement, employee benefits, and other expenses were under budget.

City of Versailles, Kentucky
Management's Discussion and Analysis (MD&A)(Continued)
June 30, 2024

Capital Assets

Table A-8 shows the breakdown of capital assets net of depreciation for both governmental and business-type activities. During FY 2024, the City had approximately \$8.1 million in capital additions (net of depreciation) related to governmental activities. During FY 2024, the City had approximately \$0.1 million in capital additions (net of depreciation) related to business type activities.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Land	\$ 7.7	\$ 5.1	\$ 0.3	\$ 0.3	\$ 8.0	\$ 5.4
Infrastructure	12.9	12.5	-	-	12.9	12.5
Buildings & improvements	6.7	6.0	57.7	59.3	64.4	65.3
Equipment	1.1	1.0	2.4	2.3	3.5	3.3
Vehicles	1.9	1.3	0.1	0.1	2.0	1.4
Construction in progress	5.7	2.0	1.6	0.1	7.3	2.1
Total Capital Assets	<u>\$ 36.0</u>	<u>\$ 27.9</u>	<u>\$ 62.1</u>	<u>\$ 62.1</u>	<u>\$ 98.1</u>	<u>\$ 90.0</u>

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	
	2024	2023	2024	2023	2024	2023
Notes payable	\$ 1.20	\$ -	\$ -	\$ -	\$ 1.20	\$ -
Leases payable	-	-	-	-	-	-
Bonds payable	19.89	15.20	34.20	36.13	54.09	51.33
Total Debt Outstanding	<u>\$ 21.09</u>	<u>\$ 15.20</u>	<u>\$ 34.20</u>	<u>\$ 36.13</u>	<u>\$ 55.29</u>	<u>\$ 51.33</u>

During FY 2024, the City entered into a promissory note agreement for \$1.4. In addition, the City issued a 2024 GO bond—anticipation note for \$5.4 The City made debt service payments as scheduled in FY 2024.

City of Versailles, Kentucky
Management's Discussion and Analysis (MD&A)(Continued)
June 30, 2024

Economic Factors and Next Year's Budget

The Mayor and Council considered many factors when setting the fiscal year 2024-25 budget. The FY2025 economic landscape is expected to continue to stay strong with inflation and interest rates expecting to hit a plateau. The City budgeted to complete several projects including the Downtown Revitalization Project, the Fire Station 1 Improvement Project, Storm Shelter Project, and the Edgewood projects. The City budgeted to fund \$1.6 million in Parks and Recreation capital projects, with the majority funding major renovations to Big Spring Park.

All City personnel received a 3.5% cost of living raise July 1, 2024. 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 2025 begins on July 1, 2024, 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 business tax revenues to increase from the prior year. The FY 2025 budget will include grant revenue for the Edgewood projects of \$2.2 million, a trailer/equipment grant for the Versailles Fire Department of \$315,000, and the FEMA Storm Shelter project of \$2,600,000. The FY 2025 budget will include industrial property sales totaling \$2,700,000.

The budgeted capital items include completing the Downtown Revitalization Project, completing Edgewood infrastructure, purchase of a Paratech Trailer and Equipment for the Fire Department, and the FEMA Storm Shelter Project. The Utilities Budget remains supportive of our daily activities and provides funds to complete scheduled projects including miscellaneous line replacement and a new flush truck.

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, 2024

	Primary Government			Component Unit
	Governmental	Business-type	Total	Public
	Activities	Activities		Properties
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,357,422	\$ 6,842,473	\$ 11,199,895	\$ 6,392
Investments	921,560	101,553	1,023,113	-
Accounts receivable, net	3,347,406	1,247,874	4,595,280	86,308
Grants receivable	405,516	282,599	688,115	-
Lease receivable - current	5,892	-	5,892	294,357
Inventories	-	264,865	264,865	-
Internal balances, net	700,924	(700,924)	-	-
Total current assets	9,738,720	8,038,440	17,777,160	387,057
Noncurrent assets				
Restricted cash and cash equivalents	4,749,242	5,617,302	10,366,544	1,619,137
Restricted investments	-	14,500	14,500	-
Net OPEB asset	-	52,083	52,083	-
Capital assets				
Construction in progress	5,690,683	1,578,238	7,268,921	-
Land and improvements	7,651,904	320,125	7,972,029	-
Plant and utility systems, net	-	46,304,086	46,304,086	-
Depreciable buildings, property, and equipment, net	22,613,878	13,894,348	36,508,226	-
Infrastructure, net	-	-	-	-
Long-term lease receivable, net	890,004	-	890,004	5,748,141
Long-term other receivable, net	2,700,000	-	2,700,000	-
Advance to (from) other funds	(1,999,431)	1,999,431	-	-
Total noncurrent assets	42,296,280	69,780,113	112,076,393	7,367,278
Total assets	52,035,000	77,818,553	129,853,553	7,754,335
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	2,617,717	449,315	3,067,032	-
Deferred outflows - OPEB	822,658	192,574	1,015,232	-
Defeasance on refunding	-	100,442	100,442	5,175
Total deferred outflows of resources	3,440,375	742,331	4,182,706	5,175
Total assets and deferred outflows of resources	\$ 55,475,375	\$ 78,560,884	\$ 134,036,259	\$ 7,759,510
LIABILITIES				
Current liabilities				
Accounts payable	\$ 458,488	\$ 892,542	\$ 1,351,030	\$ 50,294
Current portion of compensated absences	4,949	-	4,949	-
Accrued payroll liabilities	403,023	28,231	431,254	-
Accrued taxes payable	-	65,870	65,870	-
Accrued interest payable	184,379	90,389	274,768	11,306
Deposits payable	-	444,103	444,103	-
Unearned revenue	592,913	-	592,913	1,319,280
Other accrued liabilities	-	210,707	210,707	-
Retainage payable	103,267	100,244	203,511	-
Current portion of long-term obligations	890,509	1,960,000	2,850,509	290,000
Total current liabilities	2,637,528	3,792,086	6,429,614	1,670,880
Noncurrent liabilities				
Compensated absences	256,495	85,318	341,813	-
Bonds and notes payable	20,200,563	32,243,612	52,444,175	3,412,312
Lease payable	-	-	-	2,700,000
Net pension liability	15,068,055	2,447,691	17,515,746	-
Net OPEB liability	512,574	-	512,574	-
Total noncurrent liabilities	36,037,687	34,776,621	70,814,308	6,112,312
Total liabilities	38,675,215	38,568,707	77,243,922	7,783,192
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	1,690,341	276,817	1,967,158	-
Deferred inflows - OPEB	4,464,296	853,304	5,317,600	-
Deferred inflows of resources - leases	895,896	-	895,896	-
Total deferred inflows of resources	7,050,533	1,130,121	8,180,654	-
NET POSITION				
Net investment in capital assets	19,280,547	26,871,514	46,152,061	-
Restricted for				
Debt service and construction	4,564,502	4,978,840	9,543,342	-
Other purposes	1,571,482	265,059	1,836,541	(23,682)
Unrestricted	(15,666,904)	6,746,643	(8,920,261)	-
Total net position	9,749,627	38,862,056	48,611,683	(23,682)
Total liabilities, deferred inflows of resources and net position	\$ 55,475,375	\$ 78,560,884	\$ 134,036,259	\$ 7,759,510

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

CITY OF VERSAILLES, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2024

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	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 2,712,531	\$ -	\$ 1,174,109	\$ 364,666	\$ (1,173,756)	\$ -	\$ (1,173,756)	
Police operations	5,932,101	292,844	2,515,570	1,189,531	(1,934,156)	-	(1,934,156)	
Disptach	977,080	1,062,034	-	-	84,954	-	84,954	
Fire department	2,107,597	-	181,761	100,556	(1,825,280)	-	(1,825,280)	
Street department	2,644,377	1,440	206,523	812,095	(1,624,319)	-	(1,624,319)	
Cemetery	336,936	9,540	108,057	-	(219,339)	-	(219,339)	
Interest on long-term debt	<u>579,923</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(579,923)</u>	<u>-</u>	<u>(579,923)</u>	
Total governmental activities	<u>15,290,545</u>	<u>1,365,858</u>	<u>4,186,020</u>	<u>2,466,848</u>	<u>(7,271,819)</u>	<u>-</u>	<u>(7,271,819)</u>	
Business-type activities								
Utilities - Water and sewer	<u>8,018,727</u>	<u>8,408,271</u>	<u>116,234</u>	<u>1,205,927</u>	<u>-</u>	<u>1,711,705</u>	<u>1,711,705</u>	
Total primary government	<u>\$ 23,309,272</u>	<u>\$ 9,774,129</u>	<u>\$ 4,302,254</u>	<u>\$ 3,672,775</u>	<u>(7,271,819)</u>	<u>1,711,705</u>	<u>(5,560,114)</u>	
Component Unit								
Public Properties Corporation	<u>\$ 274,559</u>	<u>\$ 79,729</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ (194,830)</u>

General revenue				
Taxes				
Property taxes, levied for general purposes	887,863	-	887,863	-
License fees				
Franchise	587,648	-	587,648	-
Payroll	4,249,199	-	4,249,199	-
Insurance premiums	2,746,971	-	2,746,971	-
Net profits	829,211	-	829,211	-
Occupational	14,943	-	14,943	-
Investment earnings	401,831	497,641	899,472	232,891
Miscellaneous	96,867	-	96,867	-
Total general revenues	9,814,533	497,641	10,312,174	232,891
Gain on disposal of assets and insurance proceeds	234,922	106,838	341,760	14,651
Total general revenues and gains (losses)	10,049,455	604,479	10,653,934	247,542
Change in net position	2,777,636	2,316,184	5,093,820	52,712
Net position, beginning, restated	6,971,991	36,545,872	43,517,863	(76,394)
NET POSITION, ENDING	\$ 9,749,627	\$ 38,862,056	\$ 48,611,683	\$ (23,682)

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

CITY OF VERSAILLES, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2024

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 8,625,074	\$ 481,590	\$ 9,106,664
Investments	215,653	705,907	921,560
Accounts receivable, net	3,308,820	38,586	3,347,406
Grants receivable	405,516	-	405,516
Lease receivable	895,896	-	895,896
Other long-term receivable	2,700,000	-	2,700,000
Due from other funds	<u>760,178</u>	<u>-</u>	<u>760,178</u>
Total assets	<u>\$ 16,911,137</u>	<u>\$ 1,226,083</u>	<u>\$ 18,137,220</u>
LIABILITIES			
Accounts payable	\$ 449,828	\$ 8,660	\$ 458,488
Accrued payroll liabilities	390,206	12,817	403,023
Compensated absences	4,949	-	4,949
Unearned revenue	592,913	-	592,913
Interfund loan	1,999,431	-	1,999,431
Due to other funds	<u>15,993</u>	<u>43,262</u>	<u>59,255</u>
Total liabilities	<u>3,453,320</u>	<u>64,739</u>	<u>3,518,059</u>
DEFERRED INFLOWS OF RESOURCES			
Leases	895,896	-	895,896
Unavailable revenue	<u>3,233,723</u>	<u>-</u>	<u>3,233,723</u>
Total deferred inflow of resources	<u>4,129,619</u>	<u>-</u>	<u>4,129,619</u>
FUND BALANCE			
Fund balance			
Restricted	4,869,704	781,035	5,650,739
Committed	515,000	380,309	895,309
Unassigned	<u>3,943,494</u>	<u>-</u>	<u>3,943,494</u>
Total fund balance	<u>9,328,198</u>	<u>1,161,344</u>	<u>10,489,542</u>
Total liabilities, deferred inflow of resources, and fund balance	<u>\$ 16,911,137</u>	<u>\$ 1,226,083</u>	<u>\$ 18,137,220</u>
Amounts reported for governmental activities in the statement of net position are different because:			
Fund balances reported above			\$ 10,489,542
Unavailable revenue only recorded in the funds.			3,233,723
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			35,956,466
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.			<u>(39,930,104)</u>
Net position governmental activities			<u>\$ 9,749,627</u>

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, 2024

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 884,673	\$ -	\$ 884,673
Licenses and permits	8,432,602	-	8,432,602
Intergovernmental revenues	5,638,971	200,861	5,839,832
Charges for services	108,895	1,071,574	1,180,469
Other income	722,995	96,241	819,236
	<u>15,788,136</u>	<u>1,368,676</u>	<u>17,156,812</u>
Total revenues			
EXPENDITURES			
Current			
General government	2,772,906	-	2,772,906
Merged police operations	5,558,486	-	5,558,486
Other police operations/grants	60,897	-	60,897
911 communications	-	1,150,811	1,150,811
Fire department	1,981,976	-	1,981,976
Street department	1,188,542	4,241	1,192,783
Cemetery department	351,514	4,370	355,884
Capital outlay	12,182,053	452,762	12,634,815
Debt service	1,433,842	-	1,433,842
	<u>25,530,216</u>	<u>1,612,184</u>	<u>27,142,400</u>
Total expenditures			
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,742,080)	(243,508)	(9,985,588)
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of bond anticipation notes	6,740,547	-	6,740,547
Proceeds from the sale of assets	72,994	-	72,994
Transfers in (out)	29,662	(29,662)	-
	<u>(2,898,877)</u>	<u>(273,170)</u>	<u>(3,172,047)</u>
Net change in fund balances			
Fund Balance, beginning of year, restated	12,227,075	1,434,514	13,661,589
Fund Balance, end of year	<u>\$ 9,328,198</u>	<u>\$ 1,161,344</u>	<u>\$ 10,489,542</u>
Net change in fund balances			\$ (3,172,047)
Add: Capital outlay			12,634,815
Add: Debt service			1,433,842
Add: Unavailable revenue recognized in current year on opioid revenue			190,015
Less: Change in long-term compensated absences			(18,027)
Less: Depreciation on governmental activities			(2,552,244)
Less: Proceeds from the sale of assets			(72,994)
Add: Gain on disposal of assets			234,922
Add: Donated capital assets not recorded in the fund finance statements			486,432
Less Proceeds on issuance of bond anticipation notes			(6,740,547)
Add: Decrease in net pension liability			515,464
Add: Decrease in net OPEB liability			417,928
Less: Interest on long-term debt and bond issuance costs			(579,923)
Change in net position governmental activities			<u>\$ 2,777,636</u>

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

CITY OF VERSAILLES, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2024

	Business-type Activities
	Water & Sewer
ASSETS	
Current assets	
Cash and cash equivalents	\$ 6,842,473
Accounts receivable, net	1,247,874
Grant receivable	282,599
Due from other funds	23,884
Inventory	264,865
Total current assets	<u>8,661,695</u>
Noncurrent assets	
Restricted assets	
Cash and cash equivalents	5,617,302
Investments	116,053
Advances to other funds	1,999,431
Net OPEB asset	52,083
Land	320,125
Construction in progress	1,578,238
Property and equipment	94,323,240
Less: accumulated depreciation	<u>(34,124,806)</u>
Total noncurrent assets	<u>69,881,666</u>
Total assets	<u>78,543,361</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	449,315
Deferred outflows - OPEB	192,574
Defeasance on refunding	100,442
Total deferred outflows of resources	<u>742,331</u>
Total assets and deferred outflows of resources	<u>\$ 79,285,692</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 892,542
Accrued payroll	28,231
Taxes payable	65,870
Accrued interest payable	90,390
Deposits payable	444,103
Other accrued liabilities	210,707
Due to other funds	724,807
Retainage payable - restricted	100,244
Current portion, long-term debt	1,960,000
Total current liabilities	<u>4,516,894</u>
Noncurrent liabilities	
Compensated absences	85,318
Bonds and notes payable	32,243,612
Net pension liability	2,447,691
Total noncurrent liabilities	<u>34,776,621</u>
Total liabilities	<u>39,293,515</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	276,817
Deferred inflows - OPEB	853,304
Total deferred inflows of resources	<u>1,130,121</u>
NET POSITION	
Net investment in capital assets	26,871,514
Restricted for debt service and construction	4,978,840
Restricted for other purposes	265,059
Unrestricted	6,746,643
Total net position	<u>38,862,056</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 79,285,692</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, 2024

	Business-type Activities Water & Sewer
OPERATING REVENUES	
Charges for services	\$ 8,255,880
Other revenues	152,391
Total operating revenues	<u>8,408,271</u>
OPERATING EXPENSES	
Salaries	1,351,390
Payroll taxes	100,572
Employee benefits	228,737
Advertising and printing	19,603
Professional and technical	17,808
Repairs and maintenance	446,000
Utilities	868,772
Telephone and postage	63,921
Insurance	136,989
Chemicals	233,097
Technical supplies	835
Uniforms	6,086
Motor fuel	51,809
Office supplies	3,360
Other materials	65,450
Other expenses	329,712
Purchase of water	17,220
Sludge removal	139,663
Depreciation	2,639,771
Training/travel	5,428
Lab analysis	51,615
Dumpster collection	3,418
Total operating expenses	<u>6,781,256</u>
Operating income	<u>1,627,015</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	497,641
Interest expense	(1,245,170)
Gain on disposal of assets and insurance proceeds	106,838
Amortization expense and bond issue cost	7,699
Impact fees	<u>150,572</u>
(Deficiency) of nonoperating revenues over expenses	<u>(482,420)</u>
Capital Contributed Grants	<u>1,171,589</u>
Change in net position	2,316,184
Net position, beginning	<u>36,545,872</u>
NET POSITION, ENDING	<u>\$ 38,862,056</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, 2024

	Business-type Activities
	Water & Sewer
Cash flows from operating activities:	
Receipts from customers	\$ 8,408,469
Cash payments to employees	(1,995,128)
Cash payments to others for services	(2,145,874)
Net cash provided by (used by) operating activities	<u>4,267,467</u>
Cash flows from non-capital financing activities:	
Due to/from other funds	16,996
Advances to other funds	24,569
Net cash provided by (used by) non-capital financing activities	<u>41,565</u>
Cash flows from capital and related financing activities:	
Purchase of construction in progress	(819,999)
Purchase of property, plant and equipment	(1,275,181)
Proceeds from disposal of capital assets	106,838
Grants received	958,017
Impact fees	150,572
Payment of bond and note payable principal	(1,920,000)
Interest expense	(1,100,909)
Net cash provided by (used by) capital and related financing activities	<u>(3,900,662)</u>
Cash flows from investing activities:	
Sale/maturity of investments	500,214
Investment income	448,831
Net cash provided by (used by) investing activities	<u>949,045</u>
Net increase (decrease) in cash and cash equivalents	1,357,415
Cash and cash equivalents, July 1, 2023	<u>11,102,360</u>
Cash and cash equivalents, June 30, 2024	<u>\$ 12,459,775</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities	
Operating income	\$ 1,627,015
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:	
Depreciation	2,639,771
Changes in net pension liability	(188,558)
Changes in net OPEB liability (asset)	(141,174)
Changes in assets and liabilities:	
Receivables, net	198
Inventory	188,925
Accounts payable	93,161
Payroll liabilities	15,303
Other liabilities	32,826
Net cash provided by (used by) operating activities	<u>\$ 4,267,467</u>
Reconciliation of total cash and cash equivalents	
Current assets - cash and cash equivalents	\$ 6,842,473
Restricted assets - cash and cash equivalents	5,617,302
Total cash and cash equivalents	<u>\$ 12,459,775</u>
Supplement disclosure of cash flow information:	
Amortization expense	\$ (7,699)
Net change in capital assets payable	<u>\$ 610,827</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, 2024

	Private Purpose Trust
ASSETS	
Investments	\$ 29,555
Total assets	<u>29,555</u>
LIABILITIES	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
NET POSITION	
Held in trust for cemetery	<u>\$ 29,555</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, 2024

	<u>Private Purpose Trust</u>
ADDITIONS	
Investment income (loss)	\$ 3,071
Total additions	<u>3,071</u>
Less: investment expenses	
Trust fees	<u>193</u>
Total investment expenses	<u>193</u>
Total change in additions	2,878
Net increase (decrease) in net position	<u>2,878</u>
Net position, beginning	<u>26,677</u>
Net position, ending	<u>\$ 29,555</u>

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

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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. In addition, the Corporation entered into a lease agreement with Versailles Standardbred Group, LLC to repay the General Obligation Bond, Series 2024A during the year ended June 30, 2024. General Obligation Bond, Series 2024A was issued to finance the purchase of land and construction of a premier training center on behalf of the Versailles Standardbred Group, LLC.

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.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

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.

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 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.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

Fund Financial Statements (continued)

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.

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.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (continued)

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.

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.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

As of June 30, 2024, fund balance is composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:			
Road surface repairs	\$ -	\$ 75,128	\$ 75,128
VPD debt service	46,081	-	46,081
Law enforcement	21,406	-	21,406
2022 GO Bond proceeds	4,518,421	-	4,518,421
Opioid settlement funds	99,056	-	99,056
Downtown revitalization project	184,740	-	184,740
Cemetery permanent fund	-	705,907	705,907
Committed:			
Public safety	325,000	-	325,000
City hall repairs	95,000	-	95,000
Falling Springs	95,000	-	95,000
911	-	380,309	380,309
Unassigned	<u>3,943,494</u>	<u>-</u>	<u>3,943,494</u>
Total fund balances	<u>\$ 9,328,198</u>	<u>\$ 1,161,344</u>	<u>\$ 10,489,542</u>

U. 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.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through October 16, 2025, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2024, have not been evaluated by the City.

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, 2024, the City held investment in one municipal bond. Rating of the municipal bond was as follows:

<u>Municipal Security</u>	<u>Rating</u>
Menifee County KY School District Fin. Corporation Bonds, 1.500%, 5/1/25	Aa3

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, 2024, the City's bank balances were substantially covered by federal depository insurance or by collateral pledged. The City's bank balances totaled \$23,782,945 at June 30, 2024. As of June 30, 2024, \$8,170,147 was covered by FDIC or SIPC, \$10,576,384 was held as collateral by the custodial banks in the City's name and \$5,121,155 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.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

2. CASH AND INVESTMENTS (CONTINUED)

COMPONENT UNIT

At June 30, 2024, 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 \$1,626,226. As of June 30, 2024, \$250,000 was covered by FDIC or SIPC and \$1,230,015 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.

The City's investments at June 30, 2024, 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	\$ 230,153	\$ 230,153	\$ -	\$ -	\$ -
U.S. govt. obligations	28,570	28,570	-	-	-
Mutual funds	535,184	535,184	-	-	-
Corporate bonds	142,153	59,439	57,817	-	24,897
Municipal bonds	<u>101,553</u>	<u>101,553</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$1,037,613</u>	<u>\$ 954,899</u>	<u>\$ 57,817</u>	<u>\$ -</u>	<u>\$ 24,897</u>
Fiduciary Fund					
Mutual funds	\$ 2,194	\$ 2,194	\$ -	\$ -	\$ -
Equities	<u>27,361</u>	<u>27,361</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 29,555</u>	<u>\$ 29,555</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.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

2. CASH AND INVESTMENTS (CONTINUED)

For those investments measured at fair value, the investments' fair value measurements are as follows at June 30, 2024:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Primary Government				
U.S. Government Obligations	\$ 28,570	\$ 28,570	\$ -	\$ -
Mutual funds	535,184	535,184	-	-
Municipal bonds	101,553	-	101,553	-
Corporate bonds	<u>142,153</u>	<u>-</u>	<u>142,153</u>	<u>-</u>
Total	<u>\$ 807,460</u>	<u>\$ 563,754</u>	<u>\$ 243,706</u>	<u>\$ -</u>
Fiduciary Funds				
Mutual funds	\$ 2,194	\$ 2,194	\$ -	\$ -
Equities	<u>27,361</u>	<u>27,361</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 29,555</u>	<u>\$ 29,555</u>	<u>\$ -</u>	<u>\$ -</u>

Investments in certificates of deposit totaling \$230,153 are valued at cost and are not included in the above table.

3. ACCOUNTS RECEIVABLE

Receivables at June 30, 2024, 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	\$ 38,726	\$ -	\$ 38,726
Licenses, permits, billings	2,104,108	-	2,104,108
Intergovernmental	150,351	38,586	188,937
Other	<u>1,035,635</u>	<u>-</u>	<u>1,035,635</u>
Gross receivables	3,328,820	38,586	3,367,406
Less: allowance for uncollectible	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>
Net receivables	<u>\$ 3,308,820</u>	<u>\$ 38,586</u>	<u>\$ 3,347,406</u>
Business-type Activities:			
Customer	\$ 1,347,874		
Less: allowance for uncollectible	<u>(100,000)</u>		
Net receivables	<u>\$ 1,247,874</u>		

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

3. ACCOUNTS RECEIVABLE (CONTINUED)

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, 2024, totaled \$304,869. The City reported interest revenue totaling \$9,221 and lease revenue totaling \$4,579 for fiscal year 2024.

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, 2024, totaled \$591,027. The City reported interest revenue totaling \$17,749 and lease revenue totaling \$1,139 for fiscal year 2024.

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

June 30,	Principal	Interest	Total
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	11,903	25,681	37,584
2030-2034	82,486	121,956	204,442
2035-2039	128,768	106,324	235,092
2040-2044	187,475	82,866	270,341
2045-2049	206,664	51,014	257,678
2050-2054	187,163	23,593	210,756
2055-2056	<u>57,005</u>	<u>1,219</u>	<u>58,224</u>
	<u>\$ 895,896</u>	<u>\$ 518,417</u>	<u>\$ 1,414,313</u>

The deferred inflows of resources will be recognized over the term of the lease agreements as lease revenue. During 2024, the City recognized \$26,970 of interest revenue and \$5,718 of lease revenue from the lease agreements.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

3. ACCOUNTS RECEIVABLE (CONTINUED)

Other Long-Term Receivables and Deferred Inflows of Resources

On June 27, 2024, City of Versailles, Kentucky Public Properties Corporation entered into a lease agreement with Versailles Standardbred Group, LLC to repay the General Obligation Bond, Series 2024A issued on June 27, 2024. Public Properties Corporation will collect semi-annual rent from Versailles Standardbred Group, LLC and then Public Properties Corporation will remit the rent to the City. The agreement is for a term of twenty years and is scheduled to mature June 1, 2044. The City recognized both a long-term receivable and a deferred inflow of resources related to the agreement with Public Properties Corporation totaling \$2,700,000, which is the amount of the bonds that has been expended as of June 30, 2024. An additional receivable will be recorded when the bond proceeds are expended in accordance with the bond documents. The City calculated the present value of future rent payments based on the interest rate stated in the agreement of 3.0%. The balance of the long-term receivable as of June 30, 2024 totaled \$2,700,000. The City did not recognize interest revenue or rent revenue for fiscal year 2024.

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%. Originally monthly payments of \$2,000 were due each month beginning July 2022 and the loan term expired June 30, 2024. In August 2024, City Council approved an amended promissory note. The amended promissory note calls for annual payments of \$120,000 beginning March 31, 2025, and the loan will mature June 30, 2028. The note has been presented as an advance on the financial statements and had a balance of \$1,999,431 as of June 30, 2024. The advance was eliminated for purposes of government-wide financial statements.

The City generally maintains deposit checking and investment sweep accounts at the same bank for multiple funds. This at times results in outstanding short-term interfund receivables and payables for deposits and disbursements made to the wrong account. Interfund receivable and payable balances as of June 30, 2024, are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water & Sewer Fund	\$ 709,405
Water & Sewer Fund	Municipal Road Aid Fund	\$ 8,481
Municipal Road Aid Fund	General Fund	\$ 30,340
911 Fund	General Fund	\$ 4,441

Transfers were eliminated in the preparation of the government-wide financial statements except for those between governmental and proprietary funds. The only transfer made during the year ended June 30, 2024, was from the fiduciary fund to the general fund for investment earnings to be used for cemetery expenditures.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2023	Additions	Deductions	Balance June 30, 2024
Capital assets not being depreciated:				
Land	\$ 5,056,643	\$ 5,095,720	\$ (2,500,459)	\$ 7,651,904
Construction in progress	<u>2,030,716</u>	<u>9,257,440</u>	<u>(5,597,473)</u>	<u>5,690,683</u>
Total	<u>7,087,359</u>	<u>14,353,160</u>	<u>(8,097,932)</u>	<u>13,342,587</u>
Capital assets being depreciated:				
Buildings and improvements	8,919,232	1,101,340	-	10,020,572
Equipment	3,105,123	377,750	(69,084)	3,413,789
Vehicles	4,499,657	1,085,558	(465,208)	5,120,007
Infrastructure	<u>27,065,737</u>	<u>1,888,466</u>	<u>-</u>	<u>28,954,203</u>
Total	<u>43,589,749</u>	<u>4,453,114</u>	<u>(534,292)</u>	<u>47,508,571</u>
Total capital assets	<u>50,677,108</u>	<u>18,806,274</u>	<u>(8,632,224)</u>	<u>60,851,158</u>
Less: accumulated depreciation				
Buildings and improvements	2,936,756	363,188	-	3,299,944
Equipment	2,124,570	251,477	(69,084)	2,306,963
Vehicles	3,195,992	436,226	(427,596)	3,204,622
Infrastructure	<u>14,581,811</u>	<u>1,501,353</u>	<u>-</u>	<u>16,083,164</u>
Total accumulated depreciation	<u>22,839,129</u>	<u>2,552,244</u>	<u>(496,680)</u>	<u>24,894,693</u>
Governmental activities capital assets, net	<u>\$ 27,837,979</u>	<u>\$ 16,254,030</u>	<u>\$ (8,135,544)</u>	<u>\$ 35,956,465</u>

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

5. CAPITAL ASSETS (CONTINUED)

<u>Business-type Activities</u>	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024
Capital assets not depreciated:				
Land	\$ 320,125	\$ -	\$ -	\$ 320,125
Construction in progress	<u>130,260</u>	<u>1,447,978</u>	<u>-</u>	<u>1,578,238</u>
Total	<u>450,385</u>	<u>1,447,978</u>	<u>-</u>	<u>1,898,363</u>
Capital assets being depreciated:				
Buildings	17,583,913	505,645	-	18,089,558
Equipment	3,361,727	686,939	(16,500)	4,032,166
Vehicles	574,928	59,919	(30,761)	604,086
Plant and utility systems	<u>71,574,752</u>	<u>22,678</u>	<u>-</u>	<u>71,597,430</u>
Total	<u>93,095,320</u>	<u>1,275,181</u>	<u>(47,261)</u>	<u>94,323,240</u>
Total capital assets	<u>93,545,705</u>	<u>2,723,159</u>	<u>(47,261)</u>	<u>96,221,603</u>
Less: accumulated depreciation				
Buildings	6,350,793	381,130	-	6,731,923
Equipment	1,097,337	487,374	(16,500)	1,568,211
Vehicles	541,217	20,874	(30,761)	531,330
Plant and utility systems	<u>23,542,949</u>	<u>1,750,393</u>	<u>-</u>	<u>25,293,342</u>
Total accumulated depreciation	<u>31,532,296</u>	<u>2,639,771</u>	<u>(47,261)</u>	<u>34,124,806</u>
Business-type activities capital assets, net	<u>\$ 62,013,409</u>	<u>\$ 83,388</u>	<u>\$ -</u>	<u>\$ 62,096,797</u>

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

Governmental activities:

General government	\$ 21,740
Police operations	679,169
Fire department	254,627
Street department	1,570,693
Dispatch	3,500
Cemetery	<u>22,515</u>
Total	<u>\$ 2,552,244</u>

Business-type activities:

Water	\$ 1,012,322
Sewer	<u>1,627,449</u>
Total	<u>\$ 2,639,771</u>

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

6. LONG-TERM DEBT

GOVERNMENTAL ACTIVITIES

BONDS AND NOTES 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.

On August 31, 2023, the City entered into a promissory note agreement for \$1,380,547. The promissory note bears interest at a rate of 4.50%. The promissory note was used to finance the purchase of the Marsailles Road property.

On June 27, 2024, the City entered into a General Obligation Bond Anticipation Note, Series 2024A for \$5,360,000. The anticipation note bears interest at a rate of 5.10%. The anticipation note was issued to finance the purchase of land and construction of a premier training center on behalf of the Versailles Standardbred Group, LLC. Versailles Standardbred Group, LLC entered into a lease-to-purchase agreement with the City of Versailles, Kentucky Public Properties Corporation on June 27, 2024, in which it has agreed to repay the General Obligation Bond Anticipation Note, Series 2024A issued by the City. As of June 30, 2024, \$2,700,000 was expended from the bonds and due from the Kentucky Public Properties Corporation.

The changes in general long-term debt during 2024 are as follows:

	July 1, 2023	Additions	Retirements	June 30, 2024
2019 GO bond – VPD	\$ 5,725,000	\$ -	\$ 265,000	\$ 5,460,000
Premium on GO bond – VPD	168,181	-	10,511	157,670
2022 GO bond – anticipation note	9,195,000	-	350,000	8,845,000
Premium on 2022 GO bond	111,323	-	35,623	75,700
2024A GO bond – anticipation note	-	5,360,000	-	5,360,000
Amerco promissory note – direct placement	-	1,380,547	187,845	1,192,702
Net pension liability	16,828,877	-	1,760,822	15,068,055
Net OPEB liability	4,673,090	-	4,160,516	512,574
Long-term compensated absences	<u>238,469</u>	<u>18,026</u>	<u>-</u>	<u>256,495</u>
Total	<u>\$ 36,939,940</u>	<u>\$ 6,758,573</u>	<u>\$ 6,770,317</u>	<u>\$ 36,928,196</u>

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

6. LONG-TERM DEBT (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

The annual requirements to amortize general obligation bonds and promissory note outstanding as of June 30, 2024, are as follows:

June 30	Principal	Interest	Total
2025	\$ 890,509	\$ 607,759	\$ 1,498,268
2026	917,476	710,309	1,627,785
2027	8,859,994	557,707	9,417,701
2028	773,086	405,189	1,178,275
2029	571,637	376,566	948,203
2030-2034	2,785,000	1,574,565	4,359,565
2035-2039	3,360,000	981,915	4,341,915
2040-2044	2,270,000	362,025	2,632,025
2045	<u>430,000</u>	<u>10,965</u>	<u>440,965</u>
	<u>\$ 20,857,702</u>	<u>\$ 5,587,000</u>	<u>\$ 26,444,702</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 \$487,967 at June 30, 2024.

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, 2024, \$1,155,000 of the defeased bonds are still outstanding.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024, \$2,755,000 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, 2024, the business-type activities had the following bonds and notes payable outstanding:

Description	Series	Amount	Current Portion
Revenue Bonds	2012	\$ 1,155,000	\$ 1,155,000
Revenue Bonds	2013	2,775,000	805,000
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>\$ 34,080,000</u>	<u>\$ 1,960,000</u>
Add: unamortized bond premium		123,612	
Less: current portion payable		<u>(1,960,000)</u>	
Total long-term portion		<u>\$ 32,243,612</u>	

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

6. LONG-TERM DEBT (CONTINUED)

BUSINESS-TYPE ACTIVITIES (CONTINUED)

The annual requirements to amortize all revenue bonds and notes outstanding as of June 30, 2024, are as follows:

June 30,	Principal	Interest	Total
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	2,015,000	851,641	2,866,641
2030-2034	11,110,000	3,205,515	14,315,515
2035-2039	<u>13,160,000</u>	<u>1,172,775</u>	<u>14,332,775</u>
	<u>\$ 34,080,000</u>	<u>\$ 9,174,223</u>	<u>\$ 43,254,223</u>

The changes in long-term debt during 2024 are as follows:

	July 1, 2023	Additions	Retirements	June 30, 2024
W&S revenue bonds	\$ 36,000,000	\$ -	\$ 1,920,000	\$ 34,080,000
Bond premium	131,330	-	7,718	123,612
Net pension liability	2,824,111	-	376,420	2,447,691
Net OPEB liability	770,851	-	770,851	-
Long-term compensated absences	<u>82,660</u>	<u>2,658</u>	<u>-</u>	<u>85,318</u>
Total	<u>\$ 39,808,952</u>	<u>\$ 2,658</u>	<u>\$ 3,074,989</u>	<u>\$ 36,736,621</u>

In the current year the net OPEB liability is reported as an asset.

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 \$1,267,299 at June 30, 2024.

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 \$3,607,638 at June 30, 2024.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 \$103,903 at June 30, 2024.

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 was 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 bore interest at a fixed rate of 4.00-4.13%. Principal payments on the outstanding bonds, were payable on December 1 of each year and interest was payable on December 1 and June 1. Series 2016 Revenue Refunding Bonds were fully repaid as of June 30, 2024.

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, 2024

6. LONG-TERM DEBT (CONTINUED)

COMPONENT UNIT (CONTINUED)

At June 30, 2024, the Corporation had the following bonds outstanding:

Description	Series	Amount	Current Portion
Revenue Refunding Bonds	2018	\$ <u>3,540,000</u>	\$ <u>290,000</u>
Add: unamortized bond premiums		<u>162,312</u>	
		3,702,312	
Less: current portion payable		<u>(290,000)</u>	
Total long-term portion		\$ <u>3,412,312</u>	

The annual requirements to amortize all revenue bonds and leases outstanding as of June 30, 2024, are as follows:

June 30,	Principal	Interest	Total
2025	\$ 290,000	\$ 137,676	\$ 427,676
2026	305,000	122,800	427,800
2027	320,000	107,175	427,175
2028	335,000	92,475	427,475
2029	345,000	78,875	423,875
2030-2034	<u>1,945,000</u>	<u>185,613</u>	<u>2,130,613</u>
	\$ <u>3,540,000</u>	\$ <u>724,614</u>	\$ <u>4,264,614</u>

The changes in long-term debt during 2024 are as follows:

	July 1, 2023	Additions	Retirements	June 30, 2024
KCTCS Revenue Bonds	\$ 4,400,000	\$ -	\$ 860,000	\$ 3,540,000
Bond Premium	191,666	-	29,354	162,312
Lease payable	<u>-</u>	<u>2,700,000</u>	<u>-</u>	<u>2,700,000</u>
Total	\$ <u>4,591,666</u>	\$ <u>2,700,000</u>	\$ <u>889,354</u>	\$ <u>6,402,312</u>

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.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

7. PROJECT FINANCING (CONTINUED)

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 for a term of two years on June 30, 2022 and 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.

On June 27, 2024 Public Properties Corporation entered into a lease agreement with Versailles Standardbred Group, LLC to repay the General Obligation Bond, Series 2024A issued on June 27, 2024. General Obligation Bond, Series 2024A was issued to finance the purchase of land and construction of a premier training center on behalf of the Versailles Standardbred Group, LLC. Versailles Standardbred Group, LLC agrees to pay to the Public Properties Corporation semi-annual payments equal to the principal and interest due on the General Obligation Bond, Series 2024A. The lease is for a term of twenty years and is scheduled to mature June 1, 2044. The balance of the lease receivable as of June 30, 2024 totaled \$2,700,000, which is the amount of bond proceeds expended as of June 30, 2024. The land and constructed facility shall become property of Versailles Standardbred Group, LLC 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
2025	\$ 294,357	\$ 137,859	\$ 432,216
2026	307,257	124,959	432,216
2027	320,721	111,495	432,216
2028	334,775	97,441	432,216
2029	349,445	82,771	432,216
2030-2034	<u>1,735,943</u>	<u>173,011</u>	<u>1,908,954</u>
	3,342,498	\$ 727,536	\$ 4,070,034
2024A GO bond	<u>2,700,000</u>		
Total	<u>\$ 6,042,498</u>		

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024, 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, 2024, participating employers contributed 23.34% of each employee's wages for non-hazardous job classifications and 43.69% 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 23.34% to the pension trust for non-hazardous job classifications and 41.11% 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, 2024, the City contributed \$727,021 or 100% of the required contribution for non-hazardous job classifications, and \$1,361,640, for the year ended June 30, 2024, 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, 2024

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, 2024, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net Pension Liability	Non-hazardous	Hazardous
<u>\$ 17,515,746</u>	<u>\$ 5,923,271</u>	<u>\$ 11,592,475</u>

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022, 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, 2023, was as follows:

Non-hazardous	Hazardous
.092313%	.429995%

The proportionate share at June 30, 2023, increased .002529% for non-hazardous and decreased .001356% for hazardous compared to the proportionate share as of June 30, 2022.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

8. RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2024, the City recognized pension expense of \$1,338,274. At June 30, 2024, 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	\$ 836,596	\$ 16,095
Changes of assumptions	-	1,448,212
Net difference between projected and actual earnings on Plan investments	-	197,090
Changes in proportion and differences between City contributions and proportionate share of contributions	193,500	305,761
City contributions subsequent to the measurement date	<u>2,036,936</u>	<u>-</u>
Total	<u>\$ 3,067,032</u>	<u>\$ 1,967,158</u>

The \$2,036,936 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, 2025. Contributions exclude \$51,724 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,

2025	\$ (410,905)
2026	\$ (500,305)
2027	\$ 168,978
2028	\$ (194,830)

Actuarial Assumptions – The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.50%
Salary increases	3.30% to 10.30%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation

Hazardous

Inflation	2.50%
Salary increases	3.55 to 19.05%, varies by service, including inflation
Investment rate of return	6.50%, 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 2013-2022, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2023. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2010.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

8. RETIREMENT PLAN (CONTINUED)

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023.

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%	5.90%
Private Equity	10.00%	11.73%
Fixed Income	20.00%	
Core Bonds	10.00%	2.45%
Specialty Credit/High Yield	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected	20.00%	
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Total	100.00%	5.75%
Long term inflation assumption		2.50%
Expected nominal return for portfolio		8.25%

Discount Rate – The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that 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 6.50%, 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 (5.50%) or 1-percentage-point higher (7.50%) 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	5.50%	\$ 7,478,488	5.50%	\$ 14,638,266
Current discount rate	6.50%	\$ 5,923,271	6.50%	\$ 11,592,475
1% increase	7.50%	\$ 4,630,828	7.50%	\$ 9,104,754

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

8. RETIREMENT PLAN (CONTINUED)

Payable to the Pension Plan – At June 30, 2024, the City reported a payable of \$26,162 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2024. 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, 2024, the employer's contribution was 0.00% to the insurance trust for non-hazardous job classifications and 2.58% 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, 2024, the City contributed \$0, or 100% of the required contribution for non-hazardous job classifications, and \$85,454, 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
Tier 2	Participation date Insurance eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

OPEB Liabilities (Asset), Expense, Deferred Outflows of Resources and Deferred Inflows of Resources –
At June 30, 2024, the City reported a liability (asset) for its proportionate share of the net OPEB liability (asset) as follows:

Total Net OPEB Liability (asset)	Non-hazardous	Hazardous
<u>\$ 460,491</u>	<u>\$ (127,448)</u>	<u>\$ 587,939</u>

The net OPEB liability (asset) was measured as of June 30, 2023 and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2022 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability (asset) 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, 2023 was as follows:

Non-hazardous	Hazardous
.092309%	.429707%

The proportionate share at June 30, 2023 increased .00254% for non-hazardous and decreased .00143% for hazardous compared to the proportionate share as of June 30, 2022.

For the year ended June 30, 2024, the City recognized OPEB expense of \$(502,645). At June 30, 2024, 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	\$ 142,029	\$ 4,233,533
Changes of assumptions	652,258	787,687
Net difference between projected and actual earnings on Plan investments	-	110,549
Changes in proportion and differences between City contributions and proportionate share of contributions	99,327	185,831
City contributions subsequent to the measurement date	<u>121,618</u>	<u>-</u>
Total	<u>\$ 1,015,232</u>	<u>\$ 5,317,600</u>

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

The \$121,618 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, 2025. Contributions also include an allocation for the implicit subsidy of \$36,164, 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,	
2025	\$ (979,135)
2026	\$ (1,134,408)
2027	\$ (885,749)
2028	\$ (1,002,179)
2029	\$ (422,515)

Actuarial Assumptions – The total OPEB liability (asset) in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.50%
Salary increases	3.30 to 10.30%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation
Healthcare trend:	
Pre – 65:	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post – 65:	Initial trend starting at 8.50% at January 1, 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Hazardous

Inflation	2.50%
Salary increases	3.55 to 19.05%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation
Healthcare trend:	
Pre – 65:	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post – 65:	Initial trend starting at 8.50% at January 1, 2025, 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 2013-2022, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2023. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2022. The total OPEB liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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%	5.90%
Private Equity	10.00%	11.73%
Liquidity	20.00%	
Core Bonds	10.00%	2.45%
Specialty Credit/High Yield	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected	20.00%	
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Total	100.00%	5.75%
Long term inflation assumption		2.50%
Expected nominal return for portfolio		8.25%

Discount Rate – The discount rate used to measure the total OPEB liability (asset) was 5.93% and 5.97% 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 6.50%, and a municipal bond rate of 3.86%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 30, 2023. 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 (Asset) 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 (asset)	Discount rate	City’s proportionate share of net OPEB liability (asset)
1% decrease	4.93%	\$ 239,171	4.97%	\$ 1,486,908
Current discount rate	5.93%	\$ (127,448)	5.97%	\$ 587,939
1% increase	6.93%	\$ (434,447)	6.97%	\$ (161,141)

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

Sensitivity of the City's Proportionate Share of the Net OPEB Liability (Asset) 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 (asset)	City's proportionate share of net OPEB liability (asset)
1% decrease	\$ (408,493)	\$ 6,699
Current trend rate	\$ (127,448)	\$ 587,939
1% increase	\$ 217,789	\$ 1,289,907

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, 2024:

Low Pressure System Improvement - \$540,102
 Generator Project - \$3,041,868
 Fire Station Renovation - \$1,403,089
 Downtown Revitalization Project - \$194,472
 Lexington Street Corridor - \$130,000
 Radio Communications Project - \$38,754

11. CONCENTRATIONS

The City has a concentration of revenue for occupational tax and water and sewer. Five industrial companies generated approximately 30% of the City's occupational tax revenue. Four users generated approximately 13% of the utility operation's service revenue. Also, at June 30, 2024, approximately 9% of the utility operation's accounts receivable was due from four users. In 2025, Yokohama Industries Americas Inc. has announced its decision to cease operations in Versailles, KY. This development is expected to have a material adverse impact on occupational tax for the City. In fiscal year 2024 Yokohama Industries Americas Inc. generated approximately 6% of the City's occupational tax revenue.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

12. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2024 were levied in September 2023 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	\$ 6,184,478	\$ 5,558,486	\$ 625,992
Police Capital	<u>508,100</u>	<u>756,885</u>	<u>(248,785)</u>
Total cost shared with County	<u>\$ 6,692,578</u>	<u>\$ 6,315,371</u>	<u>\$ 377,207</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 2024.

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 2024, \$2,929 of revenue was abated.

CITY OF VERSAILLES, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

16. RESTATEMENT OF NET POSITION

During the year ended June 30, 2023, the City recorded a deposit paid for land to be purchased in the following fiscal year in current expenditures in the general fund and government wide financial statements. The deposit paid should have been recorded in capital outlay in the general fund and construction in progress in the government wide financial statements. The prior period adjustment corrects the accounting treatment of the deposit paid by increasing capital outlay in the general fund and increasing capital assets in the government wide financial statements by \$15,000.

General Fund:

Fund balance, at beginning of year	\$ 12,212,075
Restatement for deposit on land	<u>15,000</u>

Fund balance, at beginning of year, as restated \$ 12,227,075

Governmental Activities:

Net position, at beginning of year	\$ 6,956,991
Restatement for deposit on land	<u>15,000</u>

Net position, at beginning of year, as restated \$ 6,971,991

17. SUBSEQUENT EVENT

In August 2024, the City entered into a lease-to-purchase agreement with TKC Distilling Co., LLC to sell 7.9 acres of land for \$1,040,000. The term of the lease shall begin August 31, 2024, and the buyer shall make annual payments until the lease matures on August 31, 2030. The lease payments reflect an interest rate of 6% per annum.

In August 2025, the City entered into a purchase of real estate agreement with Yokohama Industries America, Inc. to purchase 17.575 acres of land and the existing building for \$8,500,000. The agreement also includes terms to lease no less than 30,000 square feet of the building to the seller for a period of two years commencing on the closing date. As of October 16, 2025, which represents the date that these financial statements were available to be issued, the City has paid the \$100,000 earnest money deposit.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VERSAILLES, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISONS
GENERAL FUND
for the year ended June 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Property taxes	\$ 815,000	\$ 815,000	\$ 884,673	\$ 69,673
License and permits	7,414,500	7,425,500	8,432,602	1,007,102
Intergovernmental revenues	3,655,340	3,988,982	5,638,971	1,649,989
Charges for services	135,000	135,000	108,895	(26,105)
Other income	311,050	368,322	722,995	354,673
Total revenues	<u>12,330,890</u>	<u>12,732,804</u>	<u>15,788,136</u>	<u>3,055,332</u>
Expenditures				
Current				
General government	2,407,909	2,777,974	2,772,906	5,068
Merged police operations	6,179,478	6,179,478	5,558,486	620,992
Other police operations/grants	30,000	75,000	60,897	14,103
Fire department	2,073,212	2,073,212	1,981,976	91,236
Street department	1,157,573	1,239,273	1,188,542	50,731
Cemetery department	356,863	371,463	351,514	19,949
Capital outlay	6,561,350	12,782,419	12,182,053	600,366
Debt service	1,094,463	1,570,063	1,433,842	136,221
Total expenditures	<u>19,860,848</u>	<u>27,068,882</u>	<u>25,530,216</u>	<u>1,538,666</u>
Excess of Revenues Over (Under) Expenditures	<u>(7,529,958)</u>	<u>(14,336,078)</u>	<u>(9,742,080)</u>	<u>4,593,998</u>
Other Financing Sources (Uses)				
Proceeds from issuance of bond anticipation notes	-	2,700,000	6,740,547	4,040,547
Proceeds from the sale of assets	50,000	63,961	72,994	9,033
Transfers	-	-	29,662	29,662
Total Other Financing Sources (uses)	<u>50,000</u>	<u>2,763,961</u>	<u>6,843,203</u>	<u>4,079,242</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>(7,479,958)</u>	<u>(11,572,117)</u>	<u>(2,898,877)</u>	<u>8,673,240</u>
Fund Balance, July 1, 2023	<u>12,227,075</u>	<u>12,227,075</u>	<u>12,227,075</u>	<u>-</u>
Fund Balance, June 30, 2024	<u>\$ 4,747,117</u>	<u>\$ 654,958</u>	<u>\$ 9,328,198</u>	<u>\$ 8,673,240</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)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net pension liability	0.088599%	0.093242%	0.087756%	0.088281%	0.090752%	0.091200%	0.084499%	0.091775%	0.089784%	0.092313%
City's proportionate share of the net pension liability (asset)	\$ 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	\$ 5,923,271
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
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	133.88%	173.65%	192.11%	221.67%	227.91%	256.08%	277.58%	228.43%	261.78%	221.66%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	59.97%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%	57.48%

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)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net pension liability	0.482254%	0.483150%	0.440924%	0.417738%	0.459272%	0.456288%	0.452975%	0.427802%	0.431351%	0.429995%
City's proportionate share of the net pension liability (asset)	\$ 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	\$ 11,592,475
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
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	227.83%	285.77%	307.78%	377.01%	403.79%	448.61%	500.78%	434.88%	469.38%	385.51%
Plan fiduciary net position as a percentage of the total pension liability	63.46%	57.52%	57.52%	49.78%	49.26%	46.63%	44.11%	52.26%	47.11%	52.96%

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 295,040	\$ 279,608	\$ 325,186	\$ 351,163	\$ 406,273	\$ 450,616	\$ 494,376	\$ 621,873	\$ 678,761	\$ 727,021
Contributions relative to contractually required employer contribution	<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>	<u>727,021</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	\$ 2,308,636	\$ 2,249,067	\$ 2,331,079	\$ 2,425,156	\$ 2,504,768	\$ 2,334,800	\$ 2,561,532	\$ 2,479,341	\$ 2,672,248	\$ 2,893,304
Employer contributions as a percentage of covered-employee payroll	12.78%	12.43%	13.95%	14.48%	16.22%	19.30%	19.30%	25.08%	25.40%	25.13%

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 538,019	\$ 497,695	\$ 538,184	\$ 610,673	\$ 698,740	\$ 819,803	\$ 787,218	\$ 1,019,105	\$ 1,292,936	\$ 1,361,640
Contributions relative to contractually required employer contribution	<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>	<u>1,361,640</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	\$ 2,595,363	\$ 2,458,224	\$ 2,478,969	\$ 2,750,780	\$ 2,809,570	\$ 2,727,223	\$ 2,618,822	\$ 2,804,207	\$ 3,007,017	\$ 3,312,185
Employer contributions as a percentage of covered-employee payroll	20.73%	20.25%	21.71%	22.20%	24.87%	30.06%	30.06%	36.34%	43.00%	41.11%

CITY OF VERSAILLES, KENTUCKY
REQUIRED SUPPLEMENTAL SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) - NONHAZARDOUS
Last Eight Fiscal Years

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net OPEB liability (asset)	0.087756%	0.088281%	0.090748%	0.091177%	0.084474%	0.091754%	0.089769%	0.092309%
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	\$ (127,448)
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	\$ 2,672,248
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%	-4.77%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	unavailable	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%	104.23%

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 Eight Fiscal Years

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net OPEB liability	0.440924%	0.417738%	0.459297%	0.456199%	0.452911%	0.427801%	0.431133%	0.429707%
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	\$ 587,939
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	\$ 3,007,017
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%	19.55%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	unavailable	58.99%	64.24%	64.44%	58.84%	66.81%	64.13%	92.27%

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 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>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>	<u>-</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	\$ 2,308,636	\$ 2,249,067	\$ 2,331,079	\$ 2,425,156	\$ 2,504,768	\$ 2,334,800	\$ 2,561,532	\$ 2,479,341	\$ 2,672,248	\$ 2,893,304
Employer contributions as a percentage of covered-employee payroll	4.92%	4.64%	4.73%	4.70%	5.26%	4.76%	4.76%	4.59%	3.68%	0.00%

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 352,450	\$ 311,949	\$ 231,784	\$ 257,198	\$ 294,162	\$ 259,632	\$ 253,824	\$ 249,910	\$ 204,768	\$ 85,454
Contributions relative to contractually required employer contribution	<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>	<u>85,454</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	\$ 2,595,393	\$ 2,458,224	\$ 2,478,969	\$ 2,750,780	\$ 2,809,570	\$ 2,727,223	\$ 2,618,822	2,804,207	3,007,017	3,312,185
Employer contributions as a percentage of covered-employee payroll	13.58%	12.69%	9.35%	9.35%	10.47%	9.52%	9.69%	8.91%	6.81%	2.58%

CITY OF VERSAILLES, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

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, 2023 – 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, 2023, for pension:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The Tier 3 cash balance interest crediting rate assumption was increased to 6.75% for the CERS pension funds.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for OPEB:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The initial healthcare trend rate for pre-65 was changed from 6.20% to 6.8%. The initial healthcare trend rate for post-65 was changed from 9.00% to 8.50%.

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.

CITY OF VERSAILLES, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

2. CHANGES OF ASSUMPTIONS (CONTINUED)

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.

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%

CITY OF VERSAILLES, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

2. CHANGES OF ASSUMPTIONS (CONTINUED)

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.

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.

SUPPLEMENTARY INFORMATION

CITY OF VERSAILLES, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2024

	911 Fund	Municipal Road Aid Fund	Permanent Fund	Total Non-Major Governmental
ASSETS				
Cash and cash equivalents	\$ 406,227	\$ 75,363	\$ -	\$ 481,590
Investments	-	-	705,907	705,907
Accounts receivable	-	38,586	-	38,586
	<u>-</u>	<u>38,586</u>	<u>-</u>	<u>38,586</u>
Total assets	<u>\$ 406,227</u>	<u>\$ 113,949</u>	<u>\$ 705,907</u>	<u>\$ 1,226,083</u>
LIABILITIES				
Accounts payable	\$ 8,660	\$ -	\$ -	\$ 8,660
Accrued payroll liabilities	12,817	-	-	12,817
Due to other funds	4,441	38,821	-	43,262
	<u>4,441</u>	<u>38,821</u>	<u>-</u>	<u>43,262</u>
Total liabilities	<u>25,918</u>	<u>38,821</u>	<u>-</u>	<u>64,739</u>
FUND BALANCE				
Restricted	-	75,128	705,907	781,035
Committed	380,309	-	-	380,309
	<u>380,309</u>	<u>-</u>	<u>-</u>	<u>380,309</u>
Total fund balance	<u>380,309</u>	<u>75,128</u>	<u>705,907</u>	<u>1,161,344</u>
Total liabilities and fund balance	<u>\$ 406,227</u>	<u>\$ 113,949</u>	<u>\$ 705,907</u>	<u>\$ 1,226,083</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, 2024

	911 Fund	Municipal Road Aid Fund	Permanent Fund	Total Non-Major Governmental
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental revenues	-	200,861	-	200,861
Charges for services	1,062,034	-	9,540	1,071,574
Other income (loss)	<u>20,748</u>	<u>16,389</u>	<u>59,104</u>	<u>96,241</u>
Total revenues	<u>1,082,782</u>	<u>217,250</u>	<u>68,644</u>	<u>1,368,676</u>
EXPENDITURES				
Current				
General government	-	-	-	-
Police department	-	-	-	-
Fire department	-	-	-	-
911 communications	1,150,811	-	-	1,150,811
Street department	-	4,241	-	4,241
Cemetery department	-	-	4,370	4,370
Debt service	-	-	-	-
Capital outlay	<u>-</u>	<u>452,762</u>	<u>-</u>	<u>452,762</u>
Total expenditures	<u>1,150,811</u>	<u>457,003</u>	<u>4,370</u>	<u>1,612,184</u>
Excess of Revenues Over (Under) Expenditures	<u>(68,029)</u>	<u>(239,753)</u>	<u>64,274</u>	<u>(243,508)</u>
Other Sources (Uses)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>(29,662)</u>	<u>(29,662)</u>
Total other sources (uses)	<u>-</u>	<u>-</u>	<u>(29,662)</u>	<u>(29,662)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>(68,029)</u>	<u>(239,753)</u>	<u>34,612</u>	<u>(273,170)</u>
Fund Balance, July 1, 2023	<u>448,338</u>	<u>314,881</u>	<u>671,295</u>	<u>1,434,514</u>
Fund Balance, June 30, 2024	<u><u>\$ 380,309</u></u>	<u><u>\$ 75,128</u></u>	<u><u>\$ 705,907</u></u>	<u><u>\$ 1,161,344</u></u>

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

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal Payable by July 1</u>	<u>Interest Payable by July 1</u>	<u>Interest Payable by January 1</u>	<u>Total Principal and Interest</u>
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%	<u>420,000</u>	<u>6,300</u>	<u>-</u>	<u>426,300</u>
		<u>\$ 5,460,000</u>	<u>\$ 747,150</u>	<u>\$ 665,250</u>	<u>\$ 6,872,400</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>
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>\$ 8,845,000</u>	<u>\$ 381,750</u>	<u>\$ 249,075</u>	<u>\$ 9,475,825</u>

**CITY OF VERSAILLES, KENTUCKY
GENERAL FUND
GENERAL BOND ANTICIPATION NOTES
SERIES 2024**

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal Payable by July 1</u>	<u>Interest Payable by July 1</u>	<u>Interest Payable by January 1</u>	<u>Total Principal and Interest</u>
2024-25	5.10%	\$ -	\$ -	\$ 139,717	\$ 139,717
2025-26	5.10%	-	136,680	136,680	273,360
2026-27	5.10%	170,000	136,680	132,345	439,025
2027-28	5.10%	180,000	132,345	127,755	440,100
2028-29	5.10%	190,000	127,755	122,910	440,665
2029-30	5.10%	200,000	122,910	117,810	440,720
2030-31	5.10%	210,000	117,810	112,455	440,265
2031-32	5.10%	220,000	112,455	106,845	439,300
2032-33	5.10%	235,000	106,845	100,853	442,698
2033-34	5.10%	245,000	100,853	94,605	440,458
2034-35	5.10%	260,000	94,605	87,975	442,580
2035-36	5.10%	270,000	87,975	81,090	439,065
2036-37	5.10%	285,000	81,090	73,823	439,913
2037-38	5.10%	300,000	73,823	66,173	439,995
2038-39	5.10%	315,000	66,173	58,140	439,313
2039-40	5.10%	330,000	58,140	49,725	437,865
2040-41	5.10%	350,000	49,725	40,800	440,525
2041-42	5.10%	370,000	40,800	31,365	442,165
2042-43	5.10%	390,000	31,365	21,420	442,785
2043-44	5.10%	410,000	21,420	10,965	442,385
2044-45	5.10%	<u>430,000</u>	<u>10,965</u>	<u>-</u>	<u>440,965</u>
		<u>\$ 5,360,000</u>	<u>\$ 1,710,413</u>	<u>\$ 1,713,450</u>	<u>\$ 8,783,862</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>
2024-25	2.700%	\$ 1,155,000	\$ 15,593	\$ -	\$ 1,170,593
Totals		<u>\$ 1,155,000</u>	<u>\$ 15,593</u>	<u>\$ -</u>	<u>\$ 1,170,593</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>
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>\$ 2,775,000</u>	<u>\$ 55,844</u>	<u>\$ 23,394</u>	<u>\$ 2,854,238</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>
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>\$ 706,099</u>	<u>\$ 603,498</u>	<u>\$ 7,019,597</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>
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>\$ 1,341,348</u>	<u>\$ 1,202,301</u>	<u>\$ 12,543,649</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>
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>\$ 2,739,398</u>	<u>\$ 2,486,754</u>	<u>\$ 19,666,152</u>

**CITY OF VERSAILLES, KENTUCKY
 COMPONENT UNIT - PUBLIC PROPERTIES CORPORATION
 REVENUE REFUNDING BONDS
 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>
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%	<u>420,000</u>	<u>8,400</u>	<u>-</u>	<u>428,400</u>
		<u>\$ 3,540,000</u>	<u>\$ 398,541</u>	<u>\$ 326,078</u>	<u>\$ 4,264,619</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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 City of Versailles, Kentucky, as of and for the year ended June 30, 2024, 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 October 16, 2025.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2024-002.

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. The 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
October 16, 2025



Members American Institute of Certified Public Accountants
and Kentucky Society of Certified Public Accountants

**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, 2024. 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, 2024.

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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2024-003 and 2024-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on City of Versailles, Kentucky's response to the noncompliance findings identified in our compliance audit 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 compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-003 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on City of Versailles, Kentucky's response to the internal control over compliance findings identified in our compliance audit 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 compliance and, accordingly, we express no opinion on the response.

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
October 16, 2025

CITY OF VERSAILLES, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2024

GRANTOR/PROGRAM TITLE	Federal AL Number	Pass/Through Contract Number	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	\$ -	\$ 1,086,734
Passed through the Kentucky Infrastructure Authority COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	22CWW282	-	1,055,356
Total U.S. Department of the Treasury			-	2,142,090
U.S. Department of Housing and Urban Development				
Passed through the Kentucky Department for Local Government Community Development Block Grants	14.228	22-018	-	288,920
Total U.S. Department of Housing and Urban Development			-	288,920
U.S. Department of Justice				
Equitable Sharing Program	16.922	N/A	-	59,617
Total U.S. Department of Justice			-	59,617
U.S. Department of Transportation				
Passed through the Kentucky Transportation Cabinet State and Community Highway Safety	20.600	N/A	-	6,236
Total U.S. Department of Transportation			-	6,236
U.S. Department of Homeland Security				
Passed through the Kentucky Emergency Management				
Disaster Grants - Public Assistance	97.036	SC 095 2400000157	-	76,716
Hazard Mitigation Grant	97.039	SC 095 2300001087	-	107,976
Hazard Mitigation Grant	97.039	SC 095 2200001509	-	86,002
			-	270,694
Passed through the Kentucky Office of Homeland Security				
Homeland Security Grant Program	97.067	SC 094 2400000870	-	286,000
Total U.S. Department of Homeland Security			-	556,694
Total federal awards expended			\$ -	\$ 3,053,557

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, 2024

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified X Yes No

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

Non-compliance material to financial statements noted X Yes No

Federal Awards:

Internal control over major programs:

Material weaknesses identified Yes X No

Significant deficiencies identified that are not
considered to be material weaknesses X 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)?

 X 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 X No

CITY OF VERSAILLES, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2024

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

Finding 2024-001 – 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 deferred inflows of resources, lease receivable and lease revenue, accounts payable and construction in process, capital assets, and failure to record the issuance of General Obligation Bond Series 2024A and the related lease-to-purchase agreement 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 materially 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, capital assets and the recording of new debt and lease agreements 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 2024-002 – Noncompliance – Delinquent Filing to Department of Local Government

Criteria: The City is required under KRS 91A.040 to file the annual audit report to the Department for Local Government by no later than April 1 immediately following the fiscal year being audited.

Condition: Deficiencies in the City's internal controls prevented the timely completion and submission of the annual audit report to the Department for Local Government.

Cause: The City failed to provide proper oversight over period-end financial reporting which resulted in delays in issuing the annual audit report for the year ended June 30, 2024.

**CITY OF VERSAILLES, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2024**

II. FINDINGS RELATED TO FINANCIAL STATEMENTS (CONTINUED)

Finding 2024-002 – Noncompliance – Delinquent Filing to Department of Local Government (Continued)

Effect: The City did not file the annual audit report for the fiscal year ended June 30, 2024, to the Department of Local Government by April 1, 2025.

Recommendation: We recommend management review the period end financial reporting process and implement changes from finding 2024-001 above to allow for timely completion of accurate financial reports. This will allow them to be in compliance with KRS 91A.040.

Response: We agree with the auditors' recommendations, and the following action will be taken to improve the timeliness of the financial reporting process. Management will consult with the audit firm and outside CPA firm to develop an agreed upon schedule for the FY 2025 financial reporting process and related audit to meet the Kentucky DLG's reporting requirement. We will also identify additional training for departmental staff to improve skills and address identified deficiencies. Finally, Management will review capacity constraints and development solutions to improve capacity.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding 2024-003 – Significant Deficiency and Noncompliance – Coronavirus State and Local Fiscal Recovery Funds (21.027) – Reporting

Criteria: The City is required to file quarterly Project and Expenditure reports that detail financial data, projects funded, expenditures, and contracts and subawards over \$50,000, that were paid with the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF).

Condition: The Project and Expenditure report filed by the City for the quarter ended March 31, 2025 understated Meter Replacement Project expenditures by \$215,413 in comparison to expenditures reported on the schedule of expenditures of federal awards for the year ended June 30, 2023. In addition, the Project and Expenditure report filed by the City for the quarter ended March 31, 2024 overstated September 2023 payroll expenditures by \$215,413 in comparison to expenditures reported on the schedule of expenditures of federal awards for the year ended June 30, 2024.

Cause: A deficiency in the operation of internal controls resulted in the City reporting incorrect amounts for project expenditures and reporting expenditures in the incorrect period on their Project and Expenditure reports.

Effect: As a result, total expenditures in the CSLFRF grant were understated on the March 31, 2024 Project and Expenditure report by \$84,587. This is due to the City reporting the Meter Replacement Project expenditures for the incorrect amount and in the incorrect reporting period.

Recommendation: We recommend that the City improve its process for completing and approving the Project and Expenditure reports. The total expenditures on the Project and Expenditure reports should be reconciled to current and cumulative ARPA funds recognized by the City and reported on the schedule of expenditures of federal awards.

Management's Response: Management acknowledges that there have been deficiencies in processes. The City intends to enhance its internal controls over ARPA reporting. These efforts will be accomplished through improved internal communication and training of staff to ensure proper reporting.

**CITY OF VERSAILLES, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2024**

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding 2024-004 – Noncompliance – Delinquent Filing to Federal Audit Clearinghouse

Criteria: The City is required under CFR 200.512(a) to file the annual audit, data collection form, and reporting package within nine months after the end of the audit period.

Condition: Deficiencies in the City's internal controls prevented the timely completion and submission of the annual audit, data collection form, and reporting package to the Federal Audit Clearinghouse.

Cause: The City failed to provide proper oversight over period-end financial reporting which resulted in delays in issuing the annual audit report for the year ended June 30, 2024.

Effect: The City did not file the annual audit, data collection form, and reporting package for the fiscal year ended June 30, 2024, to the Federal Audit Clearinghouse by March 31, 2025.

Recommendation: We recommend management review the period end financial reporting process and implement changes from finding 2024-001 above to allow for timely completion of accurate financial reports. This will allow them to be in compliance with CFR 200.512(a).

Response: We agree with the auditors' recommendations, and the following action will be taken to improve the timeliness of the financial reporting process. Management will consult with the audit firm and outside CPA firm to develop an agreed upon schedule for the FY 2025 financial reporting process and related audit to meet the Financial Audit Clearinghouse reporting requirement. We will also identify additional training for departmental staff to improve skills and address identified deficiencies. Finally, Management will review capacity constraints and development solutions to improve capacity.

IV. PRIOR AUDIT FINDINGS

Finding 2023-001 – Material Weakness – Audit Adjustments

Audit adjustments were necessary to ensure that accounts receivable and related revenue, accounts payable and related expenditures, unearned revenue, capital assets, debt, and interfund activity 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 2024-001.

Finding 2023-002 – Significant Deficiency – SEFA Expenditures

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. The City relied on auditor prepared accounting adjustments to ensure the financial records were properly stated.

Status: Resolved.