

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED REVISION OF RULES )  
REGARDING THE PROVISION OF )  
WHOLESALE WATER SERVICE BY THE ) CASE NO. 2011-00419  
CITY OF VERSAILLES TO NORTHEAST )  
WOODFORD WATER DISTRICT )

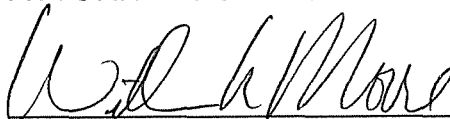
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**CITY OF VERSAILLES' RESPONSE TO STAFF'S  
REQUEST FOR INFORMATION**

JAN 19 2012  
PUBLIC SERVICE  
COMMISSION

Now comes the City of Versailles, by counsel, and submits the City's response to the Commission Staff's Request for Information.

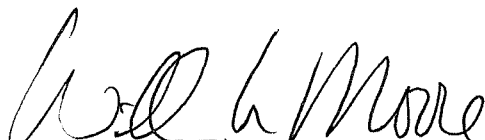
ATTORNEY FOR CITY OF VERSAILLES



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CERTIFICATE OF SERVICE

It is hereby certified that a true copy of the foregoing City of Versailles' Response to the Staff's Request for Information has been served by hand delivery to: Northeast Woodford Water District, 225 South Main Street, Suite A, Versailles, KY 40383 on this 19<sup>th</sup> day of January, 2012.



WILLIAM K. MOORE

Northeast Woodford Water District has received a copy of the City of Versailles response to the Kentucky Public Service Commission "STAFF'S REQUEST FOR INFORMATION TO CITY OF VERSAILLES", Case No. 2011-00419, dated November 29, 2011.

This information was delivered January 19, 2012 to the business office of Northeast Woodford Water District located at 225 South Main St., Versailles KY by Bart Miller, City of Versailles Public Works Director.

Kim O'Neal

1/19/12

Northeast Woodford Water District

Date



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**RESPONSE #1**

Versailles provides the following, all of the correspondence in their possession, including electronic mail and text messages, between Versailles and Northeast Woodford Water District ("Northeast District") since 1990 in which the volume of Northeast's water purchases from Versailles is discussed:

- a. February 18, 1992. City Council Meeting Minutes. Steele Davis (Northeast) requests "that the City increase the quantity of water available to them in the contract of July 3, 1979 from 5,000,000,000 gallons per month to 15,000,000 gallons per month."
- b. March 3, 1992. City Council Meeting Minutes. Steele Davis (Northeast) "was present to discuss their request for an increase in their contract from 5,000,000 gallons per month to 15,000,000 gallons per month."
- c. March 17, 1992. City Council Meeting Minutes. Steele Davis (Northeast) "was present to discuss their request for additional water in their contract."
- d. August 29, 1994. Letter from Joe Hoffman (Northeast Attorney) to Jim Springate (Versailles Attorney) that has as an attachment an accepted approved Amendment to 1966 Water Purchase Contract
- e. November 17, 1998. City Council Meeting Minutes. Steele Davis (Northeast) requests that the City increases the water available to them from the City from 15 million gallons per month to 17 million gallons per month.
- f. September 17, 2010. Letter from Bruce Southworth (City) to John Davis (Northeast) requesting Northeast purchase 12 million gallons of water minimum per month from the City
- g. October 8, 2010. Letter from John Davis (Northeast) to Bruce Southworth (City) declining Versailles request for 12 million gallon minimum monthly purchase

It is hereby certified that the foregoing response was prepared by Bart Miller, Versailles Public Works Director, and that the response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Bart Miller  
Public Works Director  
City of Versailles

1-17-12  
Date

1-A

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February 18, 1992

Minutes of the regular meeting of the Board of Council held in the Municipal Building at 5:30 p.m. Tuesday, February 18, 1992.

Present: Mayor Charles R. Reed

Council Members: Roy Benson, Luther Bland, Sam Dennison, Phil House, Geoffrey Reid and Henry Witten

Minutes of the regular meeting of February 4, 1992 were read and approved on motion by Benson, seconded by Reid.

The vote was as follows: Council Members Benson, Bland, Dennison, House, Reid and Witten voting aye.

Mayor Reed might bring you up to date on the Goldridgetown Project on the curb and guttering, I have gotten a report back from Mr. Endicott that it is not feasible to do that because of the water drainage line, the storm water line that we have now comes all the way down through the cemetery and hook into the storm sewer at South Main and the size of that line is not large enough to carry any additional water, so we are just going to have to go without the curb and guttering to direct the water to a point to get into that smaller line, because I just don't like that it was just out of the question to try to lay a bigger line all the way through the cemetery, so at this time, we will just have to go with whatever happens and I felt like that if we get the ordinance adopted tonight, that if there is a water problem there of a serious nature, we could refer it to Mr. Endicott and let him address that, provided they are throwing water off on some place and causing a serious problem."

Mr. Steele Davis, Northeast Water District, was present to request that the City increase the quantity of water available to them in the contract of July 3, 1979 from 5,000,000 gallons per month to 15,000,000 gallons per month. "For 3 years we have been under a mandate from the Public Service Commission to provide 24 hours of water storage as do most utilities that are under Public Service Commission and we haven't been doing that, but we have been pursuing along with the Farmer's Home Administration, during that time and we have been recently notified that we hopefully might have an opportunity to secure a loan for construction of a storage tank which as we plan it would be in the area where our greatest users are and where our greatest need is today, which is in the subdivisions north of Versailles with the exception of Merewood and the Lane's End farm." "We hope to construct the tank, if

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we get this loan in that area and we have as one of the requirements with Farmers Home Administration, the mandate that we get a water usage contract from our supplier which is the City of Versailles and during the past several years, we have been operating under a rather loose contract and have sometimes exceeded that contract and have struggled to remain within the provisions of the contract." "We have been using during normal times about 7,000,000 gallons a month, we have used as a maximum about 10,000,000 gallons when we had a period of water shortage in our district, the Farmers Home Administration naturally wants us to have a contract in order to pay for and provide usage to our members, we have been of course hopefully growing somewhat." "I don't anticipate any great growth in the district, but this matter of water storage almost demands that we have a specific contract for more water than we are presently using, in other words, if they are going to loan us money, they want to be sure that we are going to have adequate water supply to pay for our obligations on this tank and some construction of lines." "I have talked to the Mayor about that and since we have been using about 7,000,000 per month as our normal usage, he suggested to me a contract that would include usage of a maximum of 15,000,000 gallons per month, that is a little more than twice our present usage and I would respectfully the Council to consider a contract to the District under these provisions." "We don't anticipate any needs of that sort at all at the present and I would say in the future, but that is a provision that we need for the Farmers Home Administration to secure a loan."

Mayor Reed "the most recent contract with you that I can find is dated July 3, 1979, is that correct."

Mr. Davis "it is an old contract."

Mayor Reed "and in that contract we have language that says not more than 5,000,000 gallons a month, I do know that the South District was raised, but I was under the impression that we had raised you as well."

Mr. Davis "as I said, we have been operating under a rather loose interpretation and had been using more water than had been granted at that time."

Mayor Reed "I don't think that it is a loose interpretation, I think you have just exceeded your contract and we have been nice enough to supply you with it."

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"I would think that, of course with the demand from Farmers Home, did they set a limit as to what they would prefer that you have so far as the contract is concerned?"

Mr. Davis "the person that negotiated the preliminary contract with the Farmers Home Administration suggested 3 times what our normal usage was at present." "The Commission felt that was probably in excess and we considered the matter of double what we are using at present or 15,000,000 is adequate, I don't see any real potential of additional growth except in that subdivision area which is north of Versailles and I don't we anticipate that growing much either, other than what has been allotted."

Mayor Reed "my personal opinion and I would suggest to the Council that I certainly have no problem with increasing the contract providing and I think that, in all probability, should have a stipulation in there that we will increase that providing that you do construct a tank, do you have a problem with that."

Mr. Davis "no sir."

Councilman House "is there some way that we can put in there that if it hits us at a time that we have to buy water from Kentucky American at the increased cost, that they absorb it, maybe that is something that we are going to study, I don't know with this 15,000,000 request and with the several subdivisions that we have given water commitments to ....."

Mayor Reed "I don't think that would work simply because in both contracts, we have an agreement giving them 6 months notice."

Councilman House "you know that we are doing a study, so maybe -- I think that the notice has already been given and I just want to be sure that if this 15,000,000 and whatever the South is and with our current demands that we really know how much water that we will be able to produce and buy from Kentucky American." "I know what the plans are and what Howard K. Bell is designing and what we can buy, but I would like for somebody like Mr. Boggess to give us a little arithmetic review to be sure what we say that we can give these folks, we can give them, because if we sign the contract and then don't give them 15,000,000 a month and they need it, where do we stand."

Mayor Reed "I went back and checked their actual usage and it does average out to about 7,000,000 and I don't foresee an increase in that



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in the near future, but I think that by that time our plant would be .....

Councilman House "maybe Mr. Springate can answer the question, if we sign a contract saying that we will give them 15,000,000 a month, then under what obligation are we to give them 15,000,000 a month."

City Attorney Springate "I think that you asked the question and answered it in the same breath." "The contract will speak for itself unless there is a force majeure clause in there where we had a way out."

Councilman House "I think that we ought to do everything that we can to help the folks, but I think that we need to study it and then give them an answer." "Did you say that you have been waiting for it for 3 years."

Mr. Davis "we have been working on a loan that would make possible this construction that we are to provide and we just within the past 3 weeks have been notified that there is a possibility of getting this loan and certainly we would want to conform with any regulation that you might have."

Councilman House "what is your storage capacity today?"

Mr. Davis "we have a tank with 100,000 gallons." "WE are going to build a 500,000 gallon tank."

Mayor Reed "because if they don't build a tank, they are not going to be able to have the storage capabilities because I think that we are feeding that with an 8" line, because with an 8" line, you can pull that down rather quickly with a major fire."

Councilman House "I am saying that we support them, but I think that we need to study it to know how we are going to support them."

Mr. Davis "that is fine, but we do not withdraw from our lines water to directly fight fire, we maintain the hydrant there that the fire engine draws from, rather than pumping directly from our lines and we have notified all of our customers of that fact, there has been some problem with other Water Districts where they weren't able to provide water that their customers thought they had."

Mayor Reed "where is this fire hydrant you are talking about fed from?"

Mr. Davis "we have fire hydrants at the end of each extension or each line and then in Stonegate, we have fire hydrants interspersed within the subdivision that are for drainage purposes and to clean the lines

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and the fire truck can draw water from that into their fire truck tank and then pump it onto the fire, but they can't pump directly from the hydrant to fight fire in the subdivisions or in any other area in the county."

Fire Chief Shuck "where you are talking residential, probably the County has the water on their trucks and they could draw from the hydrants to fight residential fires, if you had any kind of industry or large barn, then they will need to draw from your hydrants and they can draw from them, but if they don't watch, they can pull your pipes out of the ground."

Mr. Davis "I think that the County Fire Department is aware of that and we have talked that over with them and we have sent notices to all of our customers after they had the problem in Shelby County where they expected to draw water from the hydrant when the hydrant was right next to the house, yet they couldn't use it, the fire truck used it only." Councilman House "the second reason that I brought that question up, some of the folks and I am sure that the Mayor and all of the Councilmen have heard that we had some water rationing last summer and the last several summers, I just want to plan together so that we know that we are going to be able to give you an ample supply, plus our current customers also."

Mr. Davis "I think that with having the storage tank, that we will be in a much better position, if we ever get the water into the thing to take care of those shortages."

Councilman Witten "have you approached the Public Service Commission on our rate increase?"

Mr. Davis "yes, we have made an application -- our engineer is supposed to have that in the process right now and it will be adequate to take care of our increased water rates and no more." "As a water district, we don't attempt to pay for our operation out of our water contract, we use our minimum bill for construction."

Councilman Witten "the only reason that I ask the question is that last time we had to raise your rates, we got into a little problem."

Mr. Davis "we have already taken care of that, we haven't received approval, but they assure us that now it is much easier to get an approval on a rate increase, than it used to be."

Councilman Benson "did I understand you to say that the only reason

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you wanted the increase was because of the loan."

Mr. Davis "yes, as the Mayor said, we are right now using more water than is in than that original contract calls for and have had no problem with that, but in order to get this loan, the lenders want to be sure that we are going to have the water available to supply our customers to pay for the loan over a long period of time."

Councilman Reid "are they will to go along with the lower amount, the 15,000,000 versus the 21,000,000?"

Mr. Davis "I think so."

Mayor Reed "I made that suggestion to Mr. Davis when he met with me and used the figure of 3 times their normal usage and I felt like that was a little too high since we had a contract with them for 5 million and they were asking for 21 million, so we sort of, at my suggestion, actually ask him to check to see if we a little more than doubled their normal usage of 7,000,000 to 15,000,000 rather than go to 21 and he said that he would check on it and he called me back and told me that he felt that there would be no problem with that."

Councilman House "I have no problem with the numbers, I just want to be sure that we can supply it, because when we sign the contract, if they happen to want it and we don't give it to them, ....."

City Attorney Springate "we need to have a clause in the contract that protects us from that kind of situation."

Mayor Reed "I thought there was."

Mr. Davis "as I say, we have no anticipated need other than some growth in the Woodlands Subdivision and Mr. Kain's operation there, I would trust that we wouldn't have any other growth out there and I think that most of people feel the same way in our water district."

Mr. Boggess "what you are talking about is instead of 250,000 a day, going by rough figures, if you are using 7,000,000 a month and you want to go to 15,000,000, you are going to ask for 500,000 a day." "When do we plan to start this?"

Mr. Davis "we do not finance our operation on water sales, it is on the basis of our minimum bill that the customers pays and that goes to paying off our loan and our operation."

Councilman House "to get your loan, you have to have the water volume, guaranteed we supply, if we do it and can't, we are in trouble, but I think that we ought to know for sure, before we say we can."

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Councilman Witten "in the contract that we are going to have to sign with you, would you check with FHA and see if it is permissible in there to put language concerning severe water shortages and we have to cut back on the usage inside the City and the other districts, that they will accept that in that contract."

Mr. Davis "I think they should appreciate that position as well."

Mayor Reed "I do know that last year when we put the conservation policy in effect, we did check to see if it pertained the North and South Districts and it did and we did include them in conservation."

Mr. Davis "I think that we have always followed the City in restrictions when there was a shortage."

Councilman Witten "if it is in the contract, it alleviates the fears of the two people who have stated it tonight."

Councilman House "it treats everybody the same."

Mr. Davis "and I think that the FHA will understand that." "They have to realize that anybody is going to suffer shortage through maybe breakdowns or through natural causes." "They want to be assured that they are going to get their money paid back and that is over a long term usage of the water that will pay that back." "They are going to amortize this on the basis of the customers that we have today, rather than what we might have 10 years from now."

Mr. Steve Tuttle, representing the Merewood Homeowner's Association, was present to discuss the Midway busing situation. "We have had neighborhood meetings, a couple since then, and we have made contact with an attorney in Lexington, Mr. Robert Able, we haven't made any formal declarations of intent or signed any contracts with him or anything of that nature, we have had serious discussions and it appears that we are going to be moving ahead on the legal level one step at a time." "It appears that the only way that we are going to be getting any kind of favorable response at all from the Board of Education, they appear to be intransigent, they don't appear to be interested in changing their minds at this point, so we feel that is our only course of action." "I did bring a petition with me, unfortunately the petitions that we presented to the Board at the public hearing with over 309 names including the one that you signed are apparently lost or misplaced and we can't get them back, so we are recirculating petitions throughout the City and County and I would like

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March 3, 1992

Minutes of the regular meeting of the Board of Council held in the Municipal Building at 5:30 p.m. Tuesday March 3, 1992.

Present: Mayor Charles R. Reed

Council Members: Roy Benson, Luther Bland, Sam Dennison, Phil House, Geoffrey Reid and Henry Witten

Minutes of the regular meeting of February 18, 1992 were read and approved on motion by Bland, seconded by Dennison.

The vote was as follows: Council Members Benson, Bland, Dennison, House, Reid and Witten voting aye.

Minutes of the special meeting of February 25, 1992 were read and approved on motion by Bland, seconded by Dennison.

The vote was as follows: Council Members Benson, Bland, Dennison, House, Reid and Witten voting aye.

Mr. Steele Davis, Northeast Woodford Water District, was present to discuss their request for an increase in the amount of water in their contract from 5,000,000 gallons to 15,000,000 gallons per month.

"The District has been granted permission by the Lane's End Farm to locate the water storage tank on the rear of their property, in the rear of the Stonegate Subdivision, adjacent to the Woodlands Subdivision, they have completed the archaeological survey of the site and it has passed, this location of the tank was something that was really important to the system as far as service is concerned and as far as economics is concerned, if we can put that tank where we can hook directed into Stonegate or into other lines that we already have established, that is a lot of money saved." "And if we put it where all the needs are for expansion and growth, it will be in that very site, in other words Lane's End is our largest farm user and your 3 potential subdivisions are going to be the largest users." "As I tried to point out at the last meeting, we don't anticipate any particular growth in the rural part of the water district unless we get a big farmer like Mr. Farrish on the other end of it and I trust that won't happen." "We have been assured the deed to the site by Mr. Farrish." "We are making a part of our project, an extension the 8" line from Williams Lane to the entrance of the proposed Lane's View Subdivision." "At the request of Mr. Boggess and the Mayor, we have filed with the Woodford Planning and Zoning Commission to supply the water needs for the residences of the proposed Lane's View Subdivision." "At the

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present time, we have within our district the Woodlands Subdivision and this would include other water users, when I don't know." "I have secured a copy of the FHA's standard contract for sale ....."

Councilman House "the question is on who is supplying Lane's View?"

Mr. Davis "we were encouraged to think that the users, in conjunction with users of a similar circumstances on the north side of Versailles might be served water under the same contract."

Councilman House "hasn't this Council already approved supplying water and sewer service to that subdivision?"

Mayor Reed "we have approved the request for the water and sewer service, but as I understand it -- a large portion of that lies within the boundary lines of the Northeast District, so we approved it -- or at least I wasn't aware of that."

Mr. Davis "that area I would say roughly runs parallel to Merewood, if you will recall some of the politics of the Merewood Subdivision, that area was included in what was Northeast Water District territory and when some of our Realtors proposed that Merewood be constructed, in order that those ..... that we would trade them a certain portion of our district boundary for service for water for this water district that we are planning in the rural area north of Versailles." "In other words we let them have a portion of the territory that runs parallel to Merewood and they were in turn going to allow us to have the water to service this proposed Northeast Woodford Water District, so that is how we got the water and that is how they got Merewood."

Public Works Director Boggess "last week when I was going through the present status of the water supply, as far as Versailles and what they get from Kentucky American and what we give as supply for the Northeast District, I talked with the Mayor and we had decided that with the few homes that would be available to us inside the subdivision that to put on city water, it would create a ..... between the neighbors in the neighborhood if part of them were paying a different rate for water in the subdivision than the other, so for the few homes, it wasn't worth the problems that could arise, so we decided that we would allow Northeast Water District to go ahead, eventhough there are a few homes within this boundary that was set up, so many feet from the center line of U S 60, we decided to let Northeast Water District

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have those homes and I ask the Mayor before -- I was assured that was alright to say and I told it to Northeast Water District's engineer, Sandy Broughman."

Councilman House "I wonder why the Lane's View people came and wasted our time asking for water and sewer service when they hadn't gotten a release from the Water District."

Mr. Boggess "you still have to supply sewer service to that area."

Councilman House "they ask for water and sewer service."

Mr. Davis "that was because a portion of that was within the boundary that we drew when we did our dealings with the Realtors years ago and boundary ran a specific number of feet from the ....."

Councilman House "I understand that, but they ask for the total houses of 250 or 260 units."

Mayor Reed "I can't answer it, but maybe at the time they did not realize that it was within the boundaries of the Northeast Water District, I have no idea." "That was such few houses outside that boundary line, that we felt like that it would be better so far as everybody was concerned, because if where the line was drawn, you have one neighbor paying one fee and one paying the other and it was a very small number."

Councilman House "when we finish our rate on what we are really going to serve....."

Mr. Davis "of course that would make no difference in our water needs and your water supplies, because you had agreed to serve both."

Councilman House "it just makes little difference in our rate structure."

Mr. Davis "of course they are not going to like it, because that is going to make them pay somewhat more for their water, but they are going to have a 500,000 gallon water tank that will assure them of water services, maybe when somebody else doesn't have."

Mayor Reed "you know you are billing Homestead and Stonegate for sewer services and of course that would go along with the approval of whatever the council approves tonight, the increase in your contract, that you would continue to bill those people for the sewer service in your area, because if they don't pay the sewer bill, they cut the water off and they reimburse the City for the sewer charge." "I want to make sure that is brought up because that will have to be included in the



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contract as you are doing now with Stonegate and Homestead."

Mr. Davis "we got to the entrance of the Lane's View Subdivision, there is a proposed line that will go directly through the middle of the subdivision and that is to be constructed by the subdivider and that will bisect the area near the Midway Road with houses on each side and then continue directly to the storage tank which will be at the rear of Stonegate and adjacent to Woodlands, so that will make an ideal situation for pressure and for service." "I submitted to Mr. Springate and I had hoped that our engineer was going to prepare a written contract that I could present." "I want to say that this is taking under consideration that this is a 40 year loan and I don't think that too many of us will see 15,000,000 gallons or 40 years." "I see no reason why we would ever be in a position to ask for 15,000,000 gallons of water a month." "The contract that I gave to Mr. Springate gave the City as much say so in this as the FHA."

City Attorney Springate "Mr. Witten gave me a contract with one paragraph circled and I can tell you that there may be some changes that I might propose to the Council for their consideration."

Mr. Davis "then we could suggest the changes to the FHA, but really they are wishing to secure long term future needs within the contract."

City Attorney Springate "could I have a copy of the contract?"

Councilman House "if we enter the contract for 15,000,000 gallons - for some reason, 2 years from now, you ask for 15,000,000 gallons and we couldn't give it to you, what do you think that FHA would tell us."

Mr. Davis "they are going to sign the same contract that they suggest that the City signs."

Councilman House "so we need to put safeguards in."

Mr. Boggess "I would say that it would be prudent that seeing our present status and what we have available for the entire town and 2 districts and industry, that we may look at stepping the allowable amounts to coincide with our future construction to be able to supply."

Councilman House "all I was wanting is as you needed the water, you give us a commit, so if we have to expand the water plant, that somebody is going to buy that water to pay the money that we are putting out to get up to the 15,000,000, if part of the capacity that we have today is used by current residents and industry, because if we get to 15,000,000 on a regular basis, I am sure that we are going to

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have to expand the water plant again." "We need to know the schedule on when the user will be requiring that water." "I think that it is fair -- you will give us notice as you see your volume increase, so you need to tell us that you need 2,000,000 more next year and then we can expand the plant." "I don't want my neighbors hollering that you are giving the water district water and we got to ration in town."

Mr. Davis "in that contract that I have suggested there, everybody should be treated equally."

Councilman House "I want in the contract, some stepping in your requirements and it might be good to give the other folks notice too, if they are going to come in and need more water."

Mr. Boggess "I checked with Kentucky American and eventhough it is contracted at this time to give us 3,000,000, they were going to check to see if they could sustain it, if our plant were to have a problem and we had to pull a full 3,000,000 from them, they said they would have to make some arrangements, it is not like they would have it there for us on a regular basis for us, eventhough we have the piping there to do it and they could get it to us."

Mayor Reed "but as we reviewed the contract, the contract says that they agreed to give us a minimum of 3,000,000 gallons daily."

Mr. Boggess "I think that we can sit down, after you decide what your needs might be for future."

Mr. Davis "I can work with you on that, but I can in no way figure out what are needs are going to be for the future on a step basis, but we can put it in there because I don't think that we are going to need it."

Mr. Boggess "we might take into consideration that the line to town is going to cost quite a bit of money." "The additional line to carry the additional capacity from approximately 2.6 million that we pump out of the plant today to 4 million in a year or 2, so we won't be able to pump that right away because we are not planning on building that line at the moment."

Councilman Witten "how many customers do you have."

Mr. Davis "about 600." "That includes no more than 200 rural and I don't know what this Lane's View will do, but with Woodlands 250 when it is built."

Councilman Witten "at your average usage right now to get to

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get to 15,000,000, you would have to add 900 customers to it and I don't see you adding 900 customers in that area in the next 40 years." Councilman House "how much do your farm customers use?"

Mr. Davis "I would say that our farm users are our least users, they are more economical with the water and unless they are watering livestock and when you are watering livestock in dry weather it is a real different story."

Mayor Reed "my only concern is the immediate future, I am talking within the next 2 years and I can't possibly see where that additional demand could be more or greater than what we could handle, but within the next 2 years, I think that we would be in good enough shape that we could say to you that we will have the capacity to be able to handle it without any problem."

Mr. Davis "there is nothing in the next 2 years, that you haven't already agreed with, as far as I know, in other words the only growth that I know of that we can predict would be the growth of those subdivisions."

Mayor Reed "and I would say that your average consumption in all probability within the next 8 or 10 years would probably not average out to exceed your present contract."

Councilman House "all I want is the safeguards in there that we could the need and if we can't, I don't want a 15,000,000 gallon contract hanging over our future council's head." "If Bill and the District could have a meeting and decide how those increments could be implemented." "I don't see a problem, I just see a problem with giving them a blank approval of an increase without knowing when they want it and without knowing when we could supply it, because we have industrial to think about that is going to expand some, 500 or 600 houses that have been approved which will be included partly in their request."

"If for some reason they needed the 15,000,000 and we were at our capacity, what do we have surplus now - 500,000 with the new plant and that is not including any additional homes that are being built today or factories expanding, so I think that the language that we put in this contract should cover it, to give us time to expand the plant, according to their needs."

Mr. Boggess "we have 20 acres still vacant in the industrial park, so if a couple of decent size industries come in and want to use water..."

March 3, 1992

Councilman House "if they come in with a good industry, we say we would like to have, but we don't have the water, so that is why I want something in here to take care of ourselves, plus the water district."

Mayor Reed "I would have a much larger problem with it, if I thought that when they say 15,000,000, if I thought that even within the next 10 to 20 years, I thought that they were going to go to 15,000,000, then I would be more concerned with it."

Councilman House "I agree 100%, but as Mr. Springate says, a contract is a contract."

Councilman Witten "the same thing holds true, if it holds true for that water district and us, then it also holds true for Kentucky American too, we have a contract with them that says that they supply us with 3,000,000 a day, so if it holds true for them, it holds true for us."

Mr. Davis "we would be glad to bring our engineer who has worked with Bill and I will also make another contact with FHA and see if how they make wish to make an adjustment in this contract that will be acceptable."

Mayor Reed "the people on Shyrocks Ferry - they have a situation down there where the line comes off of our main off of Lawrenceburg Road onto Shyrocks Ferry and some of the folks there are saying that it belongs to the City and we have searched every where, we have researched all the minutes, we can't find anything where it was ever -- all I have heard from them is that Mayor Miller at one time told them that the City would take over for maintenance and that the City would maintain it, but can't find anywhere that it was ever dedicated to the City, we have no engineering plans, nothing on it."

Councilman Witten "are we reading meters out there?"

Mayor Reed "that is the only thing that we do is read the meters."

"They bought the meters from the City, they put in their own line and we read the meters and bill them." "But coming off of a 12" main and it runs down so far, and they have another customer who wants to hook onto it and they are just absolutely certain that there is not enough pressure there to handle it, but we can't find anywhere that we had anything to do with building the line, we can't find anything where it was ever dedicated to the City."

Mr. Boggess "one of the farm owners says that he owns the line."

1-C

March 17, 1992

Minutes of the regular meeting of the Board of Council held in the Municipal Building at 5:30 p.m. Tuesday March 17, 1992.

Present: Mayor Charles R. Reed

Council Members: Roy Benson, Luther Bland, Sam Dennison, Phil House  
Geoffrey Reid and Henry Witten

Minutes of the regular meeting of March 3, 1992 were read and approved on motion by Dennison, seconded by Benson.

The vote was as follows: Council Members Benson, Bland, Dennison, House, Reid and Witten voting aye.

Mr. Steele Davis, Northeast Woodford Water District, was present to discuss their request for additional water in their contract. "I have submitted the breakdown for the use of water proposed, a maximum that graduates the use by stages, by month, by year from the present time 1992 until -- if we complete the 20 years of this breakdown would be in 2017, that is 26 years, when we will reach the 24 hour storage capacity of this 500,000 gallon tank that we are supposed to get." "I think that the committee is familiar with the proposal that the water district is attempting to make as to this stage breakdown for water use and I should you approve this breakdown that I committed, I have spoken to your attorney Mr. Springate and I will be glad to meet with him at any time to go ahead and pursue this contract, because we are getting into a difficult position now, because we have held off the FHA for more than a month, I don't want to put our loan in jeopardy because of lack of contract."

Mayor Reed "if the Council has no problem with the recommendation that Mr. Davis has made so far as their usage, if the Council wants to go ahead and vote on it this evening, we can and then Mr. Springate can go ahead and draft the contract for Mr. Davis' review." "If there is some special wording that any of you council members would like to have in it, you may advise Mr. Springate at this time or after the meeting." "If there are no problems and you have no questions about it, there is one thing that I do think that we need to address, so that everybody is clear and knows what our position is -- Mr. Boggess and I have gone over the thing very thoroughly, so far as the number of homes that would lie within the area serviced by the City of Versailles, as compared to the area serviced by the District and Mr. Boggess I think that we have arrived at a figure of somewhere around 75 or 80 homes."

March 17, 1992

Public Works Director Boggess "I would say at least that many."

Mayor Reed "if you want to go ahead and let the district have those 75 or 80 homes, then that decision will be yours." "I can see where we could have problems with one entire street, if it were to be divided in such a manner."

Councilman House "that was not an issue for me, the only concern that I had - I think that the Public Service Commission will help decide how much additional land or -- and I am sure that if we yielded, it would help the water district, if you are speaking of Lane's View." "But my only concern was that we have enough capacity to support their request, either today or 20 years from today and if the numbers that I have roughly come up with and this is before the Village comes on line and the services that we have approved to Mr. Range's development and if the shopping center development comes on, we will have 400,000 gallons a day to give those new developments." "If they were to hit their peak real quick, but with his schedule -- and I am sure that Mr. Springate will put a clause in there, that if they get above their schedule, then we are just liable for a certain amount of water and I definitely don't want to cut off the City residents."

Mayor Reed "we definitely won't."

Councilman House "pumping 15,000,000 to a water district, when we tell the people in Versailles that they are going on rationing."

Mayor Reed "I think that the only thing that we can do at this point is to feel and to feel comfortable with what Mr. Davis has projected for the decision." "I think that from looking at their past usage, I think his prediction is probably as realistic as could make it." "I think by that time that the new Mayor and the new Council could make a decision on that by the year 2017."

Councilman House "the only reason that I brought it up is that Mr. Springate told us at the last meeting that a contract is a contract, if we tell them we will give them 15,000,000, we will give them 15,000,000 and that is why we need a reserve clause."

Mayor Reed "that should be handled by the wording of the contract and I don't think that Mr. Davis has any problem with that." "Since I may have misled you so far as to the number of homes that was originally thought to be involved in this thing, since we have gone back and Mr. Boggess and I have had an opportunity to thoroughly look at that map

March 17, 1992

and study it more closely, I did want to bring to your attention that there would be somewhere around 75 to 80 homes serviced by us and or the district and I certainly would not have a problem giving it all to the District and it would probably help them." "It is not going to change their volume and it is not that much when you are talking about a household, not that much revenue that we would loose, because we will be getting the sewer charge on it."

Councilman House "it would probably be to the City's advantage."

Mr. Davis "our engineer estimated that the entire Lane's View in completion would use only 1,500,000 per month, I think that he was basing that on about 5,000 gallons per customer."

Mayor Reed "that might be little bit low."

Councilman House "they would use 6,000 to 8,000 probably."

Mayor Reed "do you have any problem with the 75 or 80 homes that we feel would be in our area and turning those all over to the District."

"Mr. Davis I think that you can rest assured that you will be able to serve the entire area and the City will take care of the sewer services and you can continue to bill them for us, just like you have Stonegate and Homestead."

Mr. Davis "that is agreeable with the present administrator."

MOTION BY BLAND, SECONDED BY REID THAT THE CITY ATTORNEY BE DIRECTED TO DRAFT THE CONTRACT WITH THE NORTHEAST WOODFORD WATER DISTRICT INCREASING THE AMOUNT OF WATER FROM .5,000,000 PER MONTH TO 15,000,000 PER MONTH ACCORDING TO THE SCHEDULE PROVIDED BY MR. STEELE DAVIS AND FURTHER THAT THE MAYOR BE AUTHORIZED TO EXECUTE THE CONTRACT.

Mayor Reed "I have no problem with hand carrying a copy of that contract to each council member for your immediate review and if you do not have a problem with it and you don't call and say that you have a problem, then we will accept that as having no problem with it."

Councilman Witten "if we make an affirmative vote tonight, if we tell the district they have water and FHA does not accept ....."

City Attorney Springate "all you are doing is authorizing me to do a contract and authorizing the Mayor to ....."

The vote was as follows: Council Members Benson, Bland, Dennison, House, Reid and Witten voting aye.

Bids for the SALE OF the Police Cruisers were presented as follows:



1-D

LAW OFFICES  
**ROUSE, ROUSE & COMBS**  
SUITE 4A, UNITED BANK SQUARE  
P.O. Box 129  
VERSAILLES, KENTUCKY 40383-0129

take to  
Hoffman



COLVIN P. ROUSE, SR.  
JAMES D. ROUSE  
RALPH K. COMBS  
JOSEPH M. HOFFMAN

VICTOR HELLARD, JR.  
OF COUNSEL

TELEPHONE  
873-5427  
AREA CODE 606

August 29, 1994

James O. Springate, Esq.  
106 Court Street  
Versailles, Kentucky 40383

Re: Northeast Woodford County  
Water District/  
City of Versailles  
Water Purchase Contract

Dear Jim:

Enclosed please find a copy of a letter and an accepted copy of the Contract between the City and the Water District.

Sincerely,



Joseph M. Hoffman

JMH/sjj  
Enc.

RECEIVED

AUG 30 1994

JAMES O. SPRINGATE  
ATTORNEY AT LAW



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**  
730 SCHENKEL LANE  
POST OFFICE BOX 615  
FRANKFORT, KY. 40602  
(502) 564-3940

August 26, 1994

Mr. Joseph M. Hoffman, Counsel  
Rouse, Rouse and Combs  
P. O. Box 129  
Versailles, Kentucky 40383-0129

RE: Water Purchase Contract Between the City of Versailles and  
Northeast Woodford County Water District

Dear Mr. Hoffman:

The above referenced contract has been received and reviewed  
by appropriate members of the Commission's Staff without objection.

An accepted copy is enclosed for your file.

Sincerely,

Jordan Neel  
Public Utility Rate Analyst  
Rates & Research Division

Enclosure

AN ORDINANCE AMENDING  
SECTION 50.25 WATER RATES  
FOR USERS WITHIN CITY

WHEREAS, the City of Versailles deems it advisable and necessary to establish new water rates in order to comply with the Kentucky River Authority's KRS 151.720 mandate for water withdrawn from the Kentucky River, as authorized by water withdrawal permit number 258.

NOW, THEREFORE, in consideration of the foregoing, BE IT ORDAINED BY THE CITY OF VERSAILLES, that Section 50.25 of the Versailles, Kentucky Code of Ordinances be amended as follows:

Section 50.25 WATER RATES FOR USERS WITHIN CITY

Except as otherwise provided, the water rates for water rendered by the water system of the City within the City limits, and service to water districts rendered at any place shall be determined as follows:

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

Gallons of Water Used Per Month	Monthly Charge Per 1,000 Gallons	AUG 26 1994
Minimum monthly charge	<del>\$3.00</del> \$3.05	PURSUANT TO 807 KAR 5:011, SECTION 9(1) BY: <u>Jordan C. Noel</u> FOR THE PUBLIC SERVICE COMMISSION
First 1,000	<del>3.00</del> 3.05	
Next 9,999	1.29 1.34	
11,000 and over	1.47 1.52	

This section shall become effective April 1, 1994, after passage and publication as required by law.

Introduced and given first reading at a meeting of the City Council of the City of Versailles, Kentucky, held on the 19<sup>th</sup> day of April, 1994, and fully adopted after the second reading at a meeting of said council held on the 26<sup>th</sup> day of April, 1994.

THE CITY OF VERSAILLES  
STATE OF KENTUCKY

ATTEST:

Reata B. Biffin  
Reata B. Biffin, City Clerk

Charles R. Reed  
Charles R. Reed, Mayor

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into as of the 17 day of May, 1966, between the City of Versailles, Kentucky, hereinafter referred to as the "City", and Northeast Woodford County Water District, a body corporate, hereinafter referred to as the "District",

WITNESSETH

WHEREAS, the District has been organized and established under the provisions of Chapter 74 of the Kentucky Revised Statutes, for the purpose of constructing and operating a water supply distribution system serving water users within the area described in plans now on file in the office of the District and to accomplish this purpose, the District will require a supply of treated water, and

WHEREAS, the City owns and operates a water supply distribution system with a capacity currently capable of serving the present customers of the City system and the estimated number of water users to be served by the said District as shown in the plans of the system now on file in the office of the District, and

WHEREAS, by Resolution on the 17 day of MAY, 1966, by the Council of the City, the sale of water to the District in accordance with the provisions of the said Resolution

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

AUG 26 1994

PURSUANT TO 807 KAR 5.011,  
SECTION 9 (1)

BY: Jordan C. Neal  
FOR THE PUBLIC SERVICE COMMISSION

was approved, and the execution of this contract carrying out the said Resolution by the Mayor, and attested by the City Clerk, was duly authorized, and

WHEREAS, by Resolution of the Board of Commissioners, of the District, enacted on the 17 day of May, 1966, the purchase of water from the City in accordance with the terms set forth in the said Resolution was approved, and the execution of this contract by the Chairman, and attested by the Secretary, was duly authorized;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements hereinafter set forth,

THE CITY AGREES:

1. (Quality and Quantity) To furnish the District, at the point of delivery hereinafter specified, during the term of this contract or any renewal or extension thereof, potable treated water meeting applicable purity standards of the State Board of Health in such quantity as may be required by the District not to exceed Five Million (5,000,000) gallons per month.

2. (Point of Delivery and Pressure) That water will be furnished at a reasonably constant normal pressure from an existing ten (10) inch main supply at a point located at the District boundary, as amended as hereinafter provided, on the Big Sink Pike, and at other points as may be mutually agreed upon.

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

AUG 28 1994

PURSUANT TO 807 KAR 5:011,  
SECTION 9 (1)

BY: Jonathan C. Marshall  
FOR THE PUBLIC SERVICE COMMISSION

If a greater pressure than that normally available at the point of delivery is required by the District, the cost of providing such greater pressure shall be borne by the District. Emergency failures of pressure or supply due to main supply line breaks, power failure, flood, fire and use of water to fight fire, earthquake or other catastrophe shall excuse the City from this provision for such reasonable period of time as may be necessary to restore service.

3. (Metering Equipment) To furnish, install, operate, and maintain at its own expense at point of delivery, the necessary metering equipment, including a meter house or pit, and required devices of standard type for properly measuring the quantity of water delivered to the District and to calibrate such metering equipment whenever requested by the District but not more frequently than once every twelve (12) months. A meter registering not more than two percent (2%) above or below the test result shall be deemed to be accurate. The previous readings of any meter disclosed by test to be inaccurate shall be corrected to the last calibration, or for the six (6) months previous to such test, whichever is the lesser, in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

AUG 26 1994

PURSUANT TO KAY KAR 5.011,  
SECTION 9 (1)

BY: *Charles A. Paul*  
FOR THE PUBLIC SERVICE COMMISSION

prior to the failure, unless City and District shall agree upon a different amount. The metering equipment shall be read not later than the 20th day of each month.

4. (Billing Procedure) To furnish the Treasurer of the District, at his current address, or as may be hereafter requested by the District, not later than the 5th day of each month, with an itemized statement of the amount of water furnished the District during the preceding month.

THE DISTRICT AGREES:

1. (Rates and Payment Date) To pay the City, not later than the 15th day of each month, for water delivered in accordance with the rates in effect for like or similar customers within the City. A copy of the proposed rates is attached hereto and made a part hereof as Exhibit "A".

There shall be added to the above monthly rates, a surcharge of Fifteen Dollars (\$15.00) per month for each customer who has purchased water from the District for the purpose of resale to other metered users outside of the district, as presently described in the records of the Woodford County Court Clerk's Office less the tract to be hereafter deleted from the District as described in Exhibit "B".

2. (Connection Fee) To pay as an agreed cost, a connection fee to connect the City system with the system of the District, an amount equal to the sum of any and all costs of the

PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE

AUG 25 1994

PURSUANT TO 807 KAR 5011, SECTION 8(1)

BY Robert C. Neal FOR THE PUBLIC SERVICE COMMISSION



City for installation of the metering equipment and appurtenances.

3. (Petition to Amend District Boundary) To petition the Woodford County Court as required by law, to amend the boundary of the District so as to delete a tract of land as described more particularly in the attached Exhibit "B".

IT IS FURTHER MUTUALLY AGREED BETWEEN THE CITY AND THE DISTRICT, AS FOLLOWS:

1. (Term of Contract) That this contract shall extend for a term of forty (40) years from the date of the initial delivery of any water by the City to the District and, thereafter may be renewed or extended for such term, or terms, as may be agreed upon by the City and District.

2. (Delivery of Water) That six (6) months prior to the estimated date of completion of construction of the District's water supply distribution system, the District will notify the City in writing the date for the initial delivery of water.

3. (Water for Testing) When requested by the District the City will make available to the contractor at the point of delivery, or other point reasonably close thereto, water sufficient for testing, flushing, and trench filling the system of the District during construction, at its existing regular rates and the District will provide a temporary meter in the event that the City has not installed its permanent metering equipment, which will be paid for by the contractor or, on his failure to pay, by the District.

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
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AUG 28 1994

PURSUANT TO KAY 3011,  
SECTION 8(1)

BY: Charles P. Neal  
FOR THE PUBLIC SERVICE COMMISSION

4. (Failure to Deliver) That the City will, at all times, operate and maintain its system in an efficient manner and will take such action as may be necessary to furnish the District with quantities of water required by the District. Temporary or partial failures to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or the supply of water available to the City is otherwise diminished over an extended period of time, the supply of water to District consumers shall be reduced or diminished in the same ratio or proportion as the supply to City consumers is reduced or diminished.

5. (Modification of Contract) Any increase or decrease in rates shall be based on a demonstrable increase or decrease in the costs of performance hereunder, it being understood, however, that the City shall not in any event be required to deliver water to the district at a rate lower than that at which it sells water to users within the city. Other provisions of this contract may be modified or altered by mutual agreement.

6. (Regulatory Agencies) That this contract is subject to such rules, regulations, or laws as may be applicable to similar agreements in the State of Kentucky and the City and District will collaborate in obtaining such permits, certificates, or the like, as may be required to comply therewith.

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

AUG 04 1994

PURSUANT TO KAY KAR 0011.

SECTION 011

By: *[Signature]*  
Director

7. (Miscellaneous) That the construction of the water supply distribution system by the District is being financed by a loan from (or a loan insured by) the United States of America, acting through the Farmers Home Administration of the United States Department of Agriculture, or other lending agency or institution, and the provisions hereof pertaining to the undertakings of the District are conditioned upon the approval, in writing, of the State Director of Kentucky, of the Farmers Home Administration, or other lending agency or institution. Similarly, any modification of the provisions of this contract, including any increase in the schedule of rates to be paid by the District for the delivery of water shall be conditioned upon the prior approval, in writing, of the State Director of Kentucky, of the Farmers Home Administration, or other lending agency or institution.

8. (Successor to the District) That in the event of any occurrence rendering the District incapable of performing under this contract, any successor of the District, whether the result of legal process, assignment, or otherwise, shall succeed to the rights and obligations of the District hereunder.

IN TESTIMONY WHEREOF, the parties hereto, acting under authority of their respective governing bodies, have caused  
 PUBLIC SERVICE COMMISSION  
 OF KENTUCKY  
 SECRETARY

PURSUANT TO 807  
 SECTION 8  
 BY  
 FOR THE PUBLIC SERVICE COMMISSION

PROPOSED WATER RATES

CITY OF VERSAILLES, KENTUCKY

AND

NORTHEAST WOODFORD COUNTY WATER DISTRICT

EXHIBIT "A"

First	1,000	gallons used per month at	\$2.25 (Minimum)
Next	4,000	gallons used per month at	.80 per M. Gals.
Next	5,000	gallons used per month at	.70 per M. Gals.
Next	15,000	gallons used per month at	.60 per M. Gals.
Next	25,000	gallons used per month at	.50 per M. Gals.
Next	50,000	gallons used per month at	.40 per M. Gals.
Next	200,000	gallons used per month at	.35 per M. Gals.
Over	300,000	gallons used per month at	.30 per M. Gals.

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

EXHIBIT "A"

AUG 26 1994

PURSUANT TO KAY KAB 0011,  
SECTION 9(1)

BY: *Anderson C. Paul*  
FOR THE PUBLIC SERVICE COMMISSION

PROPOSED WATER RATES

CITY OF VERSAILLES, KENTUCKY

AND

NORTHEAST WOODFORD COUNTY WATER DISTRICT

EXHIBIT "A"

First	1,000	gallons used per month at	\$2.25 (Minimum)
Next	4,000	gallons used per month at	.80 per M. Gals.
Next	5,000	gallons used per month at	.70 per M. Gals.
Next	15,000	gallons used per month at	.60 per M. Gals.
Next	25,000	gallons used per month at	.50 per M. Gals.
Next	50,000	gallons used per month at	.40 per M. Gals.
Next	200,000	gallons used per month at	.35 per M. Gals.
Over	300,000	gallons used per month at	.30 per M. Gals.

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

EXHIBIT "A"

AUG 25 1994

PURSUANT TO 807 KAR 5011,  
SECTION 9(1)

BY: Charles C. Paul  
FOR THE PUBLIC SERVICE COMMISSION

07/25/94

13:47

FAUST INSURANCE → 1 606 873 1024

NO. 436

013

WATER PURCHASE CONTRACT

CITY OF VERSAILLES, KENTUCKY

AND

NORTHEAST WOODFORD COUNTY WATER DISTRICT

EXHIBIT "B"

Bounded by a line beginning at a point in the Eastern right-of-way line of U. S. 62, said point being 2250 feet from the U. S. 60 northern right-of-way line, thence in a easterly direction parallel to and 2250 feet from the northern U. S. 60 and U. S. 60 By-Pass right of way line to a point in the center line of the Southern Rail Road mainline track, thence in a westerly direction with the center line of the Southern Rail Road track to its intersection with the northeastern right of way line of the U. S. 60 By-Pass, thence in a north-westerly direction with the northern right of way line of U. S. 60 By-Pass to the northern right of way line to U. S. 60 to the northern right of way of U. S. 62 to its intersection with the U. S. 62 eastern right of way line, thence in a Northern direction with the U. S. 62 eastern right of way line to the point of beginning.

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

EXHIBIT "B"

AUG 26 1994

PURSUANT TO 807 KAR 5.011,  
SECTION 9 (1)

BY: Jordan O. Wood  
FOR THE PUBLIC SERVICE COMMISSION

AMENDMENT TO WATER PURCHASE CONTRACT

This Amendment to Water Purchase Contract is made and entered into this the 3rd day of August, 1994, between the City of Versailles, Kentucky, hereinafter referred to as the "City", and North East Woodford County Water District, a body corporate hereinafter referred to as the "District",

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

W I T N E S S E T H

AUG 26 1994

PURSUANT TO 807 KAR 5.011,  
SECTION 9 (1)

WHEREAS, the City and the District entered into a Water Purchase Contract for the sale and purchase of water which Contract is dated May 17, 1966; and

BY: Andrew P. Neal  
FOR THE PUBLIC SERVICE COMMISSION

WHEREAS, the parties hereto desire to amend certain provisions of such Water Purchase Contract; and

WHEREAS, by resolution on the 2nd day of August, 1994, by the Council of the City, the Amendment of the Water Purchase Contract in accordance with the provisions of said resolution was approved, and the execution of this Amendment to Water Purchase Contract carrying out said resolution by the Mayor, and attested by the City Clerk, was duly authorized; and

WHEREAS, by resolution of the Board of Commissioners, of the District, and acted on the 26th day of July, 1994, the Amendment to the Water Purchase Contract in accordance

with the terms set forth in said resolution was approved, and the execution of the Amendment to Water Purchase Contract by the Chairman, and attested by the Secretary, was duly authorized;

NOW, THEREFORE, in consideration of the foregoing in the mutual agreements hereinafter set forth;

It is agreed between the City and the District as follows:

1. That Paragraph 1., Page 2, of the Water Purchase Contract dated May 17, 1966, is hereby amended to provide that the quantity of water furnished to the District shall not exceed 15,000,000 gallons per month, if available.

2. Pursuant to Paragraph 1., Page 5, of the Water Purchase Contract dated May 17, 1966, the Water Purchase Contract is hereby extended for a period of thirty (30) years from the termination date as set forth in the Water Purchase Contract.

3. Except as expressly amended herein all of the terms in the Water Purchase Contract dated May 17, 1966, shall remain in full force and effect.

IN TESTIMONY WHEREOF, the parties hereto, acting under authority of their respective governing bodies have caused this Amendment to Water Purchase Contract to be duly executed in duplicate counterparts, each of which shall constitute an original.

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

AUG 26 1994

PURSUANT TO 807 KAR 5.011,  
SECTION 9 (1)

BY: Quinton B. Wood  
FOR THE PUBLIC SERVICE COMMISSION



CITY OF VERSAILLES

BY: Charles R. Reed  
CHARLES REED, MAYOR

ATTEST:

Heata D. Buzzer  
CITY CLERK

NORTH EAST WOODFORD COUNTY  
WATER DISTRICT

BY: John Steele Davis  
JOHN STEELE DAVIS, CHAIRMAN

ATTEST:

John R. Kittinger  
SECRETARY  
Cl:verwater

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

AUG 28 1994

PURSUANT TO 807 KAR 5:011,  
SECTION 9 (1)

BY: John R. Kittinger  
FOR THE PUBLIC SERVICE COMMISSION

1-E

November 17, 1998

~~residential lots, it will be a dedicated easement.~~

Mr. Steele Davis, Northeast Woodford Water District, "I am going to speak from prepared remarks, Mr. Mayor and Members of the Council, if that is permissible." "When there was a discussion several years ago at Versailles Council meeting about how Lane's View Subdivision water use would be administered with a portion of the users being in the distribution of the Northeast Woodford Water District and the smaller number in the Versailles service area." "It was pointed out that another water storage tank was needed on the north side of Versailles and I as I recall, Mr. House, one of your former council members made this statement -- Let the water district serve all the customers that are in Lane's View and build the tank that we need and then we will sell them the water and let them have the expense of caring for their customers." "The water storage tank has been built at considerable expense, I am sure you are aware and the district now has 2 tanks that it maintains more than the State required water for reserve storage." "When the University of Kentucky Farm came to us and requested water service for their Research Farm on October 8, 1997, the water district was purchasing from the City of Versailles about 9,700,000 gallons of water a month." "Our purchase contract has a limit of 15,000,000 gallons a month -- these representatives of the U K Farming Project explain that it was their intent to discontinue the direct purchase of water from the City and that the Northeast District might assume their monthly usage to compensate." "It was our intent when requesting to appear before you to ask that this request be allowed." "In the meantime, we learned that private arrangements have been made to continue the public, present arrangement with these customers paying their individual accounts and we accept that with no problem." "Now I have given you in hand this proposal that came to us from the University of Kentucky to provide them with water with an estimate of the amounts of water that they would need when they completed their project." "The proposal was to consider to obtain water for the farm from an 8 inch line on an easement on their property on the Midway Road." "Their estimate of water usage was minimal for the first few years, as their future plans gradually call for development of the agricultural experimental farm and the future learning center, as they entitle their educational part of this operation." "The projected use included, as you note in the handout, U K usage for the present is currently is 6 to 7 thousand gallons of water per day and this would continue." "Second, the new image Beef, Swine and Sheep operation would use, when completed, they estimate 25,000 gallons of water a day, the future learning center, which is well in the future, I am sure, as I think they are pretty much depending on the sale of their property in Lexington, before they can do much of anything on the farm, as the Dean said, about 2 years ago, they were raising all that corn and soy beans and tobacco to keep themselves in operation and I assume that means to pay the salaries as well." "So this is something that is in the future, the total estimated use, when the development is complete is 1,400,000 gallons per month." "I might note that the first nine months of 1998, the average monthly purchase of water by the Northeast Woodford Water District from the City of Versailles was 10,604,000 gallons per month for the 9 months average." "Now this included the month of August 13 to September 14, which is embarrassing to me, when we used 15,941,000 gallons of water, due possibly some to draught, but most of it to excessive flushing and sanitizing the portion of the line in the northwest part of our district." "In spite of this, the usage for the 9 months was 10,604,000 gallons per month, so we feel that our limitation of 15,000,000 gallons per month justifies our having taken on the responsibility of this U K Project." "Note first that there is no provision for farm fire or fire responsibility and protection, they plan to use, they say, their present lake and a possible lagoon for fire protection, so we are not involved in that." "So I would say that with our allowance of 15,000,000 gallons per month, we can safely accept this responsibility that was handed to us by the University of Kentucky and indirectly by the Public Service Commission which binds us to serve requests from possible customers." "Your obvious concern that we might have difficulty, here is the kicker, the obvious concern that we might have difficulty fulfilling this additional service load leads us to respectfully

November 17, 1998

request the council allow an increase in the limit of water to the district in an amount of 2,000,000 gallons a month, increasing our limitation to 17,000,000 gallons a month, your kind attention is appreciated and I will try to answer a question or 2 if I can."

Mayor Reed "Mr. Stopher, I have a question for you, aren't we presently supplying water to the University of Kentucky experimental farm?"

Mr. Stopher "that is correct."

Mayor Reed "then why are we splitting it up, why does the district take part of it and we take part of it and how are we going to divide the lines, etc."

Mr. Stopher "that is why I feel this needs to be put into a committee, we need to consult Mike Heathman and report back to them on this -- this needs some serious thought."

Mr. Davis "I might interject, Mayor, we have no objection whatsoever to these other agencies participating in this -- the reason that I said that I came tonight was to discuss this matter of City of Versailles supplying water to their former customers or customers today and we have no objection to that."

Mayor Reed "one question that I might ask you -- where would you be, so far as your peak demand months are concerned, if you were not supplying the University of Kentucky Farm, I mean, have you supplied them in the past, when you have gone to 15,900,000?"

Mr. Davis "we have only been involved with the University of Kentucky since 1997, I think they made some engineering evaluations before that, but they came to us, I believe on October 8, 1997 and requested the water service, we have not supplied them with any water to the present time."

Mayor Reed "we increased that contract demand to you, not to exceed 15,000,000 gallons."

Mr. Davis "and our average use was 10,600,000 for the nine months that I spoke of in 1998 up through October."

Mayor Reed "the contract says -- that shall not exceed 15,000,000 per month, so what I am saying is that the City was very cooperative, because we didn't threaten to shut you down or cut you off or anything, which is maybe not even worthy of mentioning, but the fact still remains that and Mr. Stopher says that there are some questions there that we should probably go ahead and put it in committee."

Mr. Davis "no, we appreciate it."

Mayor Reed "there is a couple of other things that I would like for the council or the committee to consider and that is 1 - our demands versus our production, if we can't produce the water, then I think you would be very - something that we should even consider very strongly -- that we are going to have to do something to the water plant before we can really look seriously at any larger request, simply because when we buy water from Kentucky American, we pay \$1.94 per thousand gallon and we turn around and sell it to our customers for \$1.44, so that is not a very good business move anyway you look at it, but we can't just adjust the rates monthly, I mean if we have to buy \$40,000 worth of water from Kentucky American and for instance, last year we bought \$21,000 worth of water and this past fiscal year, we bought 91,094,000 gallons of water, so I am not saying that they should deny your request, I am just saying that they should seriously consider getting our plant in order, so that we don't have to buy water from Kentucky American at a losing price, because this additional request that you have made of the council will have to come, in all probability from Kentucky American, but I am sure that they will be fair with you and

November 17, 1998

is there any other questions from the council."

Mr. Davis "I think that we feel reasonably safe within this 15,000,000 at the present time and with their projected use."

Mayor Reed "O K." "Before I appoint a committee, Mr. Stopher, is there any particular thing that you would like to mention, so far as the committee is concerned or just wait and meet with them."

Mr. Stopher "just wait and meet with them."

Mayor Reed "first of all - let me ask if there are any volunteers." Council Members appointed to serve on the committee are Mr. Benson, Mr. Bland and Mrs. Bradley.

Mr. Keith Slugantz "I had met with that engineer that I had talked to you about Brian Hayes out of Lexington and he was down on Saturday and we met with him and he covered the whole town, just a real energetic guy, he was real positive about what could be done, but he didn't share a lot with me, he thought that because I had personal interest in it -- so I put him in touch with the committee and I think that he talked with Fred, maybe."

Councilman Siegelman "I spoke with him."

Mr. Slugantz "that is kind of where we are, it is just another opinion that we could have toward solutions or whatever we do maybe to make us feel better about doing the right thing, if we have an extra opinion." "If there is any questions about where we went or anything, I can cover that for you, he went to all the holes, we noticed a whole lot of work going on, there has been a lot done and we appreciate that." "He had a real concern about the hole on Douglas Avenue and we went and we went through my back yard and looked at it and I kind of told him that there was a problem there about not being able to get to it, so that was his biggest concern right now, is if we have another big rain, that we may have a serious problem, we did so much good work at the other holes, he did share that with me, I don't know if Fred can share some light ....."

Councilman Siegelman "he is the chief engineer that is handling all of Lexington's problems right now and -- he definitely knows what he is talking about and he enlightened me on a lot of things that we have already been discussing and problems that we have tried to solve in the past and going over ..... but I discussed with him what we are doing on the Douglas, Preston Court, Amsden Avenue area and our concerns that we had in the past about how important it was to try and do something, especially common sense, as Mr. Goins, who happens to be here, brought up quite a long time back and I would like to make a motion that we acquire easements to do something with the Amsden Avenue area, as far as new cage system and possibly put in a culvert system, like we had talked about in the past when we had these flooding problems. "Like a lot of people have come to us, council members, I am sure the Mayor and all feel like we want something done and have tried to work and explain to them that we have to work within the laws and bid things out properly, but a lot of people feel like that we are not getting anything done, so I would like to put in the form of a motion that we acquire the easements, to get down there and take care of this problem and start fixing the problem, I know that we are in the middle of waiting on appraisals, to look at a possible buy out, but I think that the Howard K. Bell study and the other studies that we looked at including Brian Hayes agree that if we start to fix this problem here, it will not do any damage, it can only do good."

Mr. Slugantz "that is the statement that he made to me, when he -- to mitigate the damage as much as we could, whether, he said, a buy out, if that is what they choose would take some time to do, so anything that

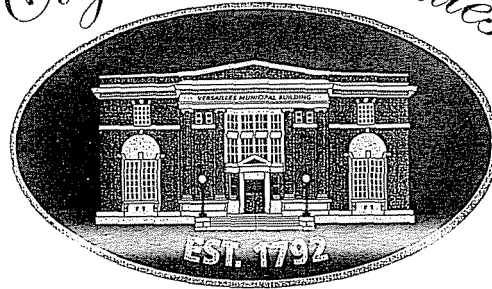
**1-F**

Fred Siegelman  
Mayor  
(859) 873-4581

Allison B. White  
Clerk/Treasurer  
(859) 873-5436

Bruce Southworth  
Public Works Director  
(859) 873-2245

*City Of Versailles*



"A Renaissance Kentucky City"

William K. Moore  
City Attorney  
(859) 873-6207

John F. Wilhoit  
Police Chief  
(859) 873-3126

Frankie Shuck  
Fire Chief  
(859) 873-5829

September 17, 2010

John Davis  
Northeast Woodford Water District  
225 South Main Street Suite A  
Versailles Kentucky, 403833

Dear Mr. Davis

The City of Versailles is requesting an amendment to the contract between the City and the District to require the Northeast Woodford Water District to purchase a minimum of 12 million gallons of water from the City each month.

This request is being made in order to ensure that the City will continue to receive the revenues necessary to meet its responsibilities under the bonds issued to construct the new water treatment facilities.

The City obtained authority to construct and bond its water processing facilities based, in part, upon its contractual obligation to provide water to the District. The relevant usage period for purposes of our permit and bonding was from January 2002 through December 2005. Our records show that the District purchased an average of 12,753,227 gallons per month during this period.

Based upon this usage history, a minimum monthly purchase requirement of 12 million gallons appears very reasonable.

Please do not hesitate to contact me to schedule a meeting with you or your Board of Directors if you wish to discuss this matter in further detail.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce Southworth", is written over a horizontal line.

Bruce Southworth  
Public Works Director



196 South Main Street, P.O. Box 625, Versailles, Kentucky 40383  
(859) 873-5969 Facsimile

**1-G**



**Northeast Woodford Water District  
225-A South Main Street  
Versailles, Kentucky 40383**

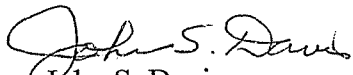
October 8, 2010

Bruce Southworth  
Public Works Director  
196 South Main Street  
P.O. Box 625  
Versailles, Kentucky 40383

Dear Mr. Southworth,

In response to your letter of September, 17, 2010, the Northeast Woodford Water District has considered your request for an amendment to the contract between the City of Versailles and this District. The Commissioners do not feel it is necessary to amend the contract to include a minimum purchase of 12 million gallons of water from the City on a monthly basis.

Sincerely,

  
John S. Davis  
Chairman



## RESPONSE #2

The City does not submit any additional documents for this request. In the City's response to Request Number 1, several documents that are submitted (a, b, c, d and e) refer to the need regarding upgrades or additions to the Versailles Water Treatment Plant and main water supply main. The City is not in possession of any additional documents pertaining to this request.

It is hereby certified that the foregoing response was prepared by Bart Miller, Versailles Public Works Director, and that the response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Bart Miller  
Public Works Director  
City of Versailles

1-17-12  
Date




### RESPONSE #3

Versailles provides the following, all of the correspondence in their possession, including electronic mail and text messages, between Versailles and the Kentucky Division of Water since 1994 regarding upgrades or additions to the Versailles Water Treatment Plant and main water supply main:

- a. July 6, 1999. Letter from Vicki Ray (DOW) to Jerry Holt (City) re: Capacity Limitations and Infrastructure Needs
- b. June 4, 2001. Letter from Vicki Ray (DOW) to Jason Walton re: City's preliminary engineering report expanding plant from 4 mgd to 10 mgd.
- c. August 28, 2001. Letter from Vicki Ray (DOW) to Jason Walton (City) re: Capacity Limitations and Infrastructure Needs
- d. January 2, 2003. Letter from Laura Meade (DOW) to Alan Bryan (GRW/City) re: Water Plant Expansion Plan Review
- e. January 3, 2003. Letter from Laura Meade (DOW) to Mike Jacobs (GRW/City) re: Raw Water and High Service Mains Plan Review.
- f. January 15, 2003. Letter from Mike Jacobs (GRW/City) to Matthew Baker (DOW) re: High Service Water Main hydraulic analysis.
- g. February 27, 2003. Letter from Alan Bryan (GRW/City) to Floodplain Management Section (DOW) re: stream crossing permits.
- h. March 25, 2003. Letter from Alan Bryan (City/GRW) to Matthew Baker (DOW) re: revised plans for plant expansion.
- i. March 26, 2003. Letter from Mike Jacobs (City/GRW) to Matthew Baker (DOW) re: not receiving plan approval from DOW. Also, as a DOW response, copy of fax from Matthew Baker to Alan Bryan, on 3/26/03, containing DOW letter dated 2/10/03, from Jeff Pratt, approving City's plans for Raw Water and High Service Mains.
- j. April 7, 2003. Letter from Jeff (DOW) to City re: Water Treatment Plant Upgrade approval
- k. October 23, 2003. Letter from Doug Allgeier (DOW) to Brad Montgomery (City/GRW) re: Versailles WTP Phase I Construction Permit
- l. July 22, 2005. Letter from Bruce Southworth (City) to Donna Marlin (DOW) re: High Service Water Main/Booster Station & Huntertown Rd. Elevated Water Storage Tanks Water System Improvements
- m. July 22, 2005. Letter from Mike Jacobs (City/GRW) to Donna Marlin (DOW) re: Plans for High Service Water Main/Booster Station & Huntertown Rd. Elevated Water Storage Tanks Water System Improvements
- n. December 21, 2005. Inspection report from Deborah Singleton (DOW) to City re: Construction of water mains at the drinking water treatment plant and into the City of Versailles.

- o. February 10, 2006. Letter from Alan Bryan (City/GRW) to Bruce Southworth (City), that has as an enclosure the City's completed water withdraw permit
- p. June 11, 2007. Letter from Mike Jacobs (City/GRW) to Donna Marlin (DOW) re: High Service Water Main/Booster Station & Huntertown Rd. Elevated Water Storage Tanks Water System Improvements Project Completion

It is hereby certified that the foregoing response was prepared by Bart Miller, Versailles Public Works Director, and that the response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Bart Miller  
Public Works Director  
City of Versailles

1-17-12  
Date

3-A

JAMES E. BICKFORD  
SECRETARY



PAUL E. PATTON  
GOVERNOR

COMMONWEALTH OF KENTUCKY  
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
FRANKFORT OFFICE PARK  
14 REILLY RD  
FRANKFORT KY 40601

July 6, 1998 *1999*

1200439  
Versailles Water System  
Attn: Jerry Holt  
P O Box 625  
Versailles KY 40383

RE: Capacity Limitations and  
Infrastructure Needs

Dear Mr. Holt:

A review of our records indicates that Versailles Water Plant has a treatment plant filtration capacity of 4.0 million gallons per day (MGD), however it has an approved design capacity of 3.16 MGD based on the limiting factor of two high service pumps with a capacity of 2,200 gallons per minute (gpm) each and the potential of one to be out of service. Monthly operating reports indicate that the average daily production for four out of the past twelve months was greater than or equal to 3.16 MGD. Numerous days each month exceeded 3.16 MGD which indicates that both pumps were operating simultaneously to meet demand.

Water permit #0258 allows for withdrawal of up to 3.2 MGD from Pool 5 of the Kentucky River. Average withdrawals during 1998 were 2.949 MGD or 92% of the permit allowance.

Although Versailles Water System can purchase up to 3.0 MGD of treated water from Kentucky American Water Company during peak demand periods, your system should not depend upon Kentucky American's continuing ability to provide the needed water during peak demand periods as it is also facing capacity issues.

A water line extension sanction is normally issued when the average water production for the most recent 12 months exceeds 85 percent of the design capacity, or the maximum daily production is consistently greater than or equal to 95% of the design capacity. If the average production is greater than or equal to 95% of the design capacity, a tap-on ban is issued.



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Letter to Versailles Water System  
Page 2

During the nine months ending with May 1999, the average production of the Versailles system was 3.054 MGD, or 76.3% of the 4.000 MGD filtration capacity, and the daily pumpage exceeded 90% of the filtration capacity on 39 days. If the production is compared with the 3.16 MGD limited design capacity, the average production is 96.6% of the plant's capacity. Rapid growth in demand is indicated by comparing the production during May 1999 (103,200,000 gallons) with the production of May 1998 (97,950,000 gallons), an increase of 5.4%.

It should also be noted that total production indicated in the *Monthly Operating Reports* (MORs) for July and August 1998 indicate significantly reduced production during those months, but do not indicate that water was purchased during this period. **It is important that all future MORs include data on the amount of water purchased.**

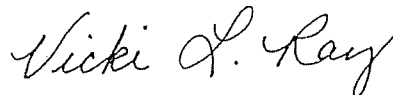
**If the Versailles Water System continues to add large numbers of new customers, the system infrastructure will need to be expanded or an additional source of drinking water must be obtained.**

Please submit to this office, within **one month** of receipt of this letter, information detailing how the Versailles Water System plans to ensure an adequate supply of potable water to existing and future customers. At such time, a determination will be made whether a water line extension sanction will be imposed on the public water system.

Future projects submitted for approval will be denied if the resulting water demand would exceed the water treatment plant's ability to produce sufficient quality and quantity of potable water.

If this office can be of any further assistance, please contact **Jerry O'Bryan** at (502) 564-3410, extension 516.

Sincerely,



Vicki L. Ray, Manager  
Drinking Water Branch  
Division of Water

VLR:GPO

c: Frankfort Regional Office  
Drinking Water Files  
Tom Skaggs, Plans Review



801 Corporate Drive  
Lexington, KY 40503  
Tel 606 / 223-3999  
Fax 606 / 223-8917

Engineering  
Architecture  
Planning  
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Arlington, TX  
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Indianapolis, IN  
Louisville, KY  
Nashville, TN

GRW Engineers, Inc.

July 23, 1999

Ms. Vicki L Ray  
Manager  
Drinking Water Branch  
Division of Water  
14 Reilly Road  
Frankfort, KY 40601

Re: Preliminary Engineering Report  
Water Treatment Plant Expansion  
City of Versailles, Kentucky

Dear Ms. Ray:

The purpose of this correspondence is to respond, on behalf of the City of Versailles, to your July 6, 1999 letter to Mr. Jerry Holt regarding capacity limitations and infrastructure needs. As I'm sure you are aware, the City of Versailles is very well aware of the situation regarding their increased water production and has taken measures to address this situation. GRW Engineers, Inc. is presently under contract with the City of Versailles to perform a Preliminary Engineering Report for the expansion of the Versailles water treatment plant. We have been in initial contact with Ms. Donna Marlin of your staff regarding this study and have left phone messages for Mr. Tom Skaggs of your staff. Specifically, we would like to respond item-by-item to the issues raised in your letter:

1. We are confused by the 3.16 MGD rating given to the Versailles water plant, particularly since you referenced a limitation in the high service pumping capacity. Both existing high services pumps were initially rated for 2,800 gpm (4 MGD) to correspond with the current treatment plant capacity. Naturally, wear has slightly reduced the capacity of these pumps, but not to the 2,200 gpm capacity referenced in your letter.
2. Based on our preliminary findings, all of the unit processes in the Versailles water treatment plant were designed for a capacity of 4 MGD based on the design criteria at the time of the most recent expansion. Practically, the City can only run at a maximum capacity of about 3.6 MGD, factoring in down time for backwashing, maintenance, etc.
3. The City has completed (or is in the process of completing) an application for an increased water withdrawal quantity.
4. As you are aware, the City of Versailles currently relies on the purchase of water from Kentucky-American Water Company during periods of high usage. The City understands that this is not a desirable situation and realizes that there are capacity issues affecting Kentucky-American. It is the intention of the City to address long-term capacity issues in the above-referenced Preliminary Engineering Report.



Ms. Vicki L Ray

Page 2

July 19, 1999

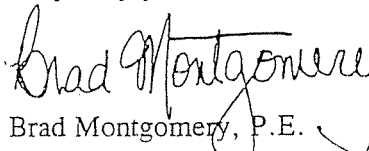
5. In evaluating the applicability of a water line extension sanction, the City feels that their production capacity (3.6 MGD) should be increased by the amount of water that can be reliably provided by Kentucky-American, as with any utility who purchases wholesale water. KAWC has committed, in writing, as to the quantity of water that can be provided to Versailles.
6. The City is currently in the process of repairing instrumentation that will allow them to obtain daily readings as to the quantity of water purchased from Kentucky-American. Once this equipment is repaired, this information will be included on the Monthly Operating Reports.

As stated previously, the City recognizes the need to immediately address capacity issues regarding the supply of potable water and are taking prudent measures to address this situation in an expeditious manner. We anticipate that the Preliminary Engineering Report will be complete by the end of August for submittal to your office for review in September. In addition to the Preliminary Engineering Report, the City currently has three construction projects underway: (1) a new 750,000 gallon elevated water storage tank, (2) renovations to two of the existing filters at the water plant, and (3) improvements to the raw water intake pumping station.

During our relatively short relationship with Versailles, we have seen a commitment from the Mayor and Council to make the tough decisions and "do the right thing" regarding their utility systems. We feel that their commitment is obvious in their ongoing work and in their plans for the future.

Hopefully, this letter will meet your requirement for a response from your correspondence. Should you have any questions or comments, please do not hesitate to contact me or Mr. Bart Miller, the Versailles Public Works Director (606-873-2245).

Very truly yours,

  
Brad Montgomery, P.E.  
Project Manager

DBM

cc: Mr. Bart Miller  
Mr. Jerry Holt  
Mr. Tom Skaggs

**3-B**

JAMES E. BICKFORD  
SECRETARY



PAUL E. PATTON  
GOVERNOR

COMMONWEALTH OF KENTUCKY  
**NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET**  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
FRANKFORT OFFICE PARK  
14 REILLY RD  
FRANKFORT KY 40601

June 4, 2001

Jason Walton, Superintendent  
Versailles Water System  
196 South Main  
Versailles, Kentucky 41383

RE: DW #1200439-01-001  
Preliminary Engr. Report  
Versailles WTP  
Woodford Co, Kentucky

Dear Sir:

We have reviewed the preliminary report for the above referenced project. The plans include increasing the capacity of the Versailles Water Treatment Plant (WTP) from a 4.0 MGD (million gallons per day) to a 10 MGD (6944 gpm) treatment plant facility. This will be achieved by the installation of the following: two new 6 MGD raw water pumps to work in conjunction with the existing 4 MGD pumps or two new 10 MGD pumps to replace the existing pumps; two new trains of Actiflo units; 30-minute post-Actiflo contact basin; six new dual media sand filters (176.78 ft<sup>2</sup>/filter), and a new 900,000-gallon clearwell to work in conjunction with the existing 608,766-gallon clearwell. This is to advise that the Preliminary Engineering Report for the above referenced subject is acceptable as of this date with the following comments and stipulations:

1. The plans shall be in accordance with the Interim Enhanced Surface Water Treatment Rule and the proposed Long Term 1 Enhanced Surface Water Treatment Rule including, but not limited to, continuous recording turbidimeters.
2. The plans shall be in accordance with all current OSHA requirements, including but not limited to Hazard Working Signs, First Aid Stations, and sanitary facilities.



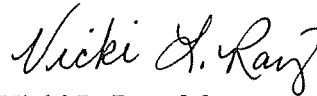
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3. Based on peak water purchased and produced for all of Woodford county now (approximately 6 MGD), the design of a plant rated for 10 MGD for future growth up to year 2025 seems reasonable. Using the population projection for the county up to year 2025 provided, a 10 MGD plant would have approximately 26% extra capacity in 2025.
4. Due to the effectiveness of the Actiflo unit to remove total organic carbon, increased cost, and additional sampling required, the DOW does not recommend the use of chlorine dioxide as the primary disinfectant.
5. Ten States Standards does not require, and the DOW does not require or recommend two day tanks for each chemical fed in the plant.
6. Ten States Standards recommends, but does not require, 30 days of storage for each chemical used in the plant. The DOW recommends determining the volume of each chemical in the transportation vehicle providing the chemical, and having a storage tank with that volume available at the plant to minimize transportation cost of the chemical.
7. If non-conventional filters are used, the DOW must approve the selected filter design. They must be designed so that a comprehensive performance evaluation of the filters can be preformed periodically.
8. Regarding adding phosphates before the filters to prevent mineral build-up on the filter media, iron and manganese should be in the oxidized non-soluble state by the time they get to the filters and can be easily removed by proper backwash. Calcium carbonate can foul the sand and anthracite, but its precipitation is very pH dependent. This can and should be prevented from happening by carrying as low a pH as possible through the filters and adjusting the pH in the clearwell. To get the best TOC removal, the water should go through the Actiflo at a low pH. This in itself would reduce the possibility of calcium carbonate fouling. Feeding phosphate ahead of the filters would not be the way to keep them clean and could increase combined filter effluent turbidity readings.

Preliminary Engineering Study  
Versailles WTP  
June 4, 2001  
Page 3 of 3

This letter should not be construed as final approval, as detailed plans and specifications must be submitted for review when they become available. If final plans and specifications are not submitted within one year from the date of this preliminary approval, the approval shall expire. If you have any questions please feel free to call Ralph E. Gosney, PE at 502/564-2225, extension 422.

Sincerely,



Vicki L. Ray, Manager  
Drinking Water Branch  
Division of Water

JST:REG:rg

C: GRW Engineers, Inc.  
Frankfort Regional Office  
Drinking Water Files

3-C



JAMES E. BICKFORD  
SECRETARY



PAUL E. PATTON  
GOVERNOR

COMMONWEALTH OF KENTUCKY  
**NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET**  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
FRANKFORT OFFICE PARK  
14 REILLY RD  
FRANKFORT KY 40601

August 28, 2001

Mr. Jason Walton, Superintendent  
Versailles Water System  
196 South Main  
Versailles, KY 41383

RE: PWSID #1200439  
Versailles Water Treatment Plant

Dear Mr. Walton:

This letter is to advise that the Drinking Water Branch (DWB) has been monitoring the water production operations at the Versailles water treatment plant (WTP). The WTP's design capacity is limited to 3,456,000 gpd due to the current rating of the plant's raw water pump, four high service filters, and high service pump. The city of Versailles also has a contract to purchase two million gallons of water per day (gpd) from Kentucky-American Water Company. Combined with the purchase agreement, the quantity of drinking water available to the city is 5,456,000 gpd.

Monthly operating reports for the period July 2000 through June 2001 indicate that the Versailles WTP's average daily production is 2,954,305 gallons per day (gpd). This average represents 85.48% of the plant's operational capacity. During seven (7) months of this period, the plant's production level exceeded 85% of design capacity. Four (4) of those monthly production levels equaled or exceeded 90%. A copy of the computations is enclosed.

Line extension sanctions are normally issued when the average daily production rate exceeds 85% of a WTP's design capacity. A line extension sanction prohibits any water line extension that increases the demand on the water supply but does not prohibit extensions for the purpose of improving flows and pressures in the distribution system. It does not prohibit the connection of customers to existing water lines. When this rate reaches 95% of capacity, the DWB considers imposing a tap-on sanction on the system. A tap-on sanction prohibits the connection of any new customers to the water system. Sanctions are lifted when the supply (capacity) problems that necessitated their imposition are corrected.

Given that the WTP filters cannot exceed 5 gpm/ft<sup>2</sup>, the city must monitor the operations at the WTP and supplement the system's demand by either purchasing water or other means to ensure that the current customers have a reliable source of available drinking water. The DWB will continue to monitor the situation. Should the system exceed either the 85% of the water available to the system or the approved filter rate and not supplement the demand, sanctions may be imposed.



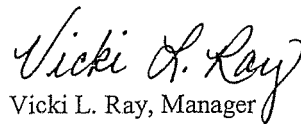
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Versailles Water Treatment Plant  
August 8, 2001  
Page 2

The DWB is available upon request, to provide Versailles with technical assistance in relation to this matter. The city may enter into a voluntary agreement with the DOW in order to develop a proactive plan. During the monitoring period, we encourage the city to inform us of its progress. In these ways, Versailles should be able to proactively plan its future growth so that anticipated customer demand will not exceed the ability of the system to provide service to its customers.

If you have any questions, please contact Bill Averell or Donna Marlin at (502) 564-3410, extensions 556 or 541, respectively.

Sincerely,



Vicki L. Ray, Manager  
Drinking Water Branch  
Division of Water

VLR:DSM:wha

Enclosure

c: Woodford County Health Department  
Division of Plumbing  
GRW Engineers  
Frankfort Regional Office  
Drinking Water Branch Files

Year/Month Total Production # Days/month Average gpd/mont Design Cap % DC Peak Demand  
 07/01/00-06/30/01

July	96,819,150	31	3,123,198.39	3,456,000	90%	3,648,000
August	92,820,000	31	2,994,193.55	3,456,000	87%	3,636,000
September	86,568,250	30	2,885,608.33	3,456,000	83%	3,276,000
October	92,674,500	31	2,989,500.00	3,456,000	87%	3,802,500
November	84,286,500	30	2,809,550.00	3,456,000	81%	3,276,000
December	84,637,500	31	2,730,241.94	3,456,000	79%	3,276,000
January	93,230,280	31	3,007,428.39	3,456,000	87.02%	3,242,640
February	67,855,440	28	2,423,408.57	3,456,000	70.12%	3,130,560
March	82,390,200	31	2,657,748.39	3,456,000	76.90%	3,031,200
April	97,052,150	30	3,235,071.67	3,456,000	93.61%	4,078,080
May	105,718,340	31	3,410,269.03	3,456,000	98.68%	4,095,360
June	95,563,560	30	3,185,452.00	3,456,000	92.17%	3,816,000
<b>TOTALS:</b>	<b>1,079,615,870</b>		<b>35,451,670.25</b>	<b>41,472,000</b>		

35,451,670.25  
 12 months  
 2954305.854 3,456,000 85.48% design capacity

PWSID #1200439 - Versailles Water System (Woodford Co.)

Year/Month Total Production # Days/month Average gpd/mont Design Cap % DC Peak Demand

2000						
January	84,059,600	31	2,711,600.00	3,456,000	78%	3,522,500
February	86,112,000	29	2,969,379.31	3,456,000	86%	3,533,900
March	91,556,800	31	2,953,445.16	3,456,000	85%	3,663,400
April	84,041,700	30	2,801,390.00	3,456,000	81%	3,513,600
May	100,667,800	31	3,247,348.39	3,456,000	94%	3,716,000
June	98,803,300	30	3,293,443.33	3,456,000	95%	3,743,000
July	96,819,150	31	3,123,198.39	3,456,000	90%	3,648,000
August	92,820,000	31	2,994,193.55	3,456,000	87%	3,636,000
September	86,568,250	30	2,885,608.33	3,456,000	83%	3,276,000
October	92,674,500	31	2,989,500.00	3,456,000	87%	3,802,500
November	84,286,500	30	2,809,550.00	3,456,000	81%	3,276,000
December	84,637,500	31	2,730,241.94	3,456,000	79%	3,276,000
TOTALS:	1,083,047,100		35508989.4	41,472,000		

Year 2000 water production 2959074.866 12 3,456,000 85.62% design capacity

2001						
January	93,230,280	31	3007428.39	3,456,000	87.02%	3,242,640
February	67,855,440	28	2423408.57	3,456,000	70.12%	3,130,560
March	82,390,200	31	2657748.39	3,456,000	76.90%	3,031,200
April	97,052,150	30	3235071.67	3,456,000	93.61%	4,078,080
May	105,718,340	31	3410269.03	3,456,000	98.68%	4,095,360
June	95,563,560	30	3185452.00	3,456,000	92.17%	3,816,000
TOTALS:	541,809,970		17919378.04	20,736,000		

semi-annual water production: 1/1-6/30-2001 17,919,378 6 2986563.01  
 2986563.01 3456000 0.86416754 design capacity

3-D

Versailles Mun'l

HENRY C. LIST  
SECRETARY



PAUL E. PATTON  
GOVERNOR

COMMONWEALTH OF KENTUCKY  
**NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET**  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
FRANKFORT OFFICE PARK  
14 REILLY RD  
FRANKFORT KY 40601

January 2, 2003

Alan A. Bryan, PE  
GRW Engineers, Inc.  
801 Corporate Drive  
Lexington, Kentucky 40503

RE: DW #1200439-03-001  
Water Treatment Plant Expansion  
Versailles, Kentucky

Dear Mr. Bryan:

Plans for the above referenced project have been received for review by this office. Additional items remain to be submitted for the completion of this review.

1. A letter from the public water supply involved stating that they have reviewed the project and that the plans as submitted are acceptable to them.
2. Plans must be prepared by a professional engineer, registered in the Commonwealth of Kentucky, and bear his seal, **signed and dated**. As a minimum, a new cover sheet for each copy of the project submitted, bearing the required seal, signed and dated, must be forwarded to this office.



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Versailles WTP Expansion  
January 3, 2003  
Page two

Final review of this project cannot be completed until the above information has been received. These plans will be held, pending review, by this office. If the additional information is not received within thirty (30) days, the project may be returned without approval. If you have any questions please feel free to call Mike Riley, PE at 502/564-2225, extension 592.

Sincerely,

Laura Meade  
Plan Review Section  
Drinking Water Branch

C: Versailles Mun'l W/S System  
Drinking Water Files

3-E



HENRY C. LIST  
SECRETARY



PAUL E. PATTON  
GOVERNOR

COMMONWEALTH OF KENTUCKY  
**NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET**  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
FRANKFORT OFFICE PARK  
14 REILLY RD  
FRANKFORT KY 40601

January 3, 2003

Michael Jacobs, PE  
GRW Engineers, Inc.  
801 Corporate Drive  
Lexington, Kentucky 40503

RE: DW #1200439-03-002  
Raw Water & High Service Mains  
Contract 2  
Versailles Mun'l W/S System

Dear Mr. Jacobs:

Plans for the above referenced project have been received for review by this office. Additional items remain to be submitted for the completion of this review.

1. A letter from the public water supply involved stating that they have reviewed the project, that they can and will provide the necessary water, and that the plans as submitted are acceptable to them.
2. A hydraulic analysis simulating a peak domestic demand to determine that a minimum of 30 psi shall be available at the discharge side of all customers meters. Customer demands need to be estimated based on existing records. If customer records are not available, the Division of Water suggests that ten times the square root of the total number of residential customers be used in the calculation of peak demand conditions.

An analysis simulating a flow resulting in a 2.5 ft/sec line velocity for flushing while maintaining 20 psi at all points. If this condition cannot be met, an analysis shall be made to determine the maximum amount of flow available for flushing while maintaining 20 psi at all points.



Note -- these analyses need to include existing water lines back to the nearest water storage tank or booster pump station serving the area or a 2-point flow test near the proposed connection point. A map with the elevation and location of the two points used in the 2-point flow test shall be included with the results of the test.

Listed below are submittals that are considered acceptable and unacceptable to the Division of Water:

Acceptable Hydraulic Analysis Submittals include:

1. A computerized hydraulic model including the proposed water line, based on a 2-point flow test or existing infrastructure, demonstrating the ability of the proposed lines to meet our peak demand condition and/or flushing condition. This submittal shall also include a node diagram or map showing how the model correlates to the actual system. The model does not have to include the entire system, only the infrastructure that would be affected by the proposed water line needs to be included.
2. Results of a 2-point flow test conducted near the point of connection to the existing system. This submittal shall include static pressure readings and elevations at both points, a flow rate at the flushing point, a residual pressure at the monitoring point, and a location map showing where the points relate to the proposed water line.
3. Computerized or hand calculations, considering existing infrastructure as well as proposed lines, demonstrating the ability of the proposed lines to meet our peak demand condition and flushing condition. These submittals shall include a diagram or map showing what lines are being considered in the calculations.
4. For projects that don't require a PE seal, we will accept a breakdown of the existing infrastructure serving the proposed water line.

Unacceptable Hydraulic Analysis Submittals include:

1. Pressure recorder information only.
2. An engineer's opinion of the performance of the proposed water line, with or without an engineer's seal.
3. Multiple single point flow tests in the vicinity of the proposed water line.
4. Computer models with a 1-point flow test as the basis.
5. Demonstration of the ability of the proposed water line to meet the peak demand condition but a request for an underserved designation without supporting calculations.

Final review of this project cannot be completed until the above information has been received. These plans will be held, pending review, by this office. If the additional information is not received within thirty (30) days, the project may be returned without approval. This type of information will be required on all future submittals. If you have any questions please feel free to call Matthew Baker at 502/564-2225, extension 574.

Sincerely,

*Laura Meade*

Laura Meade  
Plan Review Section  
Drinking Water Branch

C: Versailles Mun'l W/S System  
Drinking Water Files

3-F



801 Corporate Drive  
Lexington, KY 40503  
Tel 859 / 223-3999  
Fax 859 / 223-8917

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Nashville, TN

**GRW Engineers, Inc.**

January 15, 2003

Mr. Matthew Baker  
Plan Review Section  
DOW/Drinking Water Branch  
14 Reilly Road  
Frankfort, KY 40601

Re: High Service Water Main  
Versailles, KY  
GRW Project No. 2710-05

Dear Mr. Baker:

Enclosed for your review are two (2) copies of the hydraulic analysis for the above referenced project, as requested in our phone conversation on January 13, 2003.

This project consists of a 24" high service main that will run parallel with an existing 16-inch diameter pipeline from the Water Treatment Plant to the Highland Ave. Water Tank. The project has been design to allow the existing system to remain in service until the new water line has been tested and flushed. The attached model shows that the high service pumps can supply the 2.5 ft/sec flushing velocity as required by the Division of Water to flush the proposed 24-inch water main while maintaining a minimum of 20 psi on the system.

If you have any additional questions or comments, please do not hesitate to call me.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Michael Jacobs', written in a cursive style.

Michael Jacobs, P.E.  
Project Engineer

MLJ

Enclosures

cc: Mr. Bruce Southworth

3-G



801 Corporate Drive  
Lexington, KY 40503  
Tel 859 / 223-3999  
Fax 859 / 223-8917

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Nashville, TN

**GRW Engineers, Inc.**

February 27, 2003

Floodplain Management Section  
Division of Water  
14 Reilly Road  
Frankfort, KY 40601


Re: Water Treatment Plant Expansion -  
Contract No.1  
Raw Water and High Service Mains -  
Contract No.2  
Versailles, Kentucky  
GRW Project No. 2710

To Whom it Concern:

We are respectfully submitting, for your review, one (1) Application for Permit to Construct Across or Along a Stream, two (2) sets of plan drawings (for each above referenced Contract) depicting the proposed disturbance area along the Kentucky River Bank.

If you have any questions or are in need of further information, please do not hesitate to contact me.

Sincerely,

  
Alan A. Bryan, P.E.  
Project Engineer

cc: Mr. Bruce Southworth, City of Versailles

3-H





801 Corporate Drive  
Lexington, KY 40503  
Tel 859 / 223-3999  
Fax 859 / 223-8917

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Nashville, TN

**GRW Engineers, Inc.**

March 25, 2003

Mr. Mathew Baker  
Drinking Water Branch  
Division of Water  
14 Reilly Road  
Frankfort, KY 40601


RE: Water Treatment Plant Expansion  
Contract No.1  
City of Versailles, KY  
GRW Project No. 2710-04

Dear Mr. Baker:

Please find enclosed, as requested from our March 18, 2003 meeting on behalf of the City of Versailles, are three (3) sets of revised plans for above referenced project.

Should you have any other questions, please do not hesitate to contact me.

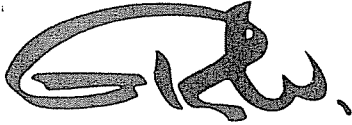
Sincerely,

  
Alan A. Bryan, P.E.  
Project Engineer

Enclosures

cc: Mr. Bruce Southworth

3-1



801 Corporate Drive  
Lexington, KY 40503  
Tel 859 / 223-3999  
Fax 859 / 223-8917

Engineering  
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Indianapolis, IN  
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Nashville, TN

**GRW Engineers, Inc.**

March 26, 2003

Mr. Matthew Baker  
Plan Review Section  
DOW/Drinking Water Branch  
14 Reilly Road  
Frankfort, KY 40601

Re: High Service Water Main  
Versailles, KY  
GRW Project No. 2710-05

Dear Mr. Baker:

As we discuss today by phone, neither Bruce Southworth, with the City of Versailles, nor I received the approved plans and specifications, for the above referenced project, that were to have been returned to us. Therefore, please find the attached two (2) additional copies of the prints to be stamped with your approval and returned for our files.

If you have any questions or comments, please do not hesitate to call me.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Michael Jacobs', written in a cursive style.

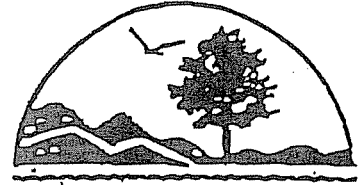
Michael Jacobs, P.E.  
Project Engineer

MLJ

Enclosures

cc: Mr. Bruce Southworth

**FAX TRANSMITTAL**  
From the  
**COMMONWEALTH OF KENTUCKY**



**DEPARTMENT FOR ENVIRONMENTAL PROTECTION**

14 Reilly Road, Frankfort, KY 40601  
(502) 564-3470 (Voice) (502) 564-~~4945~~ (Fax)  
5165

*copy*

Number of Pages Transmitted,  
Including This Cover Sheet: 5

FROM: Matthew Baker

TO: Alan Bryan

COMPANY: GRW

OFFICE: \_\_\_\_\_

FAX PHONE: (859) 223-9419 DATE: 3/26/03

VOICE PHONE: (859) 223-3999

MESSAGE: \_\_\_\_\_

Here's the Versailles Contract # 2 approval.  
Just send me some plans if you want copies  
with approval stamps on them.

*Matt Baker*

If transmittal is incomplete or illegible, please contact sender.



COMMONWEALTH OF KENTUCKY  
**NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET**  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
FRANKFORT OFFICE PARK  
14 REILLY RD  
FRANKFORT KY 40601

February 10, 2003

Versailles Water System  
196 South Main  
PO Box 625  
Versailles, Kentucky 40383

RE: DW #1200439-03-002  
Raw Water & High Service Mains  
Contract #2  
Woodford County, Kentucky

Dear Sirs:

We have reviewed the plans and specifications for the above referenced project. The plans include approximately 31,327 feet of 24-inch DI water line. This is to advise that plans and specifications covering the above referenced subject are APPROVED with respect to sanitary features of design as of this date with the following stipulations:

1. Upon completion of construction, disinfection shall be strictly in accordance with the procedure designated in the State Regulations, which reads as follows:

"A water distribution system, including storage distribution tanks, repaired portions of existing systems, or all extensions to existing systems, shall be thoroughly disinfected before being placed into service. A water distribution system shall disinfect with chlorine or chlorine compounds, in amounts as to produce a concentration of at least fifty (50) ppm and a residual of at least twenty-five (25) ppm at the end of 24-hours (24) and the disinfection shall be followed by a thorough flushing."

New or repaired water distribution lines shall not be placed into service until bacteriological samples taken at the points specified in 401 KAR 8:150 Section 4 (2) are examined and are shown to be negative following disinfection.



Contract #2  
1200439-03-002  
February 10, 2003  
Page two

2. All dead end lines must be provided with a properly sized blow-off assembly, flush hydrant or fire hydrant for flushing purposes. Flushing devices should be sized to provide flows which will give a velocity of at least 2.5 feet per second in the water main being flushed. Fire hydrants shall not be installed on lines less than six inches in diameter or served by other lines less than six inches in diameter. No flushing device shall be directly connected to any sewer.
3. Water mains shall be laid at least 10 feet horizontally from any existing or proposed sewer. A sewer is defined as any conduit conveying fluids other than potable water. The distance shall be measured edge to edge. In cases where it is not practical to maintain a 10 foot separation, this office may allow deviation on a case-by-case basis, if supported by data from the design engineer. Such deviation may allow installation of the water main closer to a sewer, provided that the water main is laid in a separate trench or on an undisturbed shelf located on one side of the sewer at such an elevation that the bottom of the water main is at least 18 inches above the top of the sewer. This deviation will not be allowed for force mains.

Water mains crossing sewers shall be laid to provide a minimum vertical distance of 18 inches between the outside of the water main and the outside of the sewer. This shall be the case where the water main is either above or below the sewer. At crossings, one full length of the water pipe shall be located so both joints will be as far from the sewer as possible. Special structural support for the water and sewer pipes may be required.

4. Chlorinated water resulting from disinfection of treatment facilities and new, repaired, or extended distribution systems shall be disposed in a manner which will not violate 401 KAR 5:031.


Contract #2  
1200439-03-002  
February 10, 2003  
Page three

5. At high points in water mains where air can accumulate provisions shall be made to remove the air by means of hydrants or air relief valves. Automatic air relief valves shall not be used in situations where flooding of the manhole or chamber may occur.
6. Water lines within a 200 foot radius of oil or gasoline lines, underground storage tanks, petroleum storage tanks or pumping stations shall be constructed of ductile iron pipe. Pipe joint materials which are resistant to permeation of the petroleum products shall be used within the 200 foot radius.
7. When this project is completed, the owner shall submit a written certification to the Division of Water that the above referenced water supply facilities have been constructed and tested in accordance with the approved plans and specifications and the above stipulations. Such certification shall be signed by a licensed professional engineer.

This approval has been issued under the provisions of KRS Chapter 224 and regulations promulgated pursuant thereto. Issuance of this approval does not relieve the applicant from the responsibility of obtaining any other approvals, permits or licenses required by this Cabinet and other state, federal and local agencies.

Unless construction of this project is begun within one year from the date of approval, the approval shall expire. If you have any questions concerning this project, please contact Matthew Baker at 502/564-2225, extension 574.

Sincerely,

  
Jeffrey W. Pratt, PE, Director  
Division of Water

JWP:MAB:lm

Enclosures

Contract #2  
1200439-03-002  
February 10, 2003  
Page four

C: GRW Engineers, Inc.  
Woodford Planning and Zoning  
Woodford County Health Department  
Frankfort Regional Office  
Drinking Water Files



3-J



COMMONWEALTH OF KENTUCKY  
**NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET**  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
FRANKFORT OFFICE PARK  
14 REILLY RD  
FRANKFORT KY 40601

April 7, 2003

Versailles Water System  
PO Box 625  
Versailles, Kentucky 40383

RE: DW #1200439-03-001  
Water Treatment Plant Upgrade  
WTP Expansion  
Woodford County, Kentucky

Dear Sirs:

We have reviewed the plans and specifications for the above referenced project. The plans include upgrading the existing water treatment plant capacity from 4 MGD to 10.08 MGD. The plans include: upgrading the raw water pump station, including replacing existing pumps with two 7,000 gpm at 375 feet TDH pumps; adding an Actiflo<sup>®</sup> ballasted flocculation/ high rate sedimentation system with all associated equipment; upgrading chemical feed systems for potassium permanganate, acid, alum, fluoride, caustic, chlorine, and ammonia; converting existing settling basin to a chlorine contact basin; constructing a disinfection building with chlorine storage and feed facilities; adding 6 new rapid rate dual media filters; adding 900,000 gallons of clearwell storage; construction of a new high service/ backwash pump station with 7,000 gpm at 305 feet TDH high service pumps; construction of two new sludge lagoons; and all associated yard piping and appurtenances. This is to advise that plans and specifications covering the above referenced subject are APPROVED with respect to sanitary features of design as of this date with the following stipulations:

1. The design capacity of this facility shall be limited to 10.08 MGD (7,000 gpm).
2. Chlorinated water resulting from disinfection of treatment facilities and new, repaired, or extended distribution systems shall be disposed in a manner which will not violate 401 KAR 5:031.



3. The upflow rate through the settling modules shall not exceed 25 gpm/ft<sup>2</sup>.
4. Upon completion of construction, disinfection shall be strictly in accordance with the procedure designated in the State Regulations, which reads as follows:

"A water distribution system, including storage distribution tanks, repaired portions of existing systems, or all extensions to existing systems, shall be thoroughly disinfected before being placed into service. A water distribution system shall disinfect with chlorine or chlorine compounds, in amounts as to produce a concentration of at least fifty (50) ppm and a residual of at least twenty-five (25) ppm at the end of 24-hours (24) and the disinfection shall be followed by a thorough flushing."

New or repaired water distribution lines shall not be placed into service until bacteriological samples taken at the points specified in 401 KAR 8:150 Section 4 (2) are examined and are shown to be negative following disinfection.

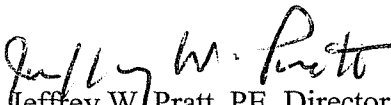
5. The following comments regarding the fluoride feed facilities have been received from the Oral Health Program and must be addressed in the completed project:
  - a. Bulk storage system shall be vented (with screen) to outside with sufficient containment area for chemical (HSF) spills.
  - b. Chemical pumps should be sized to operate in the mid-range of their capacity to meet daily fluoride levels of 1.0 ppm fluoride.
  - d. The plant shall provide proper operator's safety equipment (NIOSH/MSHA approved) and a deluge shower and eye wash device.

- e. Fluoride injection point valve shall be installed at 45 degrees in the lower half of the pipe.
  - f. Material being used (corporation stop, foot valve, day tank, etc.) shall be compatible with HSF.
  - g. The Office of Oral Health is to be notified upon completion of this project. Facility must have approval prior to plant start-up. Their phone number is 502/564-3246.
6. When this project is completed, the owner shall submit a written certification to the Division of Water that the above referenced water supply facilities have been constructed and tested in accordance with the approved plans and specifications and the above stipulations. Such certification shall be signed by a licensed professional engineer.

This approval has been issued under the provisions of KRS Chapter 224 and regulations promulgated pursuant thereto. Issuance of this approval does not relieve the applicant from the responsibility of obtaining any other approvals, permits or licenses required by this Cabinet and other state, federal and local agencies.

Unless construction of this project is begun within one year from the date of approval, the approval shall expire. If you have any questions concerning this project, please contact Matthew Baker at 502/564-2225, extension 574.

Sincerely,

  
Jeffrey W. Pratt, PE, Director  
Division of Water

JWP:MAB  
Enclosures

WTP Expansion  
1200439-03-001  
April 7, 2003  
Page four

C: GRW Engineers  
Woodford County Health Department  
Frankfort Regional Office  
Woodford County Planning and Zoning  
Drinking Water Files

3-K

HENRY C. LIST  
SECRETARY



PAUL E. PATTON  
GOVERNOR

COMMONWEALTH OF KENTUCKY  
**NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET**  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
FRANKFORT OFFICE PARK  
14 REILLY RD  
FRANKFORT KY 40601

October 23, 2003

D Brad Montgomery  
Versailles WTP  
196 S Main St  
Versailles, KY 40383

Re: KPDES No.: KYR105431  
Versailles WTP  
Permit Type: Phase I Construction  
AI ID: 4246  
Activity ID: APE20030001  
Woodford County, Kentucky

Dear D Brad Montgomery :

The discharges associated with the Notice of Intent letter you submitted have been approved for coverage under a "General Permit for Storm Water Point Sources in the Commonwealth of Kentucky." This coverage becomes effective the date of this letter and will remain effective until the general permit expires or the Division of Water revokes coverage. During this period of coverage all discharges shall comply with the conditions of the applicable general permit. A copy of the applicable permit has been enclosed.

Any questions concerning the general permit and its requirements should be directed to me at (502) 564-2225, extension 448.

Sincerely,

A handwritten signature in cursive script that reads "Doug Allgeier".

**Doug Allgeier, KPDES Permit Writer**  
KPDES Branch  
Division of Water

DA:da

Enclosure



Printed on Recycled Paper  
An Equal Opportunity Employer M/F/D

3-L

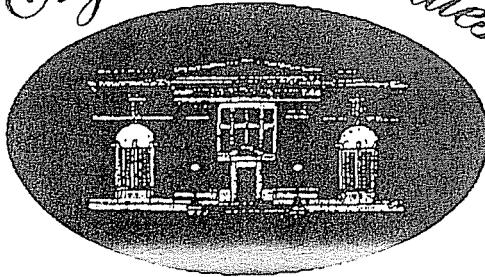


Fred Siegelman  
Mayor  
(859) 873-4581

Allison B. White  
Clerk/Treasurer  
(859) 873-5436

Bart Miller  
Public Works Director  
(859) 873-2245

City Of Versailles



"A Renaissance Kentucky City"

William K. Moore  
City Attorney  
(859) 873-6207

William Allen Love  
Police Chief  
(859) 873-3126

Frankie Shuck  
Fire Chief  
(859) 873-5829

July 22, 2005

Ms. Donna Marlin, P.E.  
Drinking Water Branch  
Division of Water  
14 Reilly Road  
Frankfort, KY 40601

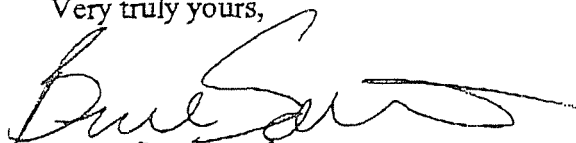
Re: High Service Water Main/Booster Station &  
Huntertown Rd Elevated Water Storage Tank  
Water System Improvements  
City of Versailles, Kentucky  
GRW Project No. 3133 - Contracts "A" & "B"

Dear Mr. Marlin:

Our consulting engineering firm, GRW Engineers, Inc., has forwarded under separate cover, plans and specifications for your review for the referenced project. The City of Versailles has reviewed the plans, accepts the design and will provide water service to the project.

If you have any further questions or comments, please contact me.

Very truly yours,

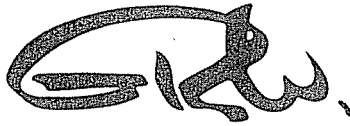
  
Bruce Southworth  
Public Works Director

cc: Mr. Michael Jacobs, P.E.

**WATER SYSTEM IMPROVEMENTS**  
**VERSAILLES, KENTUCKY**  
 Construction Cost Estimate  
 Contracts A and B  
 GRW Project No. 3133

Item	Description	Unit	TOTAL	Cost Per Unit	Total Cost
1	New 1,000,000 Gallon Tank	LS	1	1,100,000.00	1,100,000.00
2	New Booster Pump Station	LS	1	150,000.00	150,000.00
3	6" Ductile Iron Water Main	LF	395	30.00	11,850.00
4	12" Ductile Iron Water Main	LF	6632	45.00	298,440.00
5	16" Ductile Iron Water Main	LF	995	55.00	54,725.00
6	24" Ductile Iron Water Main	LF	12890	65.00	837,850.00
7	24" Ductile Iron Water Main in a 36" Steel Cover Pipe - Bored & Jacked Beneath Road	LF	230	375.00	86,250.00
8	Cut & Cap Existing 8" Water Main	Ea.	2	650.00	1,300.00
9	Cut & Cap Existing 10" Water Main	Ea.	1	700.00	700.00
10	Cut & Cap Existing 16" Water Main	Ea.	2	1,375.00	2,750.00
11	Connect to Existing System via 8"x8"x8" Tapping Sleeve, 8" Valve & Valve Box	Ea.	1	2,500.00	2,500.00
12	Connect to Existing System via 16"x16"x16" Tapping Sleeve, 16" Valve & Valve Box	Ea.	3	13,000.00	39,000.00
13	Connect to Existing 8" Line - Dry Connection	Ea.	3	2,500.00	7,500.00
14	Connect to Existing 16" Line - Dry Connection	Ea.	1	5,000.00	5,000.00
15	Connect to Existing 24" Valve - Dry Connection	Ea.	1	1,600.00	1,600.00
16	Ductile Iron Fittings	Ton	9.197	4,500.00	41,386.50
17	12" Butterfly Valve and Box	Ea.	1	1,575.00	1,575.00
18	16" Butterfly Valve and Box	Ea.	3	3,000.00	9,000.00
19	24" Butterfly Valve and Box	Ea.	3	6,000.00	18,000.00
20	Air Release Valve	Ea.	12	2,000.00	24,000.00
21	Flush Hydrant	Ea.	5	2,500.00	12,500.00
22	Fire Hydrants	Ea.	1	2,500.00	2,500.00
23	Water Main Blowoff	Ea.	2	6,000.00	12,000.00
24	Concrete for Cradles, Anchors, or Encasement	CY	103.8903	200.00	20,778.05
25	Bituminous Pavement Replacement	LF	300	25.00	7,500.00
26	Portland Cement Concrete Driveway/Sidewalk Replacement	LF	30	50.00	1,500.00
27	Removing and Replacing Curb and Gutter	LF	19	120.00	2,280.00
28	Crushed Stone for Special Bedding	Ton	10	15.00	150.00
29	Aggregate Surface Replacement	LF	565	10.00	5,650.00
<b>Subtotal</b>					<b>\$2,758,284.55</b>
<b>Contingency (10%)</b>					<b>\$275,828.46</b>
<b>Total</b>					<b>\$3,034,113.01</b>

**3-M**



801 Corporate Drive  
Lexington, KY 40503  
Tel 859 / 223-3999  
Fax 859 / 223-8917

Engineering  
Architecture  
Planning  
GIS  
Aviation Consultants

Arlington, TX  
Cincinnati, OH  
Indianapolis, IN  
Knoxville, TN  
Louisville, KY  
Nashville, TN

GRW Engineers, Inc.

July 22, 2005

Ms. Donna Marlin, P.E.  
Drinking Water Branch  
Division of Water  
14 Reilly Road  
Frankfort, KY 40601

Re: High Service Water Main / Booster Station &  
Huntertown Rd Elevated Water Storage Tank  
Water System Improvements  
City of Versailles, Kentucky  
GRW Project No. 3133 - Contracts "A" & "B"

Dear Mr. Marlin:

We have enclosed four (4) sets of plans and specifications (including one (1) set with original "wet stamp" and original signatures) for the referenced project for your review and approval. Two (2) separate contracts are enclosed:

Contract "A" – High Service Water Mains & New Booster Pumping Station

Contract "B" – Huntertown Road Elevated Water Storage Tank

The following items are also enclosed relating to this submittal:

1. Copy of the Water Line Submittal Checklist form which relates to Contract "A".
2. Copy of the hydraulic calculations for proposed water line construction, Booster Station and Elevated Tank which relates to both Contracts and is required by Water Line Distribution Submittal Checklist.
3. Copy of the City of Versailles "Letter of Acceptance" for Contracts "A" and "B".
4. Copy of a USGS Map.
5. List of existing customer addresses. *-(120 Pages- Available upon request)*

Your review and approval of the enclosed plans and specification is requested. Please call me if you have any questions concerning any of these items.

Very truly yours,

Michael Jacobs, P.E.  
Project Engineer

Enclosures

cc: Mr. Bruce Southworth, W/encl

DRINKING WATER BRANCH  
14 REILLY ROAD  
FRANKFORT, KENTUCKY 40601  
DISTRIBUTION SYSTEMS CHECKLIST

Utility: City of Versailles  
Address: 196 South Main Street  
Versailles, KY 40383

County: Woodford  
PWSID No. \_\_\_\_\_

Engineer: Michael L. Jacobs  
Address: 801 Corporate Drive  
Lexington, KY 40503  
E-mail Address: mjacobs@grwinc.com

Phone: 859-223-3999  
Fax: 859-223-9419

---

To improve the effectiveness of the DOW's review process, please respond to all the applicable questions that follow and provide all of the requested information.

Is this a federally funded project (i.e. SRF or SPAP)? No

Drinking Water State Revolving Fund

US EPA Special Appropriation (Congressional) Grant

If yes, has an Environmental Information Document been reviewed and approved? N/A

If the project has been submitted to the State Clearinghouse for review, please provide the SAI number: \_\_\_\_\_

Identify all funding sources: Bonds and State Grant

---

Provide a brief description for waterline projects with less than 10,000 linear feet (at a minimum identify the various line sizes, corresponding lengths and cost estimate):

See Attached Project description

All other Distribution projects should be accompanied with a *detailed* project description.

See Attached Project description

---

Is your system currently under any type of waterline or sewer sanctions? No

If yes, please submit an exception request and attach supporting documentation to justify its approval.

If another utility will serve the proposed project, provide the name and the PWSID No.

Utility: N/A. \_\_\_\_\_ PWSID No. \_\_\_\_\_

Identify the number of new customers and their projected demand? The City currently has request for several developments, approximately 2,500 homes, that are awaiting the completion of this new pressure zoning project. (2,500\*400 gpd = 1,000,000 gpd)

Identify the number of existing residents; and their projected water demand, that may get served as a result of this project? **Please see attached report of existing home and their yearly water usage.**

Identify the total number of customers in your service area? **1,568 existing and approximately 2,500 proposed customers.**

Regulation 401 KAR 8:100, requires the submittal of the following:

Four (4) copies of detailed plans and specifications (**no larger than 24" X 36"**) that depict the mains' sizes and type of material, valves, master meters, storage tanks, pump stations, a vicinity map, stream crossing and road crossing details.

Please submit a United States Geological Survey quadrangle map, which shows the project location.

Projects with cost in excess of \$2,000 shall be prepared, stamped, signed and dated by a Professional Engineer.

Projects that propose to provide water service to existing residences shall submit names and addresses of all existing residences.

Fee. Projects funded by a municipality, water District, or other publicly owned treatment works are exempt from the fee. If your project involves the extension of less than 10,000 feet of waterlines, then the applicable fee is \$ 150. Projects that involve more than 10,000 feet of lines or the addition of pump stations or tanks have \$ 325 applicable fee.

A signed letter of acceptance from utility, which states the utility has reviewed and approved the plans and specifications and agrees to serve the proposed project upon completion. If the utility is a purchaser and the project demand is greater than 10,000 gallons per day, please submit a valid water purchase contract and acceptance letter from the seller.

Engineering calculations; demonstrate the availability of 30 psig at the discharge side of each proposed connection under peak demand conditions and the ability to flush the lines using 2.5 ft/sec flow, while maintaining 20 psig throughout the distribution system.

Projects that propose the addition of storage tanks should be accompanied with engineering calculations, which demonstrates a complete fill and drain cycle every 72 hours. Also identify each tank's location coordinates.

New or upgraded pump stations require the submittal of pump sizing calculations and the proposed pump's characteristics curve along with the efficiency, horsepower and NPSHR data. Also identify each pump station's location coordinates.

July 20, 2005

Re: High Service Water Mains & New Booster Pump Station – Contract “A”  
Huntertown Road Elevated Water Storage Tank – Contract “B”  
Water System Improvements  
City of Versailles, Kentucky  
GRW Project No. 3133

To Whom It May Concern:

The City of Versailles is preparing to construct a water improvement project. This project will create a new hydraulic pressure zone to serve the southeast end of the City. Please see the attached drawing, Figure 4-2 from the City’s Water Distribution System Master Plan. This new pressure zone will provide elevated water storage to a growing area of town currently being served by the City’s three (3) existing booster pump stations.

The project will included: a new 1 million gallon elevated water storage tank, a new 2,000 gpm water booster pump station, 13,130 LF of 24” DI water main, 1,015 LF of 16” DI water main, 6,650 LF of 12” DI water main and 440 LF of 8” DI water main.

The coordinates of the new tank are 38° 01’ 49.8” latitude 84° 42’ 09.9” longitude and the coordinated of the new pump station are 38° 01’ 55.2” latitude 84° 42’ 12” longitude. Also you will find attached a copy of the pump sizing calculations and pump curve for the proposed pump station.

Should you have any questions or comments, feel free to contact me.

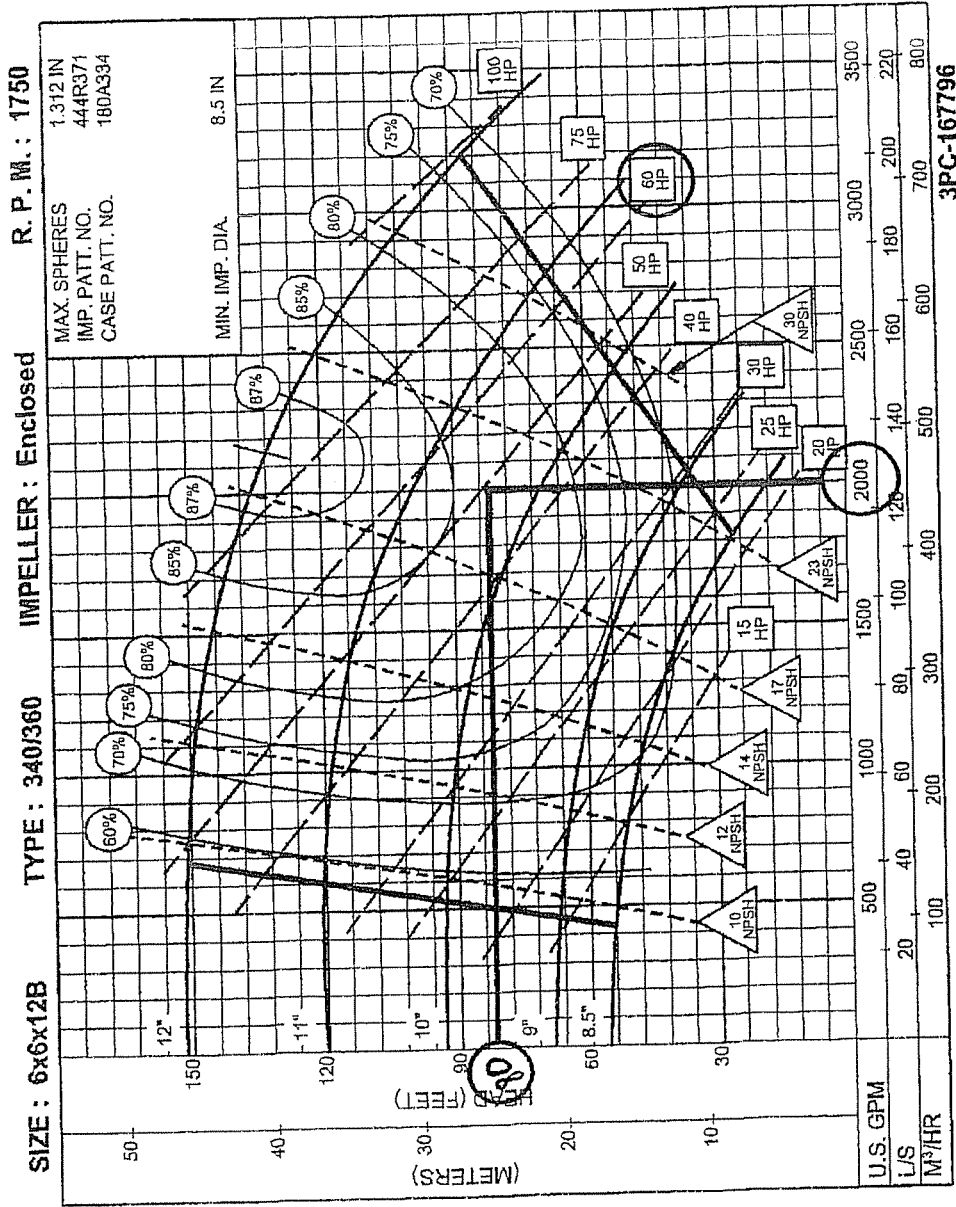
Very truly yours,

Michael Jacobs, P.E.  
Project Engineer

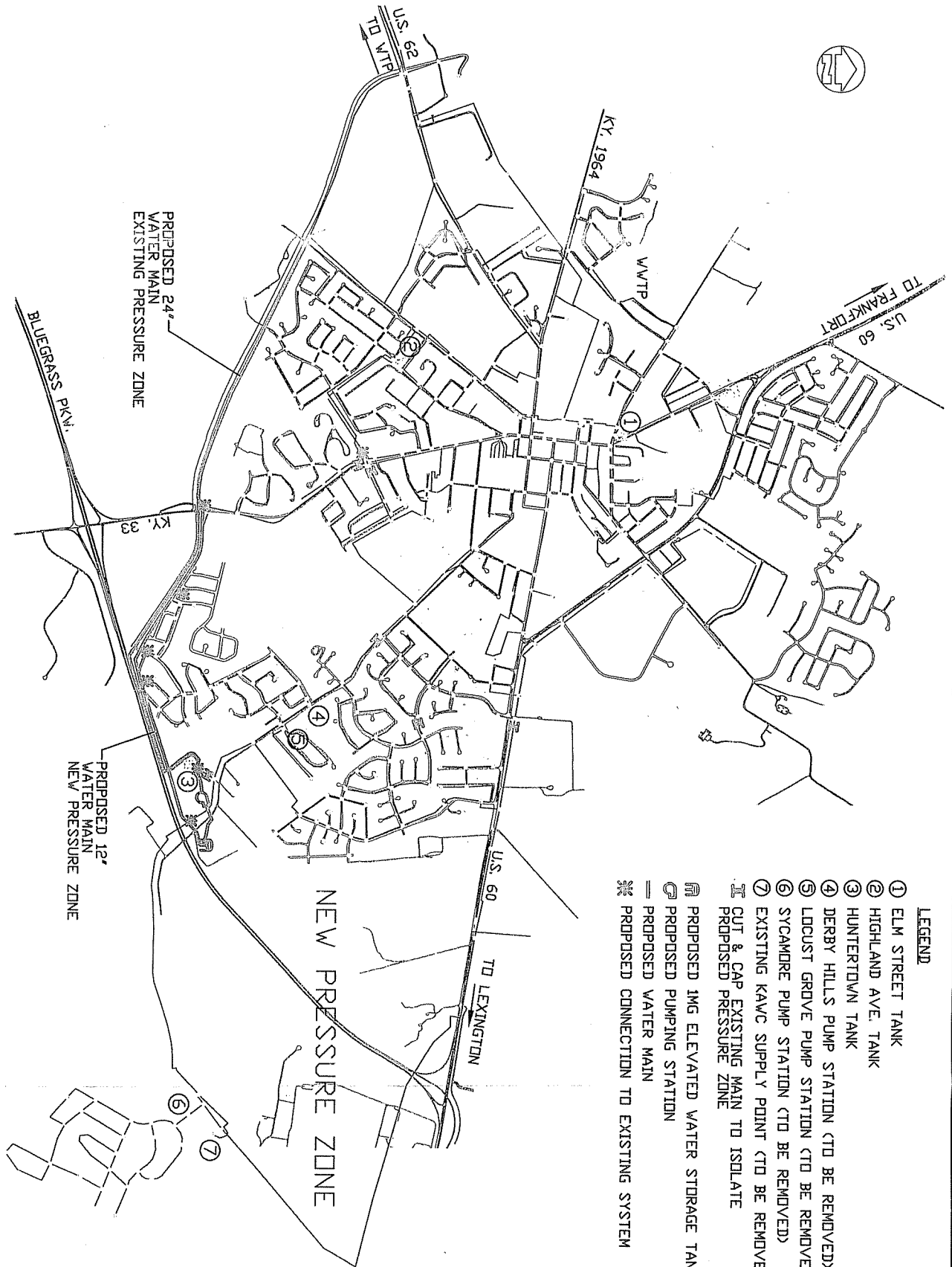
Enclosures

**6 x 6 x 12B**  
**SERIES 340 OR 360**  
 ENCLOSED IMPELLER

Supersedes Section 340/360 Page 434  
 Dated January 1999







- LEGEND**
- ① ELM STREET TANK
  - ② HIGHLAND AVE. TANK
  - ③ HUNTERDON TANK
  - ④ DERBY HILLS PUMP STATION (TO BE REMOVED)
  - ⑤ LOCUST GROVE PUMP STATION (TO BE REMOVED)
  - ⑥ SYCAMORE PUMP STATION (TO BE REMOVED)
  - ⑦ EXISTING KAWC SUPPLY POINT (TO BE REMOVED)
  - ⊥ CUT & CAP EXISTING MAIN TO ISOLATE PROPOSED PRESSURE ZONE
  - ⊞ PROPOSED 1MG ELEVATED WATER STORAGE TANK
  - ⊞ PROPOSED PUMPING STATION
  - PROPOSED WATER MAIN
  - ⊞ PROPOSED CONNECTION TO EXISTING SYSTEM



**PROPOSED IMPROVED WATER DISTRIBUTION SYSTEM (2004)  
CITY OF VERSAILLES, KENTUCKY**

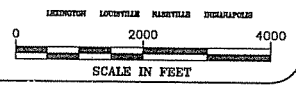


FIGURE 4-2

3-N

**Natural Resources and Environmental Protection Cabinet  
Kentucky Department for Environmental Protection  
Division of Water**

Activity: CIN20050002 Inspection

Lead Investigator: Singleton, Deborah

Agency Interest/Permit ID: 4247

Agency Interest Name: Versailles Water System

Agency Interest Address: 5265 Tyrone Pike

Versailles, KY 40383

Program: Wastewater

County: Woodford

Type of Agency Interest: WATER-Public Water System (2213)

Agency Interest Contact:

Title:

Phone:

Purpose: Inspection

Inspection Type: WW Stormwater - Construct

Inspection Date: 12/21/2005

Start Time: 08:00 AM

End Time: 08:30 AM

Latitude:

Longitude:

Coordinate Collection Method: Decimal Degrees

Incident ID(s):

**General Comments:**

This inspection pertains to KPDES Permit #KYR105431. This permit was issued for the construction of water mains at the drinking water treatment plant and into the city of Versailles. The construction activities associated with this permit have been completed. The site has been stabilized with no evidence of soil erosion or migration.

**Person(s) Interviewed:**

Name	Organization
n Walton	Plant Superintendent

Status/Comments:

CINS3

Requirement	Status	Results or Comments
Has the facility obtained all necessary permits and license?.401 KAR 5:065 Section 1	C	The facility has obtained the necessary Division of Water permit for this type of activity. KPDES permit #KYR105431.
Has the stormwater BMP plan been developed according to good engineering practices? Does it adequately identify potential sources of pollution? Is the BMP plan being adequately implemented? .401 KAR 5:065 Section 2(10)	E	The construction activities associated with this permit have been completed. The site has been stabilized with no evidence of soil erosion or migration. A Notice of Termination needs to be filed with the Division of Water.
Does the BMP plan provide an adequate description of the maintenance procedures for all control measures?.401 KAR 5:065 Section 2(10)	E	The construction activities associated with this permit have been completed. The site has been stabilized with no evidence of soil erosion or migration. A Notice of Termination needs to be filed with the Division of Water.
Are inspections being completed at the facility as required? Are the inspections being adequately documented? As a result of the inspections, are the necessary revisions being implemented within the required time frame? .401 KAR 5:065 Section 2(10)	E	The construction activities associated with this permit have been completed. The site has been stabilized with no evidence of soil erosion or migration. A Notice of Termination needs to be filed with the Division of Water.
Are the appropriate pollution prevention measures for non-storm water components being implemented?.401 KAR 5:065 Section 2(10)	N	
Does the BMP plan adequately address spill reporting requirements? Is the facility in compliance with spill reporting requirements?.401 KAR 5:065 Section 2(10)	E	The construction activities associated with this permit have been completed. The site has been stabilized with no evidence of soil erosion or migration. A Notice of Termination needs to be filed with the Division of Water.
Does the BMP plan provide a clear description of what sediment and erosion control measures will be used? Does the plan state when these measures will be implemented?.401 KAR 5:065 Section 2(10)	E	The construction activities associated with this permit have been completed. The site has been stabilized with no evidence of soil erosion or migration. A Notice of Termination needs to be filed with the Division of Water.
Does the BMP plan clearly describe all required components of the construction activity? If not, explain the deficiencies.401 KAR 5:065 Section 2(10)	E	The construction activities associated with this permit have been completed. The site has been stabilized with no evidence of soil erosion or migration. A Notice of Termination needs to be filed with the Division of Water.
Are additional requirements identified and addressed in the BMP plan? If yes, describe the requirements.401 KAR 5:065 Section 2(10)	E	The construction activities associated with this permit have been completed. The site has been stabilized with no evidence of soil erosion or migration. A Notice of Termination needs to be filed with the Division of Water.
Is the BMP plan signed by the appropriate authority? Is the BMP plan kept on site and readily available for review by Cabinet personnel? Are there areas of the BMP plan that require modification? If so, which areas need to be addressed? Have the required modifications to the BMP plan been made within the required 30 day timeframe?.401 KAR 5:065 Section 2(10)	E	The construction activities associated with this permit have been completed. The site has been stabilized with no evidence of soil erosion or migration. A Notice of Termination needs to be filed with the Division of Water.

Requirement	Status	Results or Comments
Was the BMP plan completed prior to the submittal of the NOI? Is the BMP plan implemented with the initiation of the construction activities?.401 KAR 5:065 Section 2(10)	E	The construction activities associated with this permit have been completed. The site has been stabilized with no evidence of soil erosion or migration. A Notice of Termination needs to be filed with the Division of Water.
Does the BMP plan include the required information as specified in Items A through H?.401 KAR 5:065 Section 2(10)	E	The construction activities associated with this permit have been completed. The site has been stabilized with no evidence of soil erosion or migration. A Notice of Termination needs to be filed with the Division of Water.
Are all contractors/subcontractors being properly instructed in their responsibility to implement all control measures identified in the BMP plan? Is this knowledge of responsibility being adequately documented? Does the BMP plan contain the proper contractor certification statement?.401 KAR 5:065 Section 2(10)	E	The construction activities associated with this permit have been completed. The site has been stabilized with no evidence of soil erosion or migration. A Notice of Termination needs to be filed with the Division of Water.
Does the facility maintain it's records for a minimum of 6 years? Where applicable, is the BMP plan maintained for a minimum of 1 year after the termination of the permit? .401 KAR 5:065 Section 1	E	The construction activities associated with this permit have been completed. The site has been stabilized with no evidence of soil erosion or migration. A Notice of Termination needs to be filed with the Division of Water.
Are Soil Stabilization Practices being implemented within the specified time frames? Are these measures adequate? If not, explain the deficiencies.401 KAR 5:065 Section 2(10)	C	
Are adequate Perimeter Structural Practices being implemented? If not, explain the deficiencies. Is/Are sediment basin(s) required for this site? If yes, are they properly sized? Are the basins being properly maintained? Is sediment disposal from the basin(s) adequately addressed in the BMP plan? Are 404/401 permits/certifications required?.401 KAR 5:065 Section 2(10)	E	The construction activities associated with this permit have been completed. The site has been stabilized with no evidence of soil erosion or migration. A Notice of Termination needs to be filed with the Division of Water.
Does it appear that solids are discharging into the waters of the Commonwealth? Is sediment being carried off-site by vehicle tracking? Is the facility in compliance with all waste disposal methods? .401 KAR 5:065 Section 2(10)	C	The construction activities associated with this permit have been completed. The site has been stabilized with no evidence of soil erosion or migration at the time of the inspection.
Are Storm Water management devices being implemented? Are these measures adequate? If not, explain the deficiencies.401 KAR 5:065 Section 2(10)	C	The construction activities associated with this permit have been completed. The site has been stabilized with no evidence of soil erosion or migration at the time of the inspection.
Are all discharges from this facility composed entirely of stormwater? Is the current general stormwater permit appropriate for the activities and discharges from the facility? If not, explain. 401 KAR 5:080 Section 1(2)(c)2	C	All discharges associated with this permit are composed entirely of stormwater.
Is the current BMP plan effective in controlling the discharge of pollutants? If not, has the permittee amended the BMP plan as required?.401 KAR 5:065 Section 2(10)	E	The construction activities associated with this permit have been completed. The site has been stabilized with no evidence of soil erosion or migration. A Notice of Termination needs to be filed with the Division of Water.
Is the current BMP plan acceptable, or is it in need of modification?.401 KAR 5:065 Section 2(10)	E	The construction activities associated with this permit have been completed. The site has been stabilized with no evidence of soil erosion or migration. A Notice of Termination needs to be filed with the Division of Water.
Is there a reason to modify the permit? If so, explain.401 KAR 5:065 Section 6	C	There is not any reason to modify the permit at this time. A Notice of Termination needs to be filed with the Division of Water.

GIN3

Requirement	Status	Results or Comments
Is the facility in compliance with all specified requirements?.401 R 5:055 Section 5	C	The construction activities associated with this permit have been completed. The site has been stabilized with no evidence of soil erosion or migration. A Notice of Termination needs to be filed with the Division of Water.

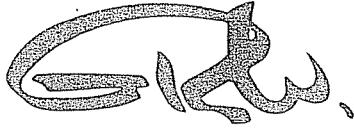
Investigator: *Deborah C. Singletta* Title: *Env. Inspector II* Date: *Dec 29, 2005*

- N - Not Applicable
- E - Not Evaluated
- V - Out of Compliance-NOV
- C - No Violations observed
- I - No Violations obs-but impending viol trends obs
- D - Out of Compliance-Violations Documented
- O - Out of Comp-LOW non-recurrent Adm. or O&M

Received By: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

Delivery Method:

3-0



801 Corporate Drive  
Lexington, KY 40503  
Tel 859 / 223-3999  
Fax 859 / 223-8917

GRW Engineers, Inc.

Engineering  
Architecture  
Planning  
GIS  
Aviation Consultants

Arlington, TX  
Cincinnati, OH  
Indianapolis, IN  
Knoxville, TN  
Louisville, KY  
Nashville, TN

February 10, 2006

Mr. Bruce Southworth  
Public Works Director  
196 S. Main St. Office  
P.O. Box 625  
Versailles, KY 40383

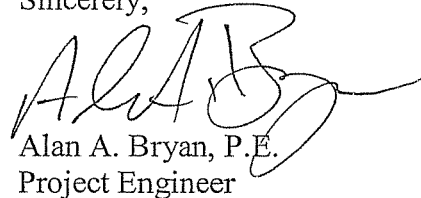
Re: Water Treatment Plant Expansion  
City of Versailles  
GRW Project No. 2710  
Versailles, Kentucky

Dear Mr. Southworth:

Please find enclosed the completed water withdraw permit for the above referenced project. Sign where indicated and forward on to where indicated on page 8.

If you have any questions, or need further information, please do not hesitate to call.

Sincerely,



Alan A. Bryan, P.E.  
Project Engineer

Enclosures



APPLICATION FOR A PERMIT TO WITHDRAW WATER  
Natural Resources and Environmental Protection Cabinet

14 Reilly Road

Division of Water

Frankfort, KY 40601

Action Desired (check one):  New Permit  
 Revision to Permit 0258  
Number

Division Use Only  
Permit No. \_\_\_\_\_

**Applicant Information**  
City of Versailles  
Name of Person or Organization Requesting Permit (This name will be on any permit resulting from this application.)  
196 S. Main St. Versailles KY 40383  
Street Address City State Zip Code  
Standard Industrial Classification (SIC) Code \_\_\_\_\_

**Permit Request**  
Why is this new permit /permit revision necessary? Water Treatment Plant Expansion.  
  
If facility uses multiple sources of water, **complete one application form for each water source.**  
If multiple sources are used, is this application for a primary \_\_\_\_\_ or secondary \_\_\_\_\_ source? (check one)  
Date proposed water withdrawals would begin 1/1/2006  
If facility constructed  or proposed \_\_\_\_\_ ?  
Amount of water facility wishes to withdraw on an average operational day in each month.  
Give amounts the facility expects to use **in gallons per day:**  
Jan. 12,700,000 April 12,700,000 July 12,700,000 Oct. 12,700,000  
Feb. 12,700,000 May 12,700,000 Aug. 12,700,000 Nov. 12,700,000  
Mar. 12,700,000 June 12,700,000 Sept. 12,700,000 Dec. 12,700,000  
Maximum Daily Pumping Rate: 7,000 gpm  
Please provide some detail regarding the proposed withdrawal amounts and the pumping schedule.  
The raw water intake structure will draw water from KY river pool #5 at approximate mile 85.1. The  
2 new raw water pumps are sized to run at 7,000 gpm (each). One new pump has the ability to run  
in parallel with one of the existing pumps to produce 12.7 MGD.

Please accurately complete the sections of this application that pertain to your source(s). Questions about this application or the water withdrawal permitting program may be addressed to the Water Quantity Management section of the Division of Water at (502) 564-3410.

THIS PAGE TO BE COMPETED BY SURFACE WATER APPLICANTS ONLY.

**Source of Water**

Location of Intake

Woodford  
County

38°01'34"  
Latitude

84°49'46"  
Longitude

Type of Source (check one)    Stream     Impoundment \_\_\_\_\_    Spring \_\_\_\_\_

Name of Water Source Kentucky River

Stream Mile (if known) 85.1

Describe Location if Stream Mile Is Unknown \_\_\_\_\_

**Water Supply Availability**

Does this facility have access to records of stream flow?    Yes \_\_\_\_\_    No

If yes, how long has flow data been collected? \_\_\_\_\_

Method or device for recording flow? \_\_\_\_\_

Describe data records. \_\_\_\_\_

**Impoundment (Complete only if withdrawal is from an impoundment.)**

NOTE: If the applicant shown on Page 1 does not own the impoundment, proof of permission to withdraw must be attached to this application.

\_\_\_\_\_  
Name of Impounded Stream (if applicable)

\_\_\_\_\_  
Name of Impoundment

\_\_\_\_\_  
Approximate Impoundment Volume

\_\_\_\_\_  
Name and Address of Impoundment Owner

Stream construction permit or dams inventory number (if known) \_\_\_\_\_ Date Constructed \_\_\_\_\_

How was volume determined? \_\_\_\_\_

Impoundment Drainage Area \_\_\_\_\_

If appearance is important, give maximum amount of drawdown permissible. \_\_\_\_\_

**Withdrawal Statistics**

Is pump portable?    Yes \_\_\_\_\_    No     Rated Capacity of Pump 7,000 gpm

Provide elevation of each intake structure (in feet above mean sea level) 463.00 & 473.00

Depth of water over intake at normal pool or average flows 20' & 10' respectively (if applicable)

Minimum depth of water (over intake) required for operation 7' (if applicable)

THIS PAGE TO BE COMPLETED BY GROUNDWATER APPLICANTS ONLY.

**Source of Water**

If the water source for this withdrawal is a well or field of wells, complete the following table (attach extra sheets if necessary). Number of wells \_\_\_\_\_

If the source is a spring, complete **Spring-fed Sources**, page 7.

If the source is not a well or a spring, attach a detailed description of the source and method of withdrawal.

County: \_\_\_\_\_ Certified Well Driller (if drilled since 1985) \_\_\_\_\_

<b>Well ID</b>	<b>EXAMPLE</b> Well #1				
<b>Latitude</b>	37°31'22" N				
<b>Longitude</b>	85°32'19" W				
<b>AKGWA # (if known)</b>	0001-1038				
<b>Status*</b>	A				
<b>Existing or Proposed</b>	existing				
<b>Well Diameter</b>	10"				
<b>Well Depth</b>	120'				
<b>Casing Depth</b>	80'				
<b>Screened Interval</b>	80' - 100'				
<b>Screen Diameter</b>	8"				
<b>Elevation of Well</b>	650'				
<b>Static Water Level</b>	60'				
<b>Pump Type &amp; Location</b>	submersible				
<b>Pump Capacity</b>	100 gpm				
<b>Average Daily Withdrawal</b>	70,000 gpd				
<b>Metered Y/N</b>	yes				
<b>Type of Meter</b>	Johnson				
<b>Use of Water</b>	heat/cool				
<b>Date of Well Construction</b>	June 1996				
<b>Log Available Y/N</b>	yes				
<b>Drilling Method</b>	air rotary				
<b>Well Development Method</b>	surging				

\*Status: A = Active; I = Inactive; P = Plugged; D = Dry

THIS PAGE TO BE COMPLETED FOR **SPRING-FED SOURCES** ONLY.

**Spring-Fed Sources**

AKGWA # \_\_\_\_\_ (if known)

**Spring Characteristics**

County: \_\_\_\_\_ (if known)

Spring Name: \_\_\_\_\_

Spring Owner: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Intake Location: Latitude \_\_\_\_\_ Longitude \_\_\_\_\_

Describe Intake: \_\_\_\_\_

Spring Type: Seep \_\_\_\_\_ Gravity \_\_\_\_\_ Bluehole (artesian) \_\_\_\_\_

Is this spring the headwaters of a surface stream? Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, what is the name of the stream? \_\_\_\_\_

Type of flow: Perennial \_\_\_\_\_ Seasonal \_\_\_\_\_ Intermittent \_\_\_\_\_

Spring discharges from: Cave \_\_\_\_\_ Rock \_\_\_\_\_ Fracture \_\_\_\_\_ Soil \_\_\_\_\_ Alluvium \_\_\_\_\_

Mine Adit \_\_\_\_\_ Other \_\_\_\_\_

Spring discharges into: Stream \_\_\_\_\_ Pond or Lake \_\_\_\_\_ Sinkhole \_\_\_\_\_ Other \_\_\_\_\_

Name of stream, pond, or lake \_\_\_\_\_

Average Discharge (in cubic feet per second or gallons per day) \_\_\_\_\_

How was flow determined? Measured \_\_\_\_\_ Type of Meter: \_\_\_\_\_

Estimated \_\_\_\_\_ Describe Calculations: \_\_\_\_\_

Have any water (dye) traces been run to this site? Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, complete the following.

Name of Person Conducting Trace: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Date of Trace: \_\_\_\_\_ Trace #: \_\_\_\_\_

Are there other users of this spring? Yes \_\_\_\_\_ No \_\_\_\_\_ If yes, give names, amounts, and type of use:

\_\_\_\_\_  
\_\_\_\_\_

THIS PAGE IS TO BE COMPLETED BY BOTH SURFACE AND GROUNDWATER APPLICANTS.

**Other Intakes and Back-up Water Sources**

Other water withdrawal permits held by this facility (give water withdrawal permit numbers):

0258

Other, non-permitted intakes (give location and explanation):

**Public Water Supply Information (Complete only if the applicant is a public water supplier.)**

Number of People Served 23,000

Number of Connections Served 5,800

Water Treatment Plant Capacity 10 MGD

Current Average Production 5.5 MGD

Finished Water Storage Capability (number, type, and capacity):

5 Million Gallons

List the approximate percentage of water distributed to each of the following:

Residential	<u>35</u> %	Public/Institutional	_____ %
Industrial	<u>15</u> %	Other	_____ %
Commercial	<u>10</u> %	Sold to other water suppliers	<u>40</u> %

If water is to be sold to other water systems or suppliers, list them:\*

1. Northeast Woodford W.D.

Name of Supplier

225 South Main St., Suite A

Address

Versailles, KY 40383

\_\_\_\_\_

Gallons per day Sold

3. South Woodford W.D.

Name of Supplier

467 Wilson Avenue, Suite D

Address

Versailles, KY 40383

\_\_\_\_\_

Gallons per day Sold

2. \_\_\_\_\_

Name of Supplier

\_\_\_\_\_

Address

\_\_\_\_\_

Gallons per day Sold

4. \_\_\_\_\_

Name of Supplier

\_\_\_\_\_

Address

\_\_\_\_\_

Gallons per day Sold

If additional water is purchased from other water systems, list them:\*

1. \_\_\_\_\_

Name of Supplier

\_\_\_\_\_

Address

\_\_\_\_\_

Gallons per day Purchased

2. \_\_\_\_\_

Name of Supplier

\_\_\_\_\_

Address

\_\_\_\_\_

Gallons per day purchased

**THIS PAGE TO BE COMPLETED BY ALL APPLICANTS.**

**Siting**

Attach a U.S. Geological Survey 7 1/2 minute quadrangle map, or a legible photocopy of the portion of the map containing this site. USGS maps can be obtained from the Kentucky Geological Survey, 228 Mines and Minerals Resource Building, UK, Lexington, KY, 40506 (phone 859-257-5500). Mark the map with the following information, where available:

- |                                 |                                 |
|---------------------------------|---------------------------------|
| a. Surface intake or wells      | e. Wastewater discharge site(s) |
| b. Pumping sites                | f. Dams and reservoirs          |
| c. Raw water storage facilities | g. Service Boundaries           |
| d. Water treatment plants       | h. Back-up water supply intakes |

Give name of map quadrangle: Tyrone, KY

**Water Transfer from Intake to Discharge**

In the area below, sketch and label a map of the proposed water intake(s) and transfer of water at the permit site. (Sketch map may be drawn by hand and/or attached.)

Include the following:

- a. Location of water intake site(s)
- b. Location of pump(s) and metering device(s)
- c. Course and direction of flow at the site (do not show flow inside of buildings)
- d. Course and amount of water being recycled
- e. Location of the discharge site(s) and average amount of water being discharged

**See attached drawings**

THIS PAGE TO BE COMPLETED BY ALL APPLICANTS.

**Water Use Information**

Purposes for which the water is to be used:

For treatment at Water Plant for consumption.

Major products or services, and production rate (if applicable):

Does this facility have an emergency response plan for drought or other shortage? Yes \_\_\_\_ No \_\_\_\_

If yes, summarize the plan or attach a full description. \_\_\_\_\_

**Storage Information**

Raw (untreated) water storage capability, specify storage ponds or tanks and city the capacity of each.

No raw water storage. WTP site-storage 1 million gallons

Elevated #1 - 350,000; Elevated #2 - 50,000; Elevated #3 - 1,000,000; Ground Storage 2,000,000

**Discharge Information**

Discharge to city sewer? Yes \_\_\_\_ No X

If no, give name of stream receiving discharge. Kentucky River

River mile or latitude/longitude. 85.1 County Woodford

Average amount of water returned (gallons per day) \_\_\_\_\_

If this amount varies from average withdrawal, explain why. Decant from slide lagoons

Method used to estimate discharge rate: \_\_\_\_\_

Discharge permit numbers: KYG640000

**Irrigation Information (Complete only if withdrawal is being used for maintaining grasses or other plants.)**

Number of acres being irrigated: \_\_\_\_\_

The average rate of application (for example, 2 inches per acre per week, May through August):

\_\_\_\_\_ per \_\_\_\_\_ per \_\_\_\_\_, \_\_\_\_\_ through \_\_\_\_\_  
Inches or gallons                      area                      time (day, week)                      month                      month  
(circle one)

**Ownership Change**

Reason for Ownership Change: \_\_\_\_\_

\_\_\_\_\_  
Print Seller Name

\_\_\_\_\_  
Print Purchaser Name

\_\_\_\_\_  
Signature of Seller

\_\_\_\_\_  
Signature of Purchaser

**Reporting of Water Withdrawals**

KRS 151.160 requires that permit holders report actual water withdrawals.

Provide the name and address of the contact person to be in charge of reporting actual withdrawals to the Division.

Bruce Southworth Public Works Director  
Contact Person Title

196 South Main Street, Versailles, KY 40383  
Address

859-873-2245  
Telephone

How is withdrawal measured? (check one) Meter  Other (describe) \_\_\_\_\_

List the make and model of meter: Mag-meter


Age of meter 6 months Date of most recent calibration \_\_\_\_\_

Explain calculations for estimating daily withdrawal amounts. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Application Verification**

Bruce Southworth  
Name of Person or Organizational Representative Requesting Permit

Title Public Works Director

Signature  Date 10-13-06

If application is prepared by a consultant or other person independent of the facility requesting permit, provide contact information below.

GRW Engineers, Inc. - Attn: Alan Bryan, P.E.  
Name of consulting company or other organization

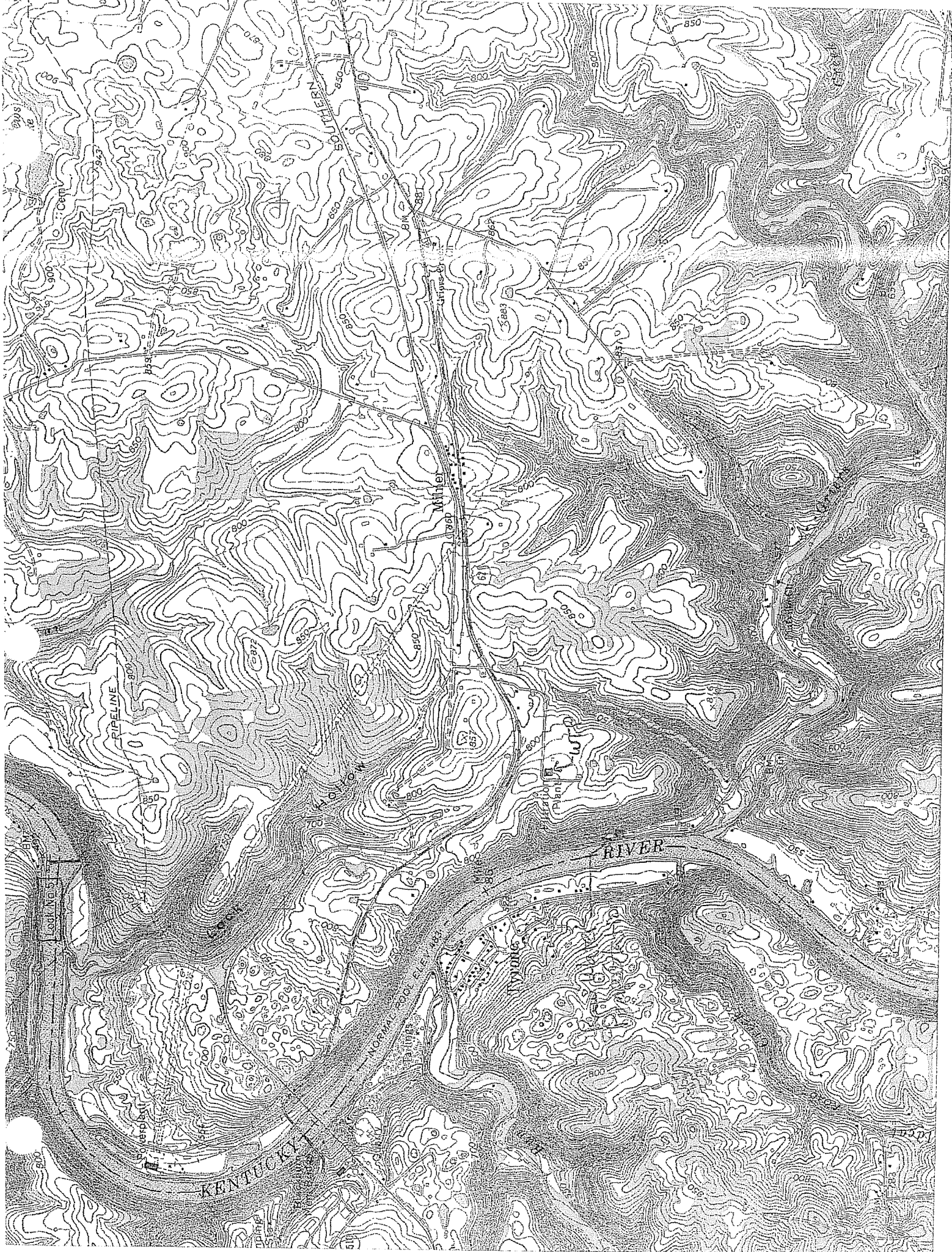
801 Corporate Drive, Lexington, KY 40503  
Address

859-223-3999  
Telephone

If approved, who do you wish the permit be mailed to? \_\_\_\_\_  Applicant  
Consultant

Mail completed application to: Watershed Management Branch  
Kentucky Division of Water  
14 Reilly Road  
Frankfort, Kentucky 40601





3-P



801 Corporate Drive  
Lexington, KY 40503  
Tel 859 / 223-3999  
Fax 859 / 223-8917

GRW Engineers, Inc.

Engineering  
Architecture  
Planning  
GIS  
Aviation Consultants

Arlington, TX  
Cincinnati, OH  
Indianapolis, IN  
Knoxville, TN  
Louisville, KY  
Nashville, TN

June 11, 2007

Ms. Donna Marlin  
Plan Review Section  
DOW/Drinking Water Branch  
14 Reilly Road  
Frankfort, KY 40601

Re: High Service Mains and New Booster  
Pumping Station - Contract A & Huntertown  
Rd Elevated Water Storage Tank – Contract B  
Versailles, Kentucky  
GRW Project No. 3133

Dear Ms. Marlin:

The purpose of this correspondence is to inform your office that, to the best of our knowledge, the referenced projects have been constructed and tested in accordance with the provisions of the approved plans and specifications.

Should you have any questions or comments, please feel free to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Michael Jacobs', written in a cursive style.

Michael Jacobs, P.E.  
Project Engineer

MJ:sw

Cc: Mr. Bruce Southworth,



## RESPONSE #4

The Versailles Water Treatment Plant on Lawrenceburg Road was originally constructed in 1966. Its initial capacity was 1 Million Gallons per Day (MGD).

It is hereby certified that the foregoing response was prepared by Bart Miller, Versailles Public Works Director, and that the response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



---

Bart Miller  
Public Works Director  
City of Versailles

1-17-12

Date



## RESPONSE #5

Around 1980, the capacity at Versailles Water Treatment Plant was apparently expanded from 1 MGD to 2 MGD, due to increased demand. City staff has been unable to ascertain the specific details of this upgrade, including cost.

In 1992, the Versailles Water Treatment Plant was expanded from 2 MGD to 4 MGD, due to increased demand, at an approximate cost of \$3,000,000.

In 2004, the Versailles Water Plant was expanded from 4 MGD to 10 MGD due to increased demand (see attached letters in the City's Response to Request Number 3 from Vicki L. Ray/Division of Water, dated July 6, 1999 {Response 3a}, and August 28, 2001 {Response 3c}), at a cost of \$11,108,764.66. In addition, the City spent \$2,315,352.25 on water main work that provided capacity to transport the water from the treatment plant to town.

It is hereby certified that the foregoing response was prepared by Bart Miller, Versailles Public Works Director, and that the response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Bart Miller  
Public Works Director  
City of Versailles

1-17-12  
Date






## RESPONSE #6

The current capacity of the Versailles Water treatment plant is 10 MGD.

It is hereby certified that the foregoing response was prepared by Bart Miller, Versailles Public Works Director, and that the response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Bart Miller  
Public Works Director  
City of Versailles

1-17-12  
Date



## RESPONSE #7

The Versailles City Council voted to authorize the most recent plant capacity expansion of the Versailles Water Treatment Plant on July 1, 2003 and to upgrade its main water supply main on July 1, 2003.

It is hereby certified that the foregoing response was prepared by Bart Miller, Versailles Public Works Director, and that the response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



---

Bart Miller  
Public Works Director  
City of Versailles

1-17-12

Date

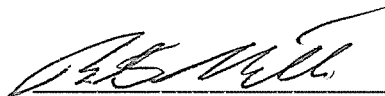


## RESPONSE #8

Versailles submits copies of the Versailles City Council Meeting Minutes at which the most recent plant capacity expansion of the Versailles Water Treatment Plant and upgrade of its main water supply main were discussed:

- a. April 20, 1999. City authorizes GRW Engineers to conduct a study to obtain an estimate for expanding the water treatment plant
- b. June 1, 1999. Brad Montgomery from GRW at meeting to discuss City's current water projects and the future of the water treatment plant.
- c. August 17, 1999. Discussion of proposal from Frankfort Plant Board to supply Versailles with water.
- d. September 7, 1999. Discussion of proposal from Frankfort Plant Board to supply Versailles with water.
- e. September 21, 1999. Page 128. Discussion of proposal from Frankfort Plant Board to supply Versailles with water.
- f. September 21, 1999. Page 144. Discussion of rate analysis by Bluegrass ADD, taking into consideration possible plant expansion or tie-in to Frankfort.
- g. October 5, 1999. Discussion of proposal from Frankfort Plant Board to supply Versailles with water.
- h. April 4, 2000. Bluegrass Add presenting rate analysis information and discussion concerning how this information relates to water plant's future.
- i. May 1, 2001. Council authorizes GRW to Submit Water Treatment Plant expansion plans to Kentucky Division of Water for review and approval.
- j. May 15, 2001. General discussion re: project bonding and current plant capacity
- k. August 21, 2001. Discussion re: project bonding.
- l. September 18, 2001. Jason Walton (Versailles Water Plant Superintendent) discusses water plant being at over-capacity on several recent days.
- m. June 17, 2003. Council awards contract to Infrastructure Systems for Raw Water and High Service Mains.
- n. July 1, 2003. Council awards contract to Smith Contracting for Water Treatment Plant Expansion.

It is hereby certified that the foregoing response was prepared by Bart Miller, Versailles Public Works Director, and that the response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Bart Miller  
Public Works Director  
City of Versailles

1-17-12  
Date

8-A

April 20, 1999

MOTION BY BLAND, SECONDED BY SHRYOCK THAT THE QUOTE FOR THE 3 BICYCLES THE POLICE DEPARTMENT BY TENTH GEAR IN THE AMOUNT OF \$655.00 EACH FOR A TOTAL OF \$1965.00 BE ACCEPTED. (TO BE PAID FROM THE LOCAL LAW ENFORCEMENT BLOCK GRANT FUNDS)

The vote was as follows: Council Members Benson, Bland, Bradley, Reid, Roberts and Shryock voting aye.

Councilman Benson "is that fully equipped?"

Chief Love "they are fully equipped ..... bikes, we will have to buy the night lights to put on them they are ready to ride, but they don't have the lights on them."

Councilman Benson "how are they holding up?"

Chief Love "they are holding up well, all, these are just so we can expand the program, we have more officers that are trained now, that can ride the bikes."

Mayor Siegelman "it is a good program."

Chief Love "I would like to request to buy 3 of the smaller radios, which these bike officers use -- some of our radios are getting quite old and these will replace those and they are smaller and they are on the state price contract from Southern Communications and they are \$807.00 each - 3 of those for \$2,421.00."

MOTION BY BENSON, SECONDED BY REID THAT THE CHIEF OF POLICE BE AUTHORIZED TO PURCHASE 3 RADIOS FOR THE BIKE PATROL OFFICERS FROM SOUTHERN COMMUNICATIONS FOR \$807.00 EACH FOR A TOTAL OF \$2,421.00, WHICH IS ON THE STATE PRICE CONTRACT #BPO0518.

The vote was as follows: Council Members Benson, Bland, Bradley, Reid, Roberts and Shryock voting aye.

Councilman Shryock "we had a meeting with Brad Montgomery with GRW about the water plant expansion and Mr. Stopher, if I say something in error, let me know, what it boils down to is we are going to have to make expansion or get out of the water business."

Councilman Bland "that is the way you generate your revenue, you have got to do something -- you have got to expand things and ..... or put a moratorium on, allow them so many taps per year, like maybe 10 or 12 or something like that."

Councilman Reid "we are at the point now that we can't take another tap without proceeding."

Councilman Shryock "what was discussed was what may have to be done in reference to upgrading the plant from what it is now, which involves new intakes, new settling ponds, they have to do something with the ponds that pump the bad water back in there." "I would like to make a motion that GRW be given the problem of what all has got to be done and give us some prices, estimates and negotiate with GRW to get that information for that." "If we are going to go forward, we have got to start now, because we are getting close to running 26 hours a day to ....."

Mayor Siegelman "so they can make some recommendations to us."

MOTION BY SHRYOCK, SECONDED BY BLAND THAT THE CITY HAVE GRW ENGINEERS DO A STUDY TO GET SOME FIGURES FOR WHAT NEEDS TO BE DONE TO EXPAND THE WATER PLANT.

Councilman Benson "how many million of gallons are we talking about?"

Councilman Shryock "I would suggest right off the bat without hearing from GRW that we go to 10 million gallons and the reason that I am saying that is -- you got the piece of paper that showed that we are going to max out in the summer time real soon with an 8 million, you are going to have equipment down there that is running day and night to keep up, let's don't get ourselves in a bind for a small amount of money that it is going to cost to go from the 8 million gallons to the 10 million gallons." "We may be talking about a \$1,500,000 to \$2,000,000 more, but in the long run, it will pay off, this thing of just adding 2 million gallons and up to 3 million gallons, it is just asking for trouble down the road further, if you are going to do something, the best time to do it was last year, but right now we are at this year and it is going to take us 3 years to bring it on line." "I recommend that we negotiate with GRW to get us the figures of what we have to do to bring our plant up to standards."

Councilman Roberts "that is pretty much what it is, I would go with the 10 million also, instead of the 8 million, because we are going to be right back here talking about this again in 2 or 3 years if we don't." "Let's at least try to go 10 or 15 years."

Councilman Benson "I agree that we need a larger water plant, but we have to keep one thing in mind -- if we have 10 million gallon water department, we have 500 developers out there that know that we have the water and it is going to create nothing but greed, but we have to do it to take care of our own right now."

Councilman Shryock "we have got the customers, we are almost to the maximum now, we have got to do something."

The vote was as follows: Council Members Benson, Bland, Bradley, Reid, Roberts and Shryock voting aye.

MOTION BY BENSON, SECONDED BY BLAND THAT THE FOLLOWING BILLS BE PASSED AFTER BEING PROPERLY AUDITED AND APPROVED:

BILLS 04/20/99

COMPANY	* AMOUNT *	DEPARTMENT
NITA AKERS	20.00	SEN
A-1 PORTABLE BUILD	128.50	CHEMISTRY
LINDA AIN	3241.75	CABLE
ASCOM HASLER	12.00	CLERK
BILL BARRETT REIMB	22.00	SEWER
BLUEGRASS BANDAG	285.60	SANITATION
BG FIRE EQUIPMENT	00	FIRE
BLUEGRASS WASTE ALL	2950.00	SANITATION
BFI	1123.34	SEWER, SANITATION
BFI	4400.00	SANITATION
KENNETH BROOKS REIMB	375.00	REC OF SER
REATA BUEFF REIMBU	45.50	CLERK
BULK MANGERT	45.00	WATER
CAMPBELL REIM	120.00	POLICE
JAMES CAMBBELL REIM	90.77	SEWER



8-B

198  
June 1, 1999

Minutes of the regular meeting of the Board of Council held in the Municipal Building at 5:30 p.m. Tuesday June 1, 1999.

Present: Mayor Fred Siegelman

Council Members: Roy Benson, Luther Bland, Mary Bradley, Owen Roberts and Nickie Shryock

Absent: Councilman Geoffrey Reid

MOTION BY BENSON, SECONDED BY BRADLEY THAT THE MINUTES OF THE MAY 18, 1999 COUNCIL MEETING BE APPROVED AS THEY WERE PRESENTED TO THE COUNCIL.

The vote was as follows: Council Members Benson, Bland, Bradley, Roberts and Shryock voting aye.

Mr. Brad Montgomery, GRW Engineers, was present to discuss the City's current water projects - Highland Avenue Tank, Filter Renovations at the Water Treatment Plant, Raw Water Intake Pump Station and a Preliminary Engineering Evaluation of the Water Treatment Plant. "We are currently working with the City on a variety of water projects for the City -- the Highland Avenue Tank, doing some filter renovations at the water treatment plant and doing a renovation at the raw water intake pump station." "In addition to that, the City has hired our firm to do a preliminary engineering report or an engineering evaluation of the water treatment plant and that is basically why I have been ask to come and speak to you this evening and from talking with Bob and Bart and the Mayor and some of the other members of the water committee." "We have had an ongoing discussion as far as the magnitude of the needs for water treatment in Versailles for the future and basically I have been asked to come and discuss that with you and present a recommendation from our firm regarding -- what it amounts to is the size of the water treatment plant expansion." "And I have actually presented this in the form of a letter that is addressed to the Mayor and basically what I had intended on doing this evening is to go over this letter." "It is very standard for us in the evaluation of a water treatment plant to project the required water production for a community into the future." "Before I get too far into this, in doing this, it is a standard in our industry to do it, we try to make an exact science out of something that is not an exact science, predicting future growth is akin to predicting the future and as you well know, sometimes that can be done with some level of success and sometimes it can't." "We have taken -- the general procedure that we have followed is taking population projections for a 20 year design life, which is the standard in the industry for design of treatment facilities." "Basically the reason for that is because most equipment -- that is the useful life of the equipment that we would be designing in the expansion of the treatment facilities." "Also it is -- as unscientific as it is to do a prediction for 20 years, it gets even worse, when you start extending it past 20 years, that is really the limits of what we can do and what can be designed realistically." "In doing that, we have consulted the University of Louisville, who does the official population projections for the State of Kentucky in what is called the Kentucky State Data Center, we have taken those population projections and made an assumption that the customer base in Versailles is going to increase at roughly the same rate that the population will increase in Versailles." "Now in meeting with the City and the staff, we have made some amendments to that, but I want to go back and in using this, we turned up some historical data, which is the first table that is attached to the letter -- in that we try to establish historical trends for Versailles, as far as your number of customers, the water you produce and the water you purchase from Kentucky American Water Company." "As you can see there are several categories in there that have not available, so I guess the general comment that I want to make is that we were working and doing these projections with only limited historical data, so that made it very, very difficult in determining any reliable trends based on historical data, that is item 1 on the first page of the letter, also something that made it kind of difficult is that we didn't have daily

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June 1, 1999

records of water purchased from Kentucky American Water Company, what we had is monthly figures that were provided by Kentucky American, so for those months that you did indeed purchase water from Kentucky American, we had to say that that was average over 30 days of that month, not knowing whether that amount was purchased in one day, 15 days or over the course of the whole month." "As you can see, that in itself lends to some inaccuracy, but that was the best available data, thirdly in doing these projections, in talking with the Bob and the Mayor and staff, we had found out that the City had already approved between 500 and 800 requested taps for water service, that haven't been installed yet." "We also understand that you have been presented with a request for the development of the Backer property, which is an additional 860 or so taps on top of that." "In addition to that, you have been presented with at least informal requests or maybe just office talk that the local water districts, the 2 water districts that you sell water to are increasing at quite a rate and are going to be making requests to purchase additional water from Versailles." "When you look at the second, when we did this just based on population and looked at the second figure, you were only looking at an increase of roughly, I believe the number was 1200, I would have to go back to my files, but somewhere around 1200 customers in a 20 year design life for the entire system." "We didn't feel, we being your staff and our firm, didn't feel that was adequate to cover -- we thought it was probably adequate to cover the taps that were approved already, we probably felt that was adequate to cover the water district goal, but factored in the Backer property, we probably didn't feel that was sufficient." "So what we did is applied the growth of that Backer property on top of the population projections." "In other words, we feel like Versailles is growing faster than what the population projections says it is going to grow, that is the bottom line to that long winded story that I was just telling." "And that was to the tune of about 40 additional customers per year, above and beyond the population projections." "And then Item #4, individual usage was high in 1998, but figure in how low we probably shot due to using average numbers of Kentucky American, we used the 1998 number, figured that those would have some sort of balancing effect in determining the projections." "And also using historical data to project growth, there is an inherent assumption in there that your customer distribution is going to be the same as it is now, unless there is something known, there is almost no other way to do it, that basically says that you are going to have the same percentage of industrial that you use now, as you do in the future, the same percentage of commercial development, those percentages are going to remain fairly constant." "Then finally because we didn't have the figures from Kentucky American Water Company on a daily basis, we had to assume a seasonal peaking factor and basically what we used was a 1.75, which is a number that we see fairly common in the industry." "In reality, we see if fluctuating from about 1.25 to about 2.25 in various cities and we try to pick something that is the medium there." "With all of that said, we did the projections which are on the last page of the handout and look at the year 2020, which is at the end of the design life of an average required water production of 4.3 million gallons per day and a peak production requirement of 7.6 million gallons per day." "Of all of those assumptions that I just went over with you, those probably make a half a million gallons a day swing, if I were to assume a worst or best case situation with those, so based on the information that is available, we feel that those are reasonable water usage projections for the City of Versailles." "O K in making a recommendation for a water plant expansion, we would typically, without considering anything but technical issues, we would like to see a water plant operate between one shift, about a one shift operation on the day that it starts up and with peak days, maybe go into a shift and a half - 8 to 12 hour operation on the year that it starts up, then at the end of its design life, we would like to see that moved to -- on an average day, 2 shift operation to 2 1/2 shift operation, 16 to 20 hours, operating day, if you go to the full capacity, you are not allowing any down time for things like maintenance and back washing the filters and you are operating too close to the edge, also as far as water quality goes, so in looking at that, that puts you right on the borderline of needing an expansion of your existing 4 million gallon per day treatment plant to

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either 8 million gallons per day or 10 million gallons per day and I think that you probably heard some of this discussion previously and I know that those of you who are on the water committee have." "Well at the bottom of page 2 and the top of page 3, I have put an estimate of the operating day for each alternative and key points during the design life to give you a basis of reference in making this decision." "I think both alternatives generally fall within that criteria that I described for you with the exception of on the 8 MGD expansion, the peak operating day on the day that the plant goes on line would be 17 hours and 35 minutes based on those projections."

Mayor Siegelman "does that mean that we would replace that with 8 to 10 or would it be 8 plus the 4 to equal 12?"

Mr. Montgomery "you are going from 4 to 8 or 4 to 10, not additional capacity." "So that 17 hour operating day, we will feel is probably a little high for a brand new plant, the day that it is put on line, that means you are operating 2 shifts plus when the plant is new, so in considering technical considerations only, it is our recommendation that you consider a 10 MGD expansion." "Now I am saying that with the full realization that you can't limit your decision making to technical considerations, financial considerations often drive decisions like this and we also realize that the incremental increase from an 8 to 10 million gallons per day treatment plant is not necessarily a proportional increase cost wise, there would be a considerable cost increase in going from an 8 MGD to 10 MGD, there is other factors like the cost of -- money is real cheap right now -- also the cost of that additional capacity is cheaper now than it is ever going to be -- the same with everything else."

Mayor Siegelman "it continues to go up everyday."

Mr. Montgomery "I guess my intent tonight was to put that recommendation on the table for your consideration." "Hopefully this letter is reasonably self explanatory and I would certainly like to get your questions and comments and I had ask Jerry to come tonight -- so that he might have some comments on the issue, he is the one who is going to have to operate the facility ....."

Councilman Shryock "can you give me a baseball figure on the cost between the 8 and the 10?"

Mr. Montgomery "we talked about that - that day at the water treatment plant, I think -- this is totally seat of the pants and we haven't gotten to the point of the study where we are actually looking at the cost of alternatives or specific equipment, and we will do that, but based on our past experience, we are seeing water treatment plants that don't have clear well work and don't have intake work going for construction cost of .75 a gallon, when they have intake or clear well work, they are in the neighborhood of \$1.00 a gallon when they go, with both, which your expansion will require, both intake and clear well work will go in the neighborhood of \$1.25 a gallon, if you apply that, that would be a 1.25 million dollar increase to get an additional 2 million gallons capacity." "That is really seat of the pants type stuff."

Councilman Shryock "2 to 4 million, max ....."

Mr. Montgomery "I would say you could easily do it for that." "I would say it would be between 1 and 2 million dollars additional."

Councilman Shryock "between the 8 and the 10 million."

Councilman Benson "our water plant, as it is now, can it provide water for our present customers?"

Mr. Montgomery "it does not provide for your present customers, you are currently supplementing -- as a matter of fact, I was just talking to Jerry

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and he told me that you just shut off Kentucky American Water Company this morning and for the last past several days you have been operating around the clock and by Kentucky American."

Councilman Benson "Over the last few days, I have heard different stories. I have heard that we have the capacity to supply our regular customers plus the 790-800 customers that are already approved to come on. Then I have heard we do not have the capacity to serve what we have."

Mr. Montgomery "If you look purely on an average daily basis, maybe so, but in the real world it does not work that way. When the weather is hot and dry like it has been the last several days, and people are washing their cars and watering lawns, water usage goes up and that's where it hits you really bad right now."

Councilman Benson "If we are operating that close to capacity and we have 790-800 customers approved to come on, can we supply those people? Some people say we can and some people say we cannot. Should these 790-800 customers go onto Kentucky American until 2-3 years down the road until water plant expansion is complete?"

Mr. Montgomery "You guys are talking about some policy decisions. I certainly do not want to get into this because it is not my area of expertise and I think probably if you look at just for the winter time, you could probably serve those folks. In the summertime, you are not serving what you have now."

Councilman Benson "With that being the case, should we put a moratorium on any further building until the water plant expansion is complete?"

Mr. Montgomery "That is a policy decision."

Councilman Benson "No, I am asking you for your recommendation on this."

Jerry Holt "We cannot serve anymore without Kentucky American."

Mayor Siegelman "I think what Mr. Benson is asking is that if we were to okay all the plans tomorrow for these additional services, could we handle it, and I think the answer is no."

Councilman Benson "If we adopt plans to expand the water plant, we are talking about 2-3 years down the road, can we take the 790-800 people on?"

Jerry Holt "Us ourselves, we cannot."

Councilman Benson "That gives us something to talk about the next time we have a committee meeting. We either put a moratorium or we tell them to go to Kentucky American. It's that simple."

Mayor Siegelman "We knew this was going to come up. That is why it is so important that this is not something we want to do to penalize our taxpayers."

Councilman Benson "We are not trying to penalize anybody. If we allow the taps of these 790-800, and then we have to wait 2-3 years to get our water plant to operate at capacity, we are punishing our present in-town customers to promote the development in the county. That is not fair."

Mayor Siegelman "That is why that ordinance reads that if we can service them with water and sewer, we will. It does not say we have to. It says if we can supply it when the time comes."

Councilman Benson "This only leaves us with one choice and that is to put a moratorium on building. We cannot supply something that we do not have."

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Councilman Shryock "We can't provide for what we've got. What he is saying is, also, that if we do not expand the water plant, we are going to be in deeper trouble than we are now."

Councilman Benson "If we get in a drought situation, you are right. I agree with you."

Councilman Shryock "We've had a drought situation in May."

Councilman Roberts "I have a question for Jerry Holt. Jerry, the water we get from Kentucky American in Lexington, are we still paying more for it than what we are selling it for?"

Jerry Holt "Yes we are."

Mayor Siegelman "That is something else we cannot continue to do." We have to treat it as a business and no business would survive for buying it at a dollar and selling it for fifty cents."

Jerry Holt "We are selling it to the districts for less than we are buying it for from Kentucky American."

Mayor Siegelman "Unfortunately this has happened over the last 15 years, little by little, and we are pretty much stuck with it now. We are in a situation now where we have to do something. That is why we are talking with Brad and GRW and working very closely with Bob and Bart, and we are going to try to do what is best for everyone. The citizens and senior citizens of Versailles don't need to suffer for building going on in the county. It has been known for several years now, we are having difficulty in supplying what we have now. We are going to have to look at this closely about an expansion and how we will go about doing it and how we will afford it."

Councilman Shryock "Brad, how long will it take your company to come up with plans and dollars?"

Mr. Montgomery "We are to the point now where we are on the verge of beginning to look at alternatives for an expansion. Right now we are proceeding on the thought that you all are considering a 10 MGD expansion and certainly that could be subject to change by the decision making of this body. A lot of it depends on your decision making process and determining some of the technical alternatives because this has a prospect of being one of the largest financial investments, if not the single largest, capital outlay that the City has ever made. We want to make sure that your technical staff is comfortable with the technology that is selected and we want to do the appropriate homework to make sure your staff is comfortable with how that money is spent. All things equal, I think we are a couple of months from finishing the study. The study will have a course of action and preliminary engineering cost estimates. With that, you will be able to make the submittal to the Kentucky Division of Water to get approval on your course of action and you will be able to pursue some sort of financing for your project based on that. At that point, you would authorize your design firm to begin design specifications for a project this size. That would probably take somewhere between 6-9 months, closer to 9 months. That is a year already."

Mayor Siegelman "If that wasn't bad enough, the Sewer Plant expansion then needs to follow that."

Mr. Montgomery "At that point, you have design plans and specifications for which you need to get regulatory approvals and permitting which will take another 30-60 days, then you have to go through bids. It will be 3-4 months after that till you get into construction. It then will probably be an 18 month to two year construction project. I think it is a three year project."

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Councilman Shryock "but you are talking about 90 days to get a price."

Mr. Montgomery "hopefully we can do it sooner than that, a lot of it depends on -- water technology has basically not changed for the last 100 years, until the last several years with some regulations and things changing, so there are some alternate technologies out there that are available now, that may be reasonable to apply toward your treatment plant expansion." "If those turn out to be financially attractive, your staff ... and I would advise going to see some of these facilities in operation, talk to the operator, see what you are getting into and we can help coordinate that and if you want to go to those steps, it could actually take a little longer."

MOTION BY BENSON, SECONDED BY BLAND THAT THE WATER PLANT EXPANSION STUDY BE PLACED BACK INTO THE COMMITTEE FOR FURTHER STUDY.

THERE WAS NO VOTE ON THIS MOTION.

Councilman Benson "there has been some things that he brought up that we didn't know and maybe we can meet with GRW."

Mr. Montgomery "can I get a little clarification on what that means, does that mean that I should hold up on what we are working on right now, until I get some further direction from the committee."

Mayor Siegelman "there is some other work that you are doing that we certainly want to continue."

Mr. Montgomery "I was talking about the water plant study." "Do I need to meet with the committee before we proceed any further, I mean, we are kind of going full steam as we speak." "I guess the only other thing -- the one thing that I would encourage, if you are considering a treatment plant expansion, you do want to preserve your revenue base."

Councilman Shryock "we were discussing when we had that meeting down at the water plant about the intakes, is there anything to do about the intakes?"

Mr. Montgomery "nothing really new, the bid opening for the intake project is currently scheduled for June 24, so the design is complete, the plans have been approved and finally ..... that is to get you up to a reliable capacity of 4,000,000 gallons per day." "I hadn't gotten to the point, you were asking questions about whether that intake would be usable as far as an expansion, I think the answer is yes -- there may be some structural modifications necessary, I have gotten that far in the analysis of your existing facilities to determine that there is really no reason -- and I had some concerns that that might not be usable, but I think that you will be able to use that."

Councilman Shryock "yes that is what I was getting, that we get that back up to the 400 horsepower and that will increase our capacity a little bit."

Mr. Montgomery "yes, right now your capacity is down a little bit due to some of the wear and tear on some of the existing equipment, so that will get you to be able to pump the actual 4,000,000 gallons per day from the river now."

Mr. Keith Slugantz "I would be interested in knowing what impact that will have on our water bill, if we do a \$10,000,000 expansion, if we are going to end up having the same water bill as if we bought it from Kentucky American, having 2 water sources is not a bad situation."

Mayor Siegelman "right and we will definitely make all of that available once we get further along."

Mr. Montgomery "the council probably needs the results of our study in figuring out what the water plant expansion is going to cost before they will be able to make that comparison." "Is that safe to say Mayor."

Mayor Siegelman "I think so."

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Mayor Siegelman broke the tie by voting aye.

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Bart Miller "We had a bid opening yesterday morning. You should have a letter from Harvey Helm of GRW with a range of the bids on the second page. The high bid was \$128,953 and the low bid was \$53,000. The projection by the engineer was \$75,000. As the letter explains in the third paragraph, there were a couple of signatures missing on the bid. Those have been corrected. Mr. Helm's recommendation is that we do indeed take the low bid."

City Attorney Moore "You don't have any reason to think that was anything other than inadvertence on your part?"

Bart Miller "I don't. We do allow some latitude in bid advertisements saying that we will waive informalities. Harvey is considering it as such. My recommendation is the same as the engineers in taking the low bidder of \$53,000. It's much lower than the others but they are going to have to meet the standards of what the proposal was obviously."

Councilman Roberts "Are they are bonded."

Councilman Shryock "Are they going to stick that completion date to it? What does it say in the contract?"

Bart Miller "Yes, it's in the contract. It says the project should start in thirty days."

MOTION WAS MADE BY BENSON, SECONDED BY BLAND TO ACCEPT DOUGLAS AVENUE DETENTION BASIN BID SUBMITTED BY HOWARD EXCAVATION, LANCASTER, KENTUCKY, IN THE AMOUNT OF \$53,000.

The vote was as follows: Council Members Benson, Bland, Bradley, Reid, Roberts and Shryock voting aye.

City Clerk Buffin "I have a proposal here from Burlington Publishing Systems and they have proposed to put our Code of Ordinances on computer for \$1400.00. That is a one time cost and we will have to buy how ever many license we need to this Folio View, which they are \$149.00 each. We think we will need just one or two license on that. On-site installation and training of \$350.00 and we will also be able to sell the Code of Ordinance on CD to whomever would like to buy those. On page two, we eventually hope to put our minutes in the Folio View and will be able to use that as an index. We are not proposing to do some of the other things-- have it on the internet, a web site. We think this would be a good thing to do. They have our supplement there now. Since we are getting this on computer, we will not have to order many paper copies and that will save money as well."

MOTION WAS MADE BY BENSON, SECONDED BY BLAND TO APPROVE QUOTE FROM BURLINGTON PUBLISHING SYSTEMS TO PURCHASE FOLIO VIEWS FOR THE CONVERSION OF THE CODE OF ORDINANCES TO COMPUTER FOR A COST OF \$1400.00 + \$350.00 FOR ON SITE INSTALLATION AND TRAINING AND \$149.00 FOR EACH LICENSE OF FOLIO VIEWS.

The vote was as follows: Council Members Benson, Bland, Bradley, Reid, Roberts and Shryock voting aye.

Mayor Siegelman "I would like to make the appointments of B.C. Jones and Gary Gillis to the Ethics Commission."

MOTION BY BLAND, SECONDED BY BENSON THAT B.C. JONES AND GARY GILLIS BE APPOINTED TO SERVE ON THE ETHICS COMMISSION. (THESE ARE 2 YEAR TERMS)

The vote was as follows: Council Members Benson, Bland, Bradley, Reid, Roberts and Shryock voting aye.

Public Works Director Bart Miller "We have had Water and Sewer Committee meetings since our last Council meeting and I would like to touch on that."

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First, the Kentucky American Water Phase IV work that we are on. I would like everyone to understand that we are customers of Kentucky American, and regardless of our opinion or what we might want to do, we have to follow their standards--that's our contract with them. We are enforcing the restrictions as they are, with odd-even watering, no yard watering, no swimming pools, now car washing. Anybody that violates that would be subject to a \$250.00 fine. It is very important that everyone continues to follow that. As far as our options go right now and having to do with water plant capacity, there are three main options that have been presented and that we are currently looking at. Kentucky American has indicated an interest in buying out our system. If that was to happen, it was confirmed that our rates would go to what Lexington's are. If you want to look at percentages, Lexington is about 110% more than us right now. The second option that we are looking at, is the one we have been looking at for a while now and that is water plant expansion--going from 4 to 8 mgd. Given that option, we are talking about for 8 mgd, \$9.5 to 10 million dollars. For 10 mgd, we are talking about \$12.5 million dollars. A third option has presented itself here in the last couple of weeks. City of Frankfort Water Plant Board is very interested in doing business with us. In 1974 they built an 18 mgd water plant. Right now, they also help Georgetown supply their needs, yet they are only at 8 1/2 mgd. What that would entail obviously, would be us running a line between Frankfort and here. Initial discussions on Thursday were that they would run a bigger line to the county line for us to tie onto. This morning they indicated that they would run it at least to Steele Road and maybe even further. They are interested in being a long-term partner with us. By long term, I mean twenty years. If because of the water we use and they need to expand, then they would go ahead and do expansion. Right now their rate is \$1.37 per thousand gallon. We are paying Kentucky American \$1.85 per thousand gallon. So if we are looking at a long-term solution and we don't want to build a plant, at this time Frankfort would be the more viable alternative to Kentucky American. Like I indicated earlier, our first meeting with Frankfort was this past Thursday. Brad Montgomery and I spent the day with them on Thursday looking at some of their improvements and looking at their plant. They are wanting to work with us and meet with us some more and would want to work on what their agreement would be as far as getting that water line to Versailles. I just wanted to make you guys aware of where we were at and get you input or answer any questions that you may have right now."

Mayor Siegelman "With this commitment that they would give us over the 20-25 year period; there would also be a minimum that we would need to purchase but the good news there would be that we would be able to rest our pumps during that time because there should be a proper down time to begin with. This could be something that could be the difference between \$12.5 million dollars to maybe \$2 to 2.5 million dollars. Bart was speaking with Don Hassall of the Bluegrass Area Development District and there is a good possibility that some extra surplus money could be available for this."

Bart Miller "I got a call from Don Hassall yesterday and I was out. I returned the call and finally touched base with him. He was in a meeting yesterday with the State and the question was ask him by State officials if his particular BGADD counties could do some projects with surplus monies; what would they do? He had mentioned sewer rehabilitation and water improvements. He had listed those two things on his wish list for Woodford County. He pointed out that it would not be the kind of money we are talking about for the recreation center last year but there might be some substantial money there to help us out."

Mayor Siegelman "Since we have been looking at this and studying this, there have been many cities who have sold out to large companies like Kentucky American and wish that they had never done so. After they saw what kind of control they lost and increases that they had put upon them."

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Bart Miller "Something too, at the last Council meeting I passed out a letter that had been written to us and our response to the State's concern about our water capacity problems. From a time standpoint, if we started the new design phase for a new plant tomorrow, we would three years away from getting it built. If we do tie-in, we are talking a matter of months, up to maybe a year. We could have that done in a much shorter period of time. I am not here to make any kind of recommendation. We still have some studying to do. We just want input from the Council and the people here tonight or any questions you may want us to look into."

Councilman Reid "Was there also some concern in the letter about how we were going to address our problems. They were only looking at our plant and were not taking into consideration that we are tied to Kentucky American."

Bart Miller "What they said in their letter was that they knew we were tied to Kentucky American but we should not count on them, whatever that means, for long-term planning purposes."

Councilman Shryock "What will the State think of Frankfort's offer--the same thing? What about questions as to why we use another system?"

Bart Miller "You have to consider what Kentucky American is allowed to pull right now and what they are allowed to pull here."

Mayor Siegelman "Kentucky American only has so much water to give us. Frankfort has a lot more to offer us than what we need."

Bart Miller "My feeling is that the State would say that Kentucky American is dangerously close to using their full capacity versus Frankfort that does not."

Mayor Siegelman "Frankfort has it to give and wants to give it and will guarantee long-term, 20-25 years, and if they need to expand they will. Of course in return, they say you are going to buy at least a minimum of 500,000 and we don't have a problem with that because we want to use that for our other systems that are overworked right now."

Councilman Reid "What was our contract for Kentucky American?"

Councilman Shryock "We need to look at that--we may be tied to the deal forever."

City Clerk Buffin "We pay \$400 or \$500 per month for a meter...."

Councilman Benson "It is something that all six of us need to give a lot of thought to."

Mayor Siegelman "Something that Owen and Roy brought up that is real important that made us realize it is possible in different ways, that we don't necessarily need that much water at all times, but there are times that we need that and more. This could be a way that we could take care of Versailles in a real good way and still be able to get our minimum and if we need more, they will guarantee us so much, where when we do get into our dry times, we are okay. When we don't need as much, we will produce it ourselves at a much lesser dollar figure."

Councilman Reid "Do they have a restriction on how much they can draw? Can they draw enough out of the river, will the Kentucky River Authority let them draw enough to make the full 18 million?"

Bart Miller "Yes, they can. That came up in our meeting. Again, I would like to stress that this is a potential long-term solution. The City built a water plant in 1992 and we are done and it is busting at the seams. The state is very aware of that. That is seven years. From an engineering standpoint, they are saying if we ahead and went from 4 mgd to 10 mgd on

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water plant expansion, that would cover us for another 20 years. Frankfort is saying that we can count on them for that extra 6 million. As far as capital outlay goes, you are actually talking a lot less. There are a lot of other system improvements that need to be made. An example, by State law, technically we are suppose to have one days water supply in our water towers. Even when we build the new water tank, we will be at 2.9 million. We are averaging 3.2 million. We need a new water tank yesterday. We have got some pressure problems we need to address. I am not painting a rosy future, but..."

Councilman Reid "With Frankfort tied into us--they have got more pressure. Would it help our system?"

Bart Miller "Right. It depends on where we put the booster."

Mayor Siegelman "If you will notice and from reading all the papers from surrounding areas, other communities around us have the same problems and fireworks that we do. Identical. Some of them are up to 35 million dollars in debt and we are in zero. We are in a lot better shape than most other surrounding communities."

Bart Miller "This is a huge decision. We need to take a hard look at what improvements we need to come up with for the next five years and get our rates adjusted accordingly, so that we can take care of those things. If we double our rates tomorrow, we would still be the cheapest in the BGADD. I am not suggesting any type of rate increase or how much of a rate increase. I'm sure that everybody in here is aware that rates need to go up because they have not increased on a regular basis."

Councilman Roberts "If we go to the expansion from 4 to 6 mgd for our own pump station, I would say our rates would have to go up 75% at once."

Mayor Siegelman "That's right. We couldn't get the bonding capacity. That is why we think to sell out to Kentucky American and have not control and them go to what Lexington rates are at 110%, and most likely be at the commission for a hefty increase every single year."

Councilman Roberts "I think we should study this and take the very best possible way out and as low as we can."

Councilman Bland "Frankfort might be the key to our problems."

Bart Miller "Something else the committee and I talked about this morning-- there is the company out of Nashville called R.W. Beck who are rate analyst and do work with Frankfort and Georgetown. I have got two pages of references that they do work for. They go in and get all your records and your capital improvement projections. They do a lot of work with the Public Service Commission, who we will have to go to when want to raise rates. They take all that information into consideration and tell you what your rates need to be. They are not going to look into Lexington and say well Lexington is at this rate and you all need to be up. Something that is going to keep our rates down is our low amount of debt. They are professionals at this and this is all they do. We have talked to the Public Service Commission and they recommend that we use a company like this. This study takes about 60 days to complete and should not exceed \$15,000. Would we need to get other proposals on that?"

City Attorney Moore "You may be able to get by without it. It depends on how it is drafted. The simpler thing to do would be to request a bid on it. Let them bid and maybe someone else would be inclined to bid as well. Describe what services you want provided. Any time you have over \$10,000, I feel more comfortable in doing that, even if it is for professional services, unless you are dealing with somebody like the City's existing engineering firm. There are few exceptions to it and I am not sure this falls within one of the recognized exceptions."

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Bart Miller "In trying to provide you guys with some information, I've done a lot of research. I have used Don Hassall's information and the engineers have done some reports. I am just trying to empower you with as much information as you need to have."

Mr. Phil House "Bart and I have had discussions over the last few weeks and he has provided very positive information and I appreciate that. The other thing, I think the only deal the City has to do with the Public Service Commission is giving them enough notice so that the water districts know. The City does not have to ask the Public Service Commission."

Bart Miller "What we were told last Tuesday, was even if we have an agreement going in, it still goes before the Public Service Commission."

Mr. Phil House "We have never had to have the Public Service Commission approval. Now, we have to give enough notice to the water districts so they can notify their customers. I think Mr. Moore can expand on that."

City Attorney Moore "I have no idea. I will have to look it up."

Bart Miller "Fred and I were told that last Tuesday when we were talking with them."

Mr. Phil House "Who supplied this information?"

Bart Miller "Gary Gillis . We will find out for sure."

Councilman Shryock "What is the rate we charge customers now?"

Bart Miller "Our customer rate is \$1.52 per thousand and we are paying Kentucky American \$1.85 per thousand."

Mayor Siegelman "What we were talking about earlier, if you all would like to proceed with checking into a rate analyst, then I will entertain a motion to advertise for bids."

Mr. Phil House "Are you going to give the rate analyst your projections that you are going to 6 million, 8 million or 10 million or are you just going to let him guess?"

Mayor Siegelman "I would think we would receive a standard format to fill out and give projections about what we think we would need in the future for the next 20-25 years and let them go forward."

Bart Miller "We may give them two or three different scenarios and let them figure them all out."

Mayor Siegelman "To properly decide whether you all want to use them to come in and analyze our systems, we would need to have a motion and a vote to have others..."

Bart Miller "There needs to be some type of rate increase for us to continue to stay in the water business. My proposal on using a rate analyst was to decide how much a rate increase there should be. We have been band-aiding for awhile and we have been using money from general water project as far as expansion bills go. Sometimes, our capital improvement budget exceeds our operating budget. This is not a town of a couple thousand anymore. If we are going to stay in the water business, we need to learn the rules of how to do it and do it that way. That is what a rate analyst would help us do. That is why I proposed using one."

City Attorney Moore "I think Mr. Shryock was suggestion why should we have them analyze the water plant expansion if what we are going to do is connect to Frankfort?"

Bart Miller "That is the point I tried to address with Mr. House. As far

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as if we haven't reached a decision by the time we engage a rate analyst, we can give them several different scenarios where they could plug in those numbers if we are going to do a water plant expansion and what its going to cost or if we go with Frankfort, what it's going to cost."

MOTION BY BENSON, SECONDED BY BLAND TO ADVERTISE FOR BIDS FOR A RATE ANALYST TO STUDY THE WATER RATE INCREASE NEEDS OF THE CITY.

The vote was as follows: Council Members Benson, Bland, Bradley, Reid, Roberts and Shryock voting aye.

Councilman Miller "We need to move a utility pole on Baker Street and the bank they would agree to pay for the relocation costs of this pole."

Councilman Reid "The bank wants the pole moved, so they agreed to pay for it."

MOTION BY BLAND, SECONDED BY BRADLEY THAT APPROVAL BE GRANTED TO KENTUCKY UTILITIES COMPANY TO RELOCATE LINES TO THE NEW POLE ON BAKER ALLEY AT A COST OF \$3,906.00. IT IS NOTED THAT CITIZENS COMMERCE BANK WILL REIMBURSE THE CITY IN THE AMOUNT OF \$3,906.00 FOR THIS RELOCATION.

The vote was as follows: Council Members Benson, Bland, Bradley, Reid, Roberts and Shryock voting aye.

Councilman Reid "I would like for someone to look into installing street lights on the backside of Crossfield Drive. It is very dark back there. We need to have Bart have a look at it."

Mayor Siegelman "Absolutely, that's a great idea."

Bart Miller "This water decision is going to be huge. If anyone wants to come and talk for an hour upstairs, get more information or whatever, just let me know."

Chief Love "I would like to purchase some things. The first thing I would like to have approved is the purchase of a Multimedia Projector to be purchased under our Block Grant funds. This will be used in our school programs and when we do presentations around town and we can hook our computers up to them and everybody can see them. The two quotes I received were:

Global Computer Supplies	\$5,499.00
Consolidated Media Systems	\$3,686.00

MOTION BY BLAND, SECONDED BY BENSON THAT THE QUOTE FOR A MULTIMEDIA PROJECTOR FOR THE POLICE DEPARTMENT BY CONSOLIDATED MEDIA SYSTEMS IN THE AMOUNT OF \$3,686.00 BE APPROVED. (TO BE PURCHASED FROM LLEBG GRANT)

The vote was as follows: Council Members Benson, Bland, Bradley, Reid, Roberts and Shryock voting aye.

Chief Love "We might have to have City Attorney Moore give us a ruling on this next purchase. This is a proposal from Bluegrass Power Generation to purchase the equipment to make the generator at Fire Station #2 an automatic switch over when the power goes off for the update that we are doing in the GOC room in the basement and the county will be billed for half of this. This is specific equipment to the generator that is out there. This is the only quote we have because this is the company that supplied the generator and this is specific equipment to that. Do we need to try to find somebody else to bid on this?"

City Attorney Moore "That would be the issue. Is it a unique thing or are there other people who have this particular product?"

Councilman Reid "It's the same thing as hanging a chevy fender on a ford car. You just can't do it."

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Minutes of the regular meeting of the Board of Council held in the Municipal Building at 5:30 p.m., Tuesday, September 7, 1999.

Present: Mayor Fred Siegelman

Council Members: Roy Benson, Luther Bland, Mary Bradley, Geoffrey Reid, Owen Roberts, and Nickie Shryock.

MOTION BY ROBERTS, SECONDED BY BRADLEY THAT THE MINUTES OF THE AUGUST 17, 1999 COUNCIL MEETING BE APPROVED.

The vote was as follows: Council Members Benson, Bland, Bradley, Reid, Roberts and Shryock voting aye.

Bart Miller "As most of you all know, for the past two or three months we have been looking at different options as far as the expansion of our water plant or how we are going to supply more water. We are concentrating on two key options right now. One of them is purchasing water from Frankfort. We would be doing that by building a line between Frankfort and here and with that I would like to introduce and welcome Herbie Bannister and Warner Caines, who are both from Frankfort. Herbie is going to make a small presentation to just show us what they have in mind and then entertain questions from the Council."

Mr. Bannister "Thank you Bart. Again my name is Herbie Bannister and I am the assistant general manager over operations with the plant board. Tonight, I have with me our General Manager, Warner Caines, Bunk Sullivan of our distribution system and Chris Riddle, our treatment plant superintendent. I guess Bart contacted us a couple of weeks ago and indicated one of the options that the City of Versailles was looking at was purchasing water from the City of Frankfort. I would like to take a couple of minutes to tell you a little about the Frankfort Plant Board. We were put together in 1943 when we bought out the National Gas and Electric Board that owned the Plant Board. Our water plant was constructed in 1974 and we have an 18 mgd capacity. Right now, we are using about 8 million gallons per day. So we have some excess capacity and hope to be able to help Versailles. What I have got tonight is a USGS map which shows the City of Frankfort and the City of Versailles. The route we are looking at to get water to the City of Versailles is along U.S. 60. The first thing we did in trying to come up with a presentation, we looked at the distance. We've got about 43,000 feet from where we would make the tap from Frankfort to the U.S. 60 bypass. At the U.S. 60 tap, we would propose to make a tap at our industrial park. We have a 24 inch transmission main at that point and also have a 2 million gallon, all concrete water elevated water tank under construction. Then we would proceed along U.S. 60 to the bypass and would probably split the line to come on down Main Street to tie into the McCracken Street water tower and continue along U.S. 60 to somewhere in the vicinity of the Kuhlman factory. The reason we are looking at making the split here is to tap into two existing 12 inch lines that the City of Versailles has in this vicinity. I told you it was 43,000 feet to the bypass split, it is another roughly 5,000 feet along Main Street to get to your McCracken Street tank and another 4,000 feet to the vicinity of the Kuhlman factory. The second thing we had to pin down was to get some sort cost estimate, was to determine what size pipeline the City of Versailles would need. Bart Miller indicated he was looking for 4.5 mgd from the Plant Board. When you size water mains, you size them for about a maximum velocity of about 5 feet per second. That correlates to a 16 inch diameter transmission. So now that we've got the link and the size of the pipe, I went about figure the cost estimate in two different phases. The first spreadsheet was the cost to get the water line from the end of the Frankfort Water Plant Board territory. The other cost estimate was to get the line on into Versailles to the two 12 inch lines in town. It was easy to calculate the material cost to get the line on into Versailles. As far as valves, I figured 16 inch valves every 3,000 feet and I put a fire hydrant about every 1,000 feet along the U.S. 60 corridor. Now once I got into the Versailles city limits, I did not put that many fire hydrants into



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the cost estimate because I figured Versailles already had fire hydrants in that vicinity. Okay, once I got the material cost then we had to take a look at what your doing to draw out of that water line. We've got a tremendous amount of rock, especially just before you get to the bypass headed to Frankfort, you can see the outcrossing rock that is lying on the surface. To make a long story short, of the 43,000 feet, it is estimated that there is 32,000 feet of rock, about 11,000 feet would be earth digging. I indicated we have a 24 inch transmission main at our industrial park, that is 32,000 feet of 24 inch that we just got installed. Right now under construction, we have got 20 inch transmission main. About 14,000 feet of that under construction. So with these big transmission lines under construction, we have a pretty good idea of what the installation cost would be. We got our contractor, who has done these two jobs, to give an estimate on installing the line from Frankfort to Versailles. We spent about three days wheeling the distance and taking a look at the rock, and they gave us a price per foot of installing the water line and I plugged that into the cost estimate and came up with a total. On the second spreadsheet where I was calculating the cost to come from the end of the Frankfort Plant Board territory on into town, I listed a pump station and a master meter vault in the Versailles area territory. It now looks like due to hydraulics, a pump station may be required in the Grassy Spring road area. Fifteen or twenty years from now and you are wanting that 4.5 million gallons, at that flow rate, you are losing about 2 lbs. of pressure about every 1,000 feet. So because of the loss in pressure and the elevations, you are most likely going to have to have a pump station in that area to pump it on in to Versailles. We operate off of a 972 flow elevation in our tank. You all operate off of a 1038 I think. Regardless of friction loss or loss of pressure, you would have to have a pump just to pump it to your tanks because your overflow is 100 and something feet above ours to begin with. After I got the material and installation cost totalled up and based on construction costs, I used the Farmer's Home Administration guidelines for determining what they would be willing to pay for engineering fees and inspection fees and I added that to the costs. Finally, we put a 10 percent contingency factor into that. I was telling Mr. Miller before the meeting that I felt very good about the cost estimate because we know what materials cost. We've already got that on bid. Contractors spent three days in giving us installation costs and he has done two large diameter transmissions for us in the last year and one half. One thing you may notice on the sheet that has the grand total of entire project of \$5,083,819.29, the last item on the spreadsheet is for installing pipe in asphalt along main street. When you make this flat and come down main street, you have approximately a couple of thousand feet and we have a grass area and then it looks like the rest of the installation along Main Street is going to have to be in asphalt and depending on whether or not the Highway Department makes us put a backfill in there, we could get up around \$76.00 a foot to install that asphalt."

Mayor Siegelman "Is there any chance that it could be less expensive if there were not a 16 inch or is that what we would have to go with?"

Mr. Bannister "If you want 4.5 mgd from us, somewhere in the future you have to have a minimum of a 16 inch pipe."

Mayor Siegelman "So we will want to do it the right way and start it with that size."

Mr. Bannister "Again, as I indicated, I did the cost estimate in two phases and in what I felt it would cost to the end of our territory and what it would cost to bring that line on into Versailles. The sheet that has the grand total of \$5 million dollars has a booster pump and a master vault on it. Early thoughts were that we tried to put the pump station on your side of the project, but it looks like the hydraulics are going to more force the pump station in the Frankfort territory at this point so I suppose those two items would go on our cost estimate. Once we get into detail buying, there is a chance that there could be some savings. As you come down Main Street, instead of making the split and coming down U.S. 60 to

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hit the Kuhlman factory, maybe if there could be some sort of route in between Main Street and U.S. 60, that would cut a good hunk of pipe out of the cost. There are some options, that once you get into it, would be ways of saving money. Also, I have resident inspections listed for both sides of this project. If Versailles has their own forces, if they chose they wanted to do their own inspections, that would save money."

Bart Miller "For clarification from a cost standpoint, the City would be responsible for this first page."

Mr. Bannister "We are not saying what the breakdown would be. We are saying the total cost to bring the water from Frankfort would be \$5,083,819.29. Our thoughts at the Plant Board are if we have the transmission system come through our territory it is going to benefit Frankfort. It would allow more volume to the horse farms who are wanting more water. So if we had this transmission coming through our territory, it would benefit the Plant Board so we feel like we could share in the cost of constructing some part of the line along U.S. 60. Our thoughts are, if we were going to improve our system on our own, we would construct a larger diameter to approximately Steele Road. We probably would not build anything builder past Steele Road because there are not many customers on it. We would probably build something from our industrial park to Steele Road if we were trying to improve on our system. So with that thought in mind, it is only practical that the Plant Board would participate in some of that cost. I do not have that cost for you tonight. One of the factors that comes into play here is meeting with some of the horse farm owners and see if they would be willing to participate in construction costs in return for getting more water volume to their farm. We have not had the opportunity to meet with any of them yet. What I am bring to you tonight is what the dollar costs would be to get water to Versailles and as far as what portion the Plant Board would participate, I do not have that tonight."

Bart Miller "When do you think you all would have that?"

Mr. Bannister "I guess we are looking for some sort of direction from the City Council or City of Versailles to let us know if this is something they are interested in at the point and we will delve into it a little deeper. One factor affecting us at the Plant Board is that our Council does not meet until tomorrow night. They have not had the opportunity to review stuff, recommendations or their thoughts, but we feel like it is pretty practical as far as what we are talking about when participating in the costs. I would think that we could have some costs for you in a couple of weeks as to what our share would be."

Mayor Siegelman "We are definitely interested, but it would depend on how interested we would be based upon what you all could do to help us."

Councilman Shryock "How much of that western part of Woodford County do you all provide water to now?"

Mr. Bannister "As you are going down U.S. 60 toward Frankfort, there is a brick house on the right, across from the Hoppy Henton farm, is our last meter."

Councilman Shryock "What line do you have down to the Henton Farm?"

Councilman Reid "The Henton Farm he is referring to is not the Henton Farm on Grassy Springs--it is the one that they use to own and is now Ashford Stud. It's between Ashford and Brookside. Across from the U.K. farm."

Mr. Bannister "We have a six inch line there now."

Councilman Shryock "I think the Mayor made a very good point. We are going to have to negotiate with you all to determine whether or not you part in this would be feasible for us to go with the adventure."

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Mayor Siegelman "Maybe after you all meet tomorrow, you can get back with us."

Councilman Shryock "If we are going to put \$5 million into this project and still buy water from you, it might be feasible for us to go ahead and put \$8 million into our own and not have to pay for any water."

Mr. Bannister "Again, I apologize for not having that number, but we have just not had the opportunity to meet with our Board or get with the farm owners."

Councilman Shryock "I realize that you all may not want to underwrite us, but we would also want to see if we would underwrite your pipeline to your present customers also."

Bart Miller "The Mayor had brought up a point earlier about it being a 16 inch line and the feasibility of it being smaller. Brad Montgomery from GRW has really been helping us in this process. The reason we are looking at a 16 inch line is because it can handle 4.5 million gallons. If you are going to put out this kind of money, whether it be 3 million, 4 million or whatever, you don't want something that is going to last you 5 to 7 years. You want something to last you down the road. We don't need a band-aid. This would be more of a long term solution. That is doubling our water capacity if we get another 4.5 million, so you are looking more at twenty years down the road and then regroup at that point to decide as to how the water future goes. Even at that time you may need to put in a 20 inch or maybe a 24 inch line. I just felt like that if we are going to do and spend this kind of money, we need to put in a 16 inch line."

Councilman Shryock "Another thing, when it comes down to it, when you bought this system, your current system...You know that there is some private water companies that are trying to purchase municipal water companies. Also there would have to be some kind of legal binding price on our water whether or not you sold out ever to another company."

Mr. Bannister "That is probably a question for the attorneys."

Councilman Shryock "Right, I see. I hate to see somebody buy you all out in 8 or 10 years and say Merry Christmas and we are just going to triple your water rates."

Mr. Bannister "Typically, when you enter into an agreement with a water company, you enter in with a four year contract and there is language in there that the rates of subject to change. I do not know of any contract that I have ever seen that did not have that stipulation in there. I can tell you there is no intention on the part of the Plant Board to sell."

Mayor Siegelman "One of the reasons why we are interested and that I am so impressed with is how you all run your business and the Frankfort Plant Board in all aspects and I feel you have taken hold of certain things and run them well just like the cable. That is why I have been speaking with Mr. Caines. We are hoping to find out something about that also."

Bart Miller "I will tell you that presently we are paying \$1.85 to Kentucky American for a thousand gallons and you rate is \$1.30."

Mr. Bannister "Our existing rate for wholesale customers that have their own plant is \$1.36 per thousand gallons. Now, once you buy more than 15 million gallons in a month, it drops down to \$1.20 per thousand gallons."

Councilman Roberts "How do you all get all this water--our river is dry?"

Mr. Bannister "I looked at the flow coming across Lock 4 yesterday, and usually you have about 700 feet per cubic second and it's down to about 200 feet per cubic second right now. A couple weeks back, it got down to about 150 feet per cubic second. Yesterday, at 200 cubic feet per second, that

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is 120 million gallons per day flowing past our intake and if we took our full plant capacity out of that flow, we would only be taking 14 percent of the flow out of the river that is coming past us."

Councilman Shryock "Looking at the crystal ball, that is something that the Kentucky River Authority may say you are at 8 and you can go to 10 and that will be it for a while. They may say we are going to freeze that for the next five years or so."

Mr. Bannister "I do not foresee that happening and we will direct that questions to our treatment plant superintendent. Right now, our permit withdrawal is 12. We have a large capacity for water."

Mr. Bannister "That regulation comes from the Division of Water and they will allow you to remove 55% of the flow from any stream."

Bart Miller "That is something we can make sure of early in the process too."

Mr. Bannister "We feel like we would like to help out Versailles. We are supply Georgetown's water also. But, sometime down the road, we feel like that all water systems are going to be connected. So for a regulatory agency to say that you are only going to get 8 or 10 million gallons out of the river, does not seem practical and I don't think that is in the best interest of the whole community, the whole state. The regulatory agency are leaning the same way in regionalizing water districts and companies."

Steve Peterson "I am just curious, are there any water restrictions in Frankfort area now?"

Mr. Bannister "No, there is not."

Mayor Siegelman "Mr. Caines, do you have any information for me since we last spoke by any chance?"

Mr. Caines "Since we last talk, I have been in touch with the consultant that is doing all the work on the cable and that is who you really need to talk with. We are right in the middle of a full service network and my board meets tomorrow night to get approval on our cable improvement plans and as soon as we get that out of the way, he will probably get back in contact with you."

Mayor Siegelman "Great, we look forward to that. For you information, they also run the cable in Frankfort and supply some of the people on the Woodford County end in Millville, who are very pleased with that cable service."

Mr. Caines "We feel like the more customers we have, the cheaper we can provide the service to our customers. The same thing on the water. We have got quite a few customers for water. We really appreciate your time tonight."

Bart Miller "If you all would look at the next thing in your packet. This is the preliminary draft of the water plant expansion alternatives. This is a cost comparison analysis. I am not going to go over this tonight but if you have 15 or 20 minutes at home to look it over, you can see the range on the first of what water expansion does on the bottom line. It goes from \$12.8 to \$13.7 million as far as the water plant expansion goes. It's going from 4 mgd to 10 mgd. The very last page of that, potential cost savings, there are some ways to save cost on this and if you did everything on that list you are saving about one-half million dollars total. That would take your range for water plant expansion down from \$12.4 to \$12.2. That would obviously include a new raw water pump station, transmission main and a high service transmission main to get the water to town. To finish up, the newest rate sheet from EGADD, we have maintained our ranking and are still the cheapest water in the EGADD and the third cheapest in the

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State. There is a letter past that from Don Hassall. We had talked last time about a rate analysis. Bluegrass ADD has just finished an analysis for Lancaster. If you go through that, it will show you the kind of information we are trying to get, so right now I am working on getting BGADD some information. They are going to do the same type of analysis for us. This cost Lancaster about \$3,000 to get theirs done. They do a very thorough job with it and bill hourly. We will provide them with most of the information to try to keep the cost down. Again, we are trying to determine exactly how much we are going to need to pay for our water system and exactly how much for sewer so we can get everything in line. A lot of interesting reading there. Are there any questions about where we are, water expansion or any issues at all concerning water and sewer?"

Mayor Siegelman "Before we go any further, I would like for everyone to please remember our former Mayor's wife, Audrey Reed, in our prayers. She is in the hospital and not doing well. We want to remember her."

Wade Johnson "There are two items I would like to bring to your attention. I hope you all got a copy of the proposal that was presented to and approved by Fiscal Court on the 24th of August. The gist of the proposal is the same as that were put in several months ago, we talked about it and I did some consulting with Cy Brown and we felt like .02 cents per pound for trash disposal would be equitable. This would be for everything. We are not going to differentiate. We feel like this would allow us to recoup some of the money we are currently having to pay BFI to haul it. But the big thing was to get a price everybody could live with and was fair and across the board. This business of estimating how much their hauling in their pickup and trailer and estimating how much to charge, inherently leads to rightly or wrongly, fairness issues. I charged you more than I charged you for approximately the same thing, etc. Fairness is what this is all about. For that reason, the Fiscal Court approved it and I felt like you all should be made aware of it. I have not yet set a date for when we are going to implement this because we need to do a little road widening right at the entrance because right now we have all the makings for demolition derby. I don't want the job of directing traffic out there. I am currently working up the drawings right now and have met with Art Craig and worked up a scheme on how to get the traffic in and out with a minimal amount of difficulty. Do you all have any questions?"

Councilman Bland "It sounds like a winner to me."

Wade Johnson "We think it's fair. In fact in some instances, what we are charging for a bag of trash... We feel like we will get some of this back and everyone know there are paying the same as the next person."

Bart Miller "Will there be a drop point for..."

Wade Johnson "No, actually there will be three entrance lanes. One lane will be for non-chargeable items, recycles, metal and brush. They will go straight on through. The chargeable items, household trash and demolition debris have to go across the scales. Now the regular recycling will go straight through and drop right through like they always do."

Bart Miller "What if you bring trash and recycling?"

Wade Johnson "We are still working on that. We may have to have something out front for combination drop-off. We want to make it as simple as possible. There is going to be an adjustment involved. I just hope the trauma is not too bad. Thank you for your time."

Stuart Butler "I am here tonight representing the Woodford Habitat for Humanity. I am Project Coordinator for a duplex being built and addressed as 314 and 316 Martin Luther King Boulevard. I would like to request a waiving of the tap-on fee. This was done when we built a duplex on Church Street in 1994 and it would certainly be a savings to us."

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appreciate you coming out Joe, and we will put you on the agenda for the next meeting.

Mr. Herbie Bannister of the Frankfort Plant Board "I am here to talk about the feasibility of the pipeline from Frankfort to Versailles to provide a potable water supply. I would like to take a couple of minutes to summarize where we were at our last meeting. A month ago the Plant Board was contacted and ask about the feasibility of providing potable water to the City of Versailles and we met with Bart and he indicated that the City was looking for somewhere around 4 1/2 million gallons per day. We determined that it took about a 16 inch diameter pipeline. We got to looking at where we would have to come from Frankfort and how we would get to Versailles. We came up with a couple of routes and met with Mr. Miller. Where we would come from in Frankfort is our new industrial park, where we are constructing an elevated 2 million gallon concrete tank and we have a 24 inch transmission main that we just got constructed. We would come along U.S. 60, most likely on the right hand side as you come toward Versailles and we would come to the bypass here in Versailles and that 16 inch line would be split into two 16 inch lines. One coming on down Main Street to tie into existing 12 inch line at the Elm Street tank and a 12 inch line at the Kuhlman factory. After we had the routes and the size of line, we had to get a project cost estimate together. We already knew the material cost because we buy our material in bulk on a yearly basis. The way I perceived at getting a cost of installing the line was our contact to the contractor who built the 24 inch transmission main and who is currently finishing our 20 inch transmission main. This contractor is in Frankfort and has done a lot of work with us. That contractor spent about three days looking at the route and the 43,000 feet from our industrial park to the bypass, he indicated about 32,000 feet of that was in rock and he gave me a cost to install the line. At the last meeting, I gave you a total project cost of about 5.1 million dollars. At that meeting, I told you the plant board would benefit from having this big transmission main come through a portion of our territory but I could not tell you how much benefit we felt that was. We had not met with our board at that time. After your last meeting, we then met with our board to proceed with calculations as to some sort of calculation we could share in the cost. The way we determined what our benefit was is that we would construct a 12 inch line to benefit our Woodford County customers to Steele Road. So we looked at the capacity of a 12 inch line versus the capacity of 16 inch line that was being proposed. A 12 inch line will carry 56 percent capacity. We looked at restructuring cost from the industrial park to Steele Road and we took 56 percent of our cost and said the plant board would pay for that. We took 56 percent of the engineering cost, took 56 percent of the inspection cost. In summary, the Frankfort Plant Board participation in that project is \$881,604. The other issue that comes into play, is that we had talked about building a pipeline to service communities and how much water you have to have flowing to it on a daily basis. There is about 660,000 gallons of water setting in that water line. It is our policy that we flush our transmission main...so the Plant Board would like to see 660,000 gallons of day to go through the pipeline to keep it flushed out. We met with our accountants, and they say that given we would have nearly \$1 million dollars invested in this project and that we would need to see a million gallons of water per day go through this line. We then met with the Mayor and Bart Miller and we indicated that given our contribution we would have to have a minimum daily purchase of one millions gallons per day. They then came back to us and said they would feel a little better if the purchase was more like half a million gallons per day and we reiterated that we like to keep the lines flushed out and that is 660,000 gallons. I spent some more time with the accountants and the Plant Board was willing to meet the City of Versailles half way. We would be satisfied with 750,000 gallons per day minimum purchase. We think the benefit of having the pipeline to Frankfort gives the City of Versailles dual feed. If for some reason in the future you have you water plant down, we can still serve the City of Versailles. That is quite a benefit to you. The City of Georgetown has relied on us many times over the years when they have had problems. We have completely fed Georgetown for several days at

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a time. It is quite a benefit to have a dual feed coming into your City. The Plant Board is willing to participate at \$881,604 in this project that you would see, but we would also participate another \$140,000 that you would not particularly see on your spreadsheet. We are talking about building a 16 inch line of service, but if the City of Frankfort needed any water off of that line, we would have to build something bigger. So a 16 inch line is the minimum that the City of Versailles would need. So we will build a 40 inch line from the industrial park to Steele Road and that will cost the Plant Board an additional \$140,000. So at this point, the Plant Board would have over \$1 million dollar in this project. We sure would like to team up with the City of Versailles and provide you all with some water."

Councilman Reid "If an agreement is reached, what kind of a timeframe are we talking about for construction? Did the contractor give you any kind of idea?"

Mr. Bannister "Yes, we have set down with Bart and the Mayor. If you fast-track this project, we are talking 13-15 month project. If the Council approves this plan, the Plant Board needs some sort of commitment by the first week of November."

Mayor Siegelman "If we looked at an expansion, it would be 3 years minimum and a lot more money."

Bart Miller "In case you don't have your sheets from last meeting, and to clarify this, the figure is not 1.5 million minus the \$881,604. It is the \$5.1 million (from previous handout) minus the \$881,604. We are still talking about \$4.2 million, roughly."

Mayor Siegelman "Let's put this into committee until our next meeting and study it, then we will come back with our recommendations for the rest of the Council."

Bart Miller "As far as the term of the contract Herbie, could you please clarify that."

Mr. Bannister "Typically, water contracts are written for forty years."

Bart Miller "Is this a Farmers Home water contract? The money spent to get us from here to Frankfort is going to be all on us for the most part. That might be something we want to revisit or discuss negotiations for a shorter contract."

Mayor Siegelman "We can discuss that in the committee meeting and get with the Plant Board is we need some questions and answers before the next meeting."

Mr. Bannister "We realize that this is a significant amount of money, but we are providing you with a second source of potable water. I hope you all realize that the Plant Board is trying to meet your needs half way. We have already spent \$7.0 million dollars for the 24-inch transmission main and that new two million gallon tank through industrial park that made this possible. The Plant Board has a healthy investment just to get to this point."

Mayor Siegelman "Before we continue, I notice we have a Boy Scout troop with us tonight. We appreciate you coming in."

Ron Baker, Troop Leader of Troop #43, our boys are earning their merit badges under a program called Citizenship in the Community. One of the requirements is to visit Council meeting and learn how City government is run."

Mr. Hank Graddy "Mayor and Council I would first like to thank you for allowing me to be on tonight's agenda. My comments to you were..."



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September 21, 1999

The vote was as follows: Council Members Benson, Bland, Bradley, Reid and Roberts voting aye.

Councilman Benson left the meeting.

Mayor Siegelman "Blood drive incentive for City employees."

Public Works Director Miller "Central Kentucky Blood Center in affiliation with the Volunteer Committee here in town is having a blood drive down at the Spring Park, Fred and myself are supposed to be in a dunking booth, I believe." "What we are proposing is an incentive like people offer, like a half day off for blood donors, if their employees donate blood, we are asking for two hours." "It would have to be city wide, from what Paul Combs said."

Deputy Clerk Love "you have to offer it to every city employee, police department, fire department, and all full time employees, it is just like granting a holiday."

Mr. Miller "as far as incentive of the donation of a pint of blood." "Chief, what are your thoughts?"

Chief Love "we would probably have to have them book the time, because if we already have somebody off and we are at a minimum staffing that day, we could afford to let them off."

Deputy Clerk White "the Blood drive people would have to issue a slip, actually the day is on a Sunday so your shifts I am sure would be affected."

Mr. Miller "and arrangements could be made if they went up to the Blood Center."

Chief Love "That would apply to all employees whether they were on duty or off duty."

MOTION BY BLAND, SECONDED BY BRADLEY TO APPROVE A TWO-HOUR COMPENSATORY TIME INCENTIVE FOR CITY EMPLOYEES WHO PARTICIPATE IN CENTRAL KENTUCKY BLOOD CENTER BLOOD DRIVE.

The vote was as follows: Council Members Bland, Benson, Bradley, Reid and Roberts voting aye.

Mayor Siegelman "are there any committee reports?"

Mr. Bart Miller "One quick comment. We are moving forward with what I had proposed at last meeting on the Bluegrass ADD doing the sewer and water rate study. Don Hassall will be spearheading this and he will be going over all of our sewer and water records and telling us this is how much you are spending and this how much you need to charge. He will be taking into account Frankfort and what if, as far as expansion goes. You will have an independent voice on some direction on how much you all need to increase water and sewer rates. We talked to two private firms about doing it and they were \$15,000 and \$16,000. Don Hassall, Bluegrass ADD is non-profit, but they are right around \$8,200 maximum and that depends on how much help we can provide them. If we provide them quite a bit of help then that price would go down. That is based solely on their cost."

City Clerk Buffin "We probably need to have a motion on that don't we?"

City Attorney Moore "If you are going to spend the money for that. You need a motion to authorize it."

MOTION BY BLAND, SECONDED BY REID TO APPROVE EXPENDITURE OF \$8,200 FOR WATER AND SEWER RATE STUDY TO BE DONE BY BLUEGRASS AREA DEVELOPMENT DISTRICT.

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October 5, 1999

what they found at this point.

MOTION BY BENSON, SECONDED BY SHRYOCK TO ADOPT THE FINDINGS OF THE PLANNING AND ZONING COMMISSION REGARDING ZONE CHANGE APPLICATION AND CONCEPTUAL DEVELOPMENT PLAN FOR 277 LEXINGTON STREET.

The vote was as follows: Benson, Bland, Bradley, Reid, Shryock and Roberts voting aye.

City Attorney Moore "The next step in that process is to adopt an ordinance adopting that zone change. We have a proposed ordinance which we could proceed with the first reading tonight if the Council would so desire."

Councilman Roberts requested the first reading of the Ordinance Rezoning 277 Lexington Street from P-1 to B-2.

CITY ATTORNEY MOORE GAVE THE FIRST READING OF THE FOLLOWING ORDINANCE:

AN ORDINANCE REZONING 277 LEXINGTON STREET  
FROM P-1 TO B-2

WHEREAS, the Versailles, Midway, Woodford County Planning and Zoning Commission has, after public hearing and according to law recommended that the property located at 277 Lexington Street, Versailles, Kentucky be rezoned from P-1 to B-2;

WHEREAS, the Council has reviewed the full record including transcripts of public hearings with public comment contained therein.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF THE COUNCIL OF THE CITY OF VERSAILLES, KENTUCKY as follows:

Section 1. The property located at 277 Lexington Street, Versailles, Kentucky hereinafter described shall be and hereby is rezoned from P-1 to B-2.

Section 2. Attached hereto and incorporated herein by reference is the legal metes and bounds description of the said property, which shall serve to designate the official boundaries of the zone.

Section 3. The Zoning Map of the City of Versailles shall be amended to reflect such zoning change.

Section 4. The findings of fact made by the Planning Commission shall be and hereby are adopted in all respects. The Council finds, after a review of the record, that the existing zoning classification of P-1 is inappropriate, and a zoning classification of B-2 is appropriate.

Section 5. This Ordinance shall become effective after the date of its passage, approval by the Mayor and due publication as required by law.

Introduced and given first reading at a meeting of the City Council of the City of Versailles, Kentucky, held on the \_\_\_\_\_ day of \_\_\_\_\_, 1999, and fully adopted after the second reading at a meeting of said council held on the \_\_\_\_\_ day of \_\_\_\_\_, 1999.

Mayor Siegelman "Mr. Herbie Bannister of the Frankfort Water Plant Board is here regarding the Frankfort tie-in."

Mr. Bart Miller "I think what we are going to do tonight is to discuss the situation of the Frankfort water tie-in. I delivered packets to all council members and yourself on Friday to cover any questions. The reason they came was to clarify any questions the committee may have and go ahead maybe and put into motion the steps needed to authorize to begin the new negotiations with Frankfort. Basically what we have right now is us covering \$4.3 million dollars of the work to be involved. It will be a 20

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year contract. The minimum 750,000 gpd that we buy from them. We are talking roughly anywhere from 12-14 months to be done. If this is a step the City wants to go ahead and take, then the sooner the better so we can get it done before the end of next year. Other than that, we are both open for input or questions from you guys or any questions you have had from your constituents."

Councilman Roberts "What size pipe did we decide to go with?"

Bart Miller "16 inch. Herbie would you like to comment on the pipe size with Owen. He called me and questioned the 16 inch versus the 20 inch."

Herbie Bannister "Early on, the City of Versailles had ask us what size pipe we would need to supply Versailles with 4.5 mgd and the minimize pipe size that would deliver that would be a 16 inch. He subsequently ask me what is the cost difference if we go with a 20 inch diameter pipe. The original construction cost estimate for the 16 inch was approximately \$5.1 million dollars. If you increased to a 20 inch line, the cost goes to \$7.7 million dollars."

Bart Miller "Our costs would go from roughly \$4.2 million to \$6.9 million. We do anticipate that the 16 inch would more than double our capacity in getting us through the next 20 years."

Councilman Shryock "I think my biggest concern now is this negotiation of the amount of water we have to buy, the number of years we are in the contract for and the rates that we are going to be charged initially and whether or not they are going to be fixed over a period of 20 years or some kind of an agreement would be made in the case of a rate increase. I would hate to see us go into a 20 year contract with no caps or some kind..."

Mayor Siegelman "Mr. Shryock is talking about the \$1.20 rate after we buy our flat amount. Is that fixed?"

Mr. Bannister "Let me try to answer the concerns as they come up. I think the first one I heard was the concern of the minimum of 750,000 gpd and that comes from two factors. Number one, we wanted to look at how much water it takes to flush that transmission main out on a daily basis. I think that line has somewhere in the neighborhood of 60,000 gallons we would like to get flushed every day. The second factor that comes into a minimum water purchase is the economics of what the plant board needs back financially to make this feasible to go into debt on our end to make this connection. The second concern had to do with the term of the contract being 20 years. Typically a water contract we have with all of our water districts is a 40 year contract. We do have a 10 year contract, renewable, with the City of Georgetown. Now with this proposed project with the City of Versailles we are looking at bonding this project over a 20 year term, so we would want a 20 year contract to pay back on that bond for the full length of the bond. Your third concern had to do with rates. The City of Versailles would be subject to rate increases just as are any other of our customers. We cannot guarantee that your rates will be held for \$1.36 for the whole 20 years. We cannot guarantee that for any of our customers. But you all would be subject to the same rate increases as everyone of our customers."

Councilman Shryock "So we could be paying \$1.20 this year and \$1.40 next year, and \$1.80 the year after. You could raise our rates every year."

Mr. Bannister "Our next proposed rate increase is three years out. Typically, we don't raise rates every single year. I suspect three years to be conservative. We may be four or five years out on the rate increase."

Mr. Bart Miller "I think what hurts us here is Versailles is completely out of having to raise their water rates. That is why we are at 40% of the state average right now. If you look down the road, the Safe Drinking

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Water Act that is being implemented in 2003 says that it will cost \$139 billion dollars throughout the country to upgrade plants to the standards where they need to be. If you took the worth of all the plants out there right now, they are only worth \$130 billion dollars. Water is one of only a few utilities where it's costing more and more to produce. Rate increases are inevitable. If we go with a \$12-\$13 million dollar plant expansion ourselves, we have to go up 80 percent to pay for that plant expansion."

Councilman Shryock "We may have to go up 90 percent if we go with Frankfort. We don't have any idea, neither do they, how much how rate increase is going to be over the next twenty years."

Mayor Siegelman "Aren't you bound by laws of how much an increase you can give a year?"

Mr. Bannister "When we go for a rate increase on water utilities, we are subject to review by the Public Service Commission and our rates are very in line with the BGADD. We pride ourselves in providing a quality, economical service and we are not out to over charge our customers--we are non-profit."

Councilman Shryock "Since we are going to enter into a contract to purchase water, it appears to me that the negotiations or contract to purchase could have those limitations put in it. If you want us to buy your water, and we are going to invest millions of dollars on a pipeline, seems like negotiations should be open enough to where we could say we are going to pay this price for this amount of water for this amount of time."

Mr. Bannister "I think our General Manager and Attorney needs to field these questions."

Mr. Warner Caines "My background is really in electrical engineering. I manage the electric, water and cable operations. We provide water to all water districts around Frankfort and Georgetown. The goal of the Plant Board is to try to provide low cost service to the community. The more customers we have the cheaper we can produce water. What was mentioned earlier about the cost of water increasing in the future is true. All the requirements of the Safe Drinking Water Act has imposed on water purification, both now and in the future, you will see water rates increase. Our money in the Plant Board financing stays with the Plant Board operation. It does not go into the City coffer so to speak. The Water Department actually operates on the money it makes, as well as the cable and electric departments. We are a non-profit operation. There is no need for us to make a profit. If you look at trying to build a water plant or provide any type of service, the more customers you have to spread the cost of the operation overall...We can produce the water at a reasonable rate. So as far as a guarantee, I cannot give you one. I don't know what is going to happen tomorrow and you don't know what is going to happen tomorrow. We have been in operation since 1943 and hopefully will continue to do that. We would like to sell water to Versailles. I think in the future, more operations like this will take effect and you'll be selling water back and forth. In the future, more operations from City to City will be tying in, so I cannot guarantee you what the rates will be. I think the last 15 years we have made quite an improvement in the water system. We have done a lot of major improvements in the past and will continue to do that to provide a good quality of water to our customers."

Councilman Benson "With a drought more severe than what it is now, would you still be able to supply us with water?"

Mr. Caines "We still have got water flowing over the dam and I hope that in the future that the Kentucky River Authority takes steps to improve that. I think as the population grows here in central Kentucky, it is very important that we have a good source of water in the river and steps be taken by someone to guarantee that."

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Councilman Benson "The water committee has met I don't know how many times on this, and I am ready for you Mayor, to instruct the City Attorney to proceed with contract negotiations or whatever he has to do."

Councilman Reid "If we hooked onto Frankfort and they went up 50% tomorrow, that would be about what we are paying Kentucky American Water right now."

Bart Miller "In July and August, we had to buy 25 million each month."

Councilman Shryock "On that packet you sent to me Bart, the way I interpreted what it said, is that we are going to spend as much money in the next 20 years through Frankfort and purchasing water from them, as almost identical to what the cost would be to upgrade the water plant. Over a 20 year period they are both going to cost the same amount. The difference between an upgrade and buying water from Frankfort is about 18 months. It's going to take 18 months for us to get water from Frankfort and it's going to take another 18 months on top of that to upgrade our own water plant. I cannot understand why we want to rely on another system when we have to purchase water from them at their rates and at their minimum gallons of water they want us to buy, when we can improve our own water system and have our own rates and rely on our own..."

Mayor Siegelman "You realize to have the bonding capacity to do that, it would be an 80 percent increase right off the bat."

Councilman Shryock "Let's go back and look at what our rates are now compared to everybody else in central Kentucky. I'm a new boy on the block and I didn't vote for any previous increases. My problem is relying on someone else who is going to sell us water at the rate that they want to sell it to us. They are going to raise their rates for everybody and I understand that, but we are going to be relying on them for the next 20 years. What are we going to do with our water plant? Let it deteriorate?"

Bart Miller "What it boils down to is if you want an increase now or you want an increase over the next 20 years. What do you think your constituents would want? I can't answer that for you. There are certain things to be said for ownership. This issues certainly has two sides and I am not debating that at all."

Councilman Shryock "I just think it would be better if we had our own system and we set our own rates."

Councilman Reid "As of right, and the way the calculations now look, we will be buying water from them cheaper than we can make it ourselves. Is that right."

Mr. Bart Miller "Bill, can you touch on the process. Obviously you would negotiate and come back to us?"

City Attorney Moore "We would work on a contract, which we would then present to the City Council to adopt and we would try to address, to the extent we could, the concerns that Nickie has expressed and deal with them as to the best would could agree in terms of the contract. At that point, you could accept the contract or not."

Councilman Shryock "They are sitting here in front of us. The first time they came to us, they ask for a 40 year contract. I think there is a whole lot we could negotiate because they want us to buy their water. We are the consumer. If we are going to buy their water..."

MOTION BY BENSON, SECONDED BY BRADLEY THAT CITY ATTORNEY PROCEED WITH CONTRACT NEGOTIATIONS FOR THE WATER CONNECTION (TIE-IN) BETWEEN THE FRANKFORT WATER PLANT BOARD AND THE CITY OF VERSAILLES.

October 5, 1999

The vote was as follows: Council Members Benson, Bland, Bradley, Reid, Shryock and Roberts voting aye.

Lois Barnes representing the Simmons Centennial "I am here seeking to promote the history of Simmons during its centennial birthday which is going to be celebrated in December of this year. The week of December 13th as a matter of fact. The goal of the project is to educate this community about the rich heritage of Simmons School and at the same time actively involve a diverse group of people in the community with the development and implementation of a project. Including in the project will be a lot of learning activities in the classroom by students, plus a dinner and an original historic drama production. We hope to have series of informational articles in the newspaper as well. The Woodford County Historical Society has agreed to allow the old corner stone from the old school to be moved to the new Simmons school and we would like to have permanent location there in the courtyard at the school. That would include a base and a foundation to put the stone in and we would like a plaque to explain the historical significance. That is basically the project. The Historical Society is making the request of the Fiscal Court for some funds, which I understand the Court's magistrates may ask the City to match establishment of a foundation for the corner stone and possibly a mural of the old Simmons School to be painted on the inside of the gym inside the new school. I would hope that we would have the City Council's support on it."

Councilman Roberts "How much is the cost?"

Ms. Lois Barnes "We've got estimates. We estimated the cost of the mural inside the building would be about \$2,500. The cost of a bronze plaque could be anywhere from a couple hundred for a small one to a couple of thousand dollars if you got one of the big three foot plaques. The cost of the base or foundation in support of the corner stone, we don't have an estimate on that yet. I think we are figuring around six or seven thousand dollars."

Councilman Roberts "My other question is, how much is the School Board giving?"

Ms. Lois Barnes "The project for the corner stone itself, we are looking at it being a community project. That is not part of the school systems expenditures at this point. What we are looking at in terms of the contribution by the School Board, the PTO Simmons is putting in \$500.00 for the celebration. There is an additional \$600.00 that Simmons School is putting into it. I am hoping that the Board will help cover some of the cost of the historical drama and the dinner and some of the school related learning activities."

Councilman Bland "What will the whole package cost?"

Ms. Lois Barnes "We were kind of estimating for the same with a nice base, plaque and mural of the old school...the students are also going to do a museum that will be in the school for six weeks. We are going to lead tours, ask Simmons graduates to come in and have students take them on tour. After that six weeks period, we are going to designate a couple of classrooms to actually walk through and have exhibits set up. At the end of that time, then we would like to take some of the artifacts or copies and put them in a display case to put in the front foyer of the school. A good display case we estimate will cost \$1,000."

Councilman Bland "So how much are you asking for tonight?"

Mayor Siegelman "Has the Fiscal Court committed to a dollar amount?"

Ms. Lois Barnes "The Fiscal Court has not at this point. I think they will at their next meeting October 12."

Mayor Siegelman "I suggest that we put this into committee and let



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April 4, 2000

Minutes of the regular meeting of the Board of Council held in the Municipal Building at 5:30 p.m., Tuesday, April 4, 2000.

Present: Mayor Fred Siegelman

Council Members: Roy Benson, Luther Bland, Mary Bradley, Geoffrey Reid, Owen Roberts and Nickie Shryock

MOTION BY BLAND, SECONDED BY REID THAT THE MINUTES OF THE MARCH 17, 2000 COUNCIL MEETING APPROVED.

The vote was as follows: Council Members Benson, Bland, Bradley, Reid, Roberts and Shryock voting aye.

Mr. Luther White was present to give an overview of Memories Park on Douglas Avenue. He indicated that there would be several underground areas, bridges and parking areas. Citizens will be able to purchase park benches, lampposts, etc. in memory of someone else. Ground breaking ceremonies will be held on Saturday, April 22, 2000. This is a two year project. Letters have been solicited for contributions. Councilman Shryock expressed his concerns regarding a fence for safety. Bart Miller indicated that there would be no additional concrete areas.

Mr. Gary Jones of the Parks and Recreation Department was present to give an overview of the proposed Interlocal Cooperation Agreement Between the Town of Versailles and Woodford County for the Operation of a Joint Parks and Recreation Program. Councilman Benson recommended that the agreement be put in Finance Committee to be studied further.

Mr. Rueben Robert (a citizen) was present to commend the Police and Fire Departments for the expedient and professional services during a recent house fire.

Bart Miller "The Council commissioned the Blue Grass Area Development District (BGADD) to conduct a water and sewer rate analysis. It has become apparent that we had some significant opportunities for unaccounted for water loss. When you have this problem there are usually two possible reasons-water leaks and faulty meters. The BGADD process was delayed as we brought in Heath Leak Detection, which is a national company, and they found no major water leaks about our town and which points the finger at water meters that are slowing down. No that we have identified that problem, they have been able to proceed with their rate analysis. We have some major decisions to make as regards water and sources of water. Our water and sewer revenues continue to fall behind what we are spending on water and sewer. Hopefully with their help and everyone's cooperation, we can get it to a point where utilities are at least coming close to breaking even, where people are paying fair rates for water and sewer that they use."

Doug Rigsby (BGADD) "We have some preliminary findings and we are to the point now where we would like to get some guidance from the Council before we proceed with developing actual proposed rates. The premises behind our study is that it is good business practice that your fees for services fairly reflect the cost of providing those services. For many years, you have funded major capital items for water and sewer out of the General Fund. The most recent audit (FY 99) shows that there is almost \$2 million due to the General Fund from water and sewer. The audit also shows that we have a really good balance in your General Fund, but it drops about \$500,000 in one fiscal year. That is not in itself alarming, but it is a trend that you don't want to continue. Historically, you have relied upon payroll tax. Payroll taxes are more susceptible to swings up and down than user fees like water and sewer rates. As you know, you are going to take a hit with the closing of Texas Instruments. Financially speaking, you are more secure taking your water and sewer operations out of your water and sewer rates. Also according to the audit report, the net income from water and sewer, even with General Fund picking up some of the costs for capital items, was only \$165,000. If you undertake some major capital items like expanding your water plant, increasing your supply of water services, that will not be enough for debt service and coverage in the future. However, we feel that at present, you projected and current budgets are exceeding your present revenues from water and sewer. You are spending your reserves in fact. I have handed out water and sewer budget projections for the next three years and have included capital expenditures. The debt service for water is unusually low because you have

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financed your treatment plant by not issuing bonds. It was apparently all done out of operating income and possibly General Fund in the past. Coverage is something that is in your bond ordinance that allows you to have an extra cushion. If you spend everything that is budgeted at \$2.4 million for water this year—according to the audit you received just under \$1.5 million from water rates. Next year, even without the water tank in the budget, it still exceeds your water income. The same thing can be found in sewer. Your projected sewer budget is \$1.8 million, and your revenues were \$700,000 roughly last year. I would like your concurrence on proceeding using these expenditure numbers. Once we determine the revenue needs we could then establish a rate structure. I would like to point out that with some recent increases in other cities, your water and sewer rates are now the lowest in the BGADD of this size. We are proposing that you consider is to increase rates in two steps. If you agree that these are reasonable projections of future expenditures, then we can design rates to fill those needs. However, the Engineers have given you three different cost figures for a line to Frankfort, there is also the option of expanding your existing treatment plant and there is also the option of buying more water from Kentucky American. Until that decision is made, and we urge you to do that soon, it would be difficult to come up with rates needed to amortize that debt. We recommend that you do that with a bond issue because we are talking millions here. We would recommend first an increase to cover what you know is coming and then once you make a decision on the future, we would then look at rates to meet those bond requirements.”

Bart Miller “I would like to point out something that I am sure most all of you are aware of and that is the fact that we are having to play “catch-up” all the sudden. We are 49% below the mean for water rates. We have not had a significant rate increase in about 15 years. The cost of living increases each year and the water and service department has been subject to those increases (salaries, electric, etc.). If you take those averages of 3% for a period of 15 years that would put us right about 45% (average). You are facing two tough situations here—having to “catch-up” for losing money in the past and at the same time a decision as to how our future goes. We did water plant expansion 6 or 7 years ago that was short-sited. If you are going to do a water plan expansion, it should last approximately 20 years.”

Councilman Shryock “The fact is that if the rates had been zero and we now raised them to \$9.75 per six thousand—it’s going to be a hard bite out of everybody’s pocket.”

Doug Rigsby “It doesn’t necessarily have to be the same percentage across the board. You need “x” number of dollars extra or “x” percent more revenue, but you don’t have to spread that cost exactly the same. Minimum users could have less of an increase. The brackets could be changed.”

Councilman Shryock “I agree with that. I think the less water you use, the less rate you should have to increase. You are also going to have to come up with “x” number of dollars for a two year period. I don’t want to put a burden on those that can’t afford, yet I don’t want the ones who use the bulk to carry the complete burden.”

Councilman Reid “Ever since I’ve been on the Council, BGADD and our auditors both have always preached to us that water and sewer needs to stand on its own. It’s now caught up with us.”

Doug Rigsby “If you feel comfortable with these projections, then we can proceed with developing some rates. We would also encourage you to go ahead and decide how you are going to address the water supply problems that you have. That is why I say initiate the rate increase in two steps. Normally, when you issue the bonds, there is a fiscal agent that does a financial analysis of you systems ability to repay and they would calculate the additional income that would be needed to pay off those bonds and then we could develop an increase to accomplish that. Until we know what you are going to spend, we can’t figure a rate. Right now all we have is three estimates for the three options you have now—plant expansion, line to Frankfort or Kentucky American.”

Bart Miller “We currently have a tie in with Kentucky American. They have allocated us 3 mgpd. We are going to run a test on April 24<sup>th</sup>. We have never tried to get that much from them. We want to prove that the hydraulics setup is there so we could draw 3 million gallons, at no charge to us. That is a higher price than Frankfort. We are talking \$1.80 versus \$1.36. I am talking short-term solutions, but you wouldn’t have the \$4.5 (\$4.8) capital outlay that you would have if you go with Frankfort.”

Councilman Shryock “We are still at the mercy of Kentucky American for a rate increase also.”

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April 4, 2000

Councilman Reid "Right now, Lexington is charging us more than we are charging. We are giving it away basically."

Bart Miller "The restrictions that were put on last summer to Kentucky American customers because of the drought, obviously we were affected by that. They have only done that twice. The other time was in 1988. Having said that, we have been doing a lot of work and there is something further on the agenda that you will see. That 4 mgpd plant has had a capacity of 3.6 mgpd. We are working on getting the pumping capacity up to where it could produce 4 mgpd. We have never used, even with the combination of Kentucky American and our own water, we have never used 4 mgpd. The most we have ever used is 3.6. We used Kentucky American last summer because of some problems we had at the water plant. Even with the drought last summer, if our water plant had been working sufficiently, we would not have used Kentucky American."

Councilman Shryock "Do you see any short-term problems at the plant between now and next year?"

Bart Miller "No, we have gotten most of them taken care of now. We've got a surge protector that works for 1 mgpd plant. That surge protection has not been upgraded. It needs to be a 4 mgpd setup. That and some small pumping work, we will become a 4 mgpd plant."

Councilman Shryock "Do we have to do anything between now and August of next year on making a decision on this water? I don't see where we needs that. If we can come up to the 4 mgpd, then we don't need to make a decision on either of our options until maybe next year."

Bart Miller "If we ultimately decide to expand the plant, we are talking probably three years and if we tie-on to Frankfort, we are talking a little over a year. Technically, we have a little over 7 mgpd. If the plant is running like it should and we are using Kentucky American as a backup, I don't see us exceeding that 4 mgpd that we can produce. The only time we would be under their restrictions is if we were drawing from them."

Don Hassall "I would like to see you work toward which decision you are going to go with. I would discourage you from waiting to long to decide what you are going to do. Our suggestion to you is to look at the 2-step rate increase. One rate increase that would take into account the projects that you know that you are going to do and then as the other decision is made as to the future decision, you would implement another rate increase. You have almost no debt service on the water system. Why? You have been paying for it out of cash. Not only have you been paying cash for it, but you have been paying it out of General Fund. There is no good news for you. If you want to put this on a pay-for-pay basis and make water pay for water, sewer pay for sewer service, and garbage pay for garbage—there is no good news for this community. When you go into a capital project, you normally would bond that debt and then the service on that debt can be applied to the cost of producing the water."

Mayor Siegelman "We will put it in the Water and Sewer Committee for their recommendation on how to proceed."

At the request of Councilman Shryock, City Attorney Moore gave the 2<sup>nd</sup> reading of the following ordinance.

CITY OF VERSAILLES  
ORDINANCE NO. 2000-11

TITLE: AN ORDINANCE AMENDING THE POSITION DESCRIPTION FOR THE POSITION  
TELECOMMUNICATIONS SUPERVISOR

The City Council having found it necessary and advisable to amend the position description for the position of Telecommunications Supervisor as set forth in the Compensation and Classification Plan.

BE IT ORDAINED BY THE CITY OF VERSAILLES, KENTUCKY, as follows:

SECTION ONE: The Position Description for the position of Telecommunications Supervisor as set forth in the City's Compensation and Classification Plan is hereby amended as follows:

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May 1, 2001

Roll Call: Council members present were as follows: Roy Benson, Luther Bland, Mary Bradley, Owen Roberts and Nickie Shryock

**MOTION BY BLAND, SECONDED BY BRADLEY THAT THE MINUTES OF THE APRIL 17, 2001 MEETING OF THE COUNCIL BE APPROVED.**

The vote was as follows: Council members Benson, Bland, Bradley, Reid, Roberts and Shryock voting aye.

Mayor Siegelman informed the Council that the Recreation Board has announced that due to mess of the construction site at the Fallen Springs Recreation Center that the splash pool will not open this year, but will open in the Spring of 2002. The Recreation Board has decided to open the Big Spring Pool so that kids will have some pool to go to for the summer. The cost to the City should be minimal, if any at all.

Robert Stiliz was present to request the 21 additional water taps for the Barbara Backer property on U.S. 60 and located within the Urban Service Area. Two years ago, the original request for 220 taps was submitted and approved, however, at that time he agreed that we (behalf of Backer) would work with the Task Force which has delayed the project for approximately 20 months. The Task Force's urbanism plan cause a change in the development design density, which created the additional 21 lots. The two year timeframe has lapsed on the original 220 taps, and Mr. Stiliz requested the Council reaffirmation of approval of the 220 taps, as well as approval of 21 additional taps.

**MOTION BY ROBERTS, SECONDED BY BRADLEY TO APPROVE 241 WATER AND SEWER TAPS TO BARBARA BACKER PROPERTY ON U.S. 60 WITHIN THE URBAN SERVICE AREA.**

The vote was as follows: Council members Benson, Bland, Bradley, Reid, Roberts and Shryock voting aye.

Mr. Brad Montgomery was present to give an overview of GRW Engineer's recommendation as regards expansion of the City's water treatment plant. Mr. Montgomery submitted a Cost Comparison Analysis with estimated total project costs (including 10% contingencies) to be approximately \$13.8 million. These construction costs include a raw water pump station and transmission main (from river to plant), water treatment plant upgrades and high service transmission main (from plant to City). This expansion would be for an 8 to 10 mgd water plant upgrade. Mr. Montgomery stated that there is some flexibility in the design of the facility that could reduce the costs. New plant expansion would allow for shutdown time and have additional capacity as well as routine maintenance could be scheduled. Mr. Montgomery indicated that with the Council's recommendation that the report be submitted to the Kentucky Division of Water for their approval and then we would move ahead with the project. Public Works Director Bart Miller expressed his desire for keeping service in place with Kentucky American Water Company at a cost of \$6,000/year (approximately) for insurance and/or emergency situations.

**MOTION BY BLAND, SECONDED BY BRADLEY TO AUTHORIZE GRW ENGINEERS TO SUBMIT WATER TREATMENT PLANT EXPANSION PLANS TO KENTUCKY DIVISION OF WATER FOR REVIEW AND APPROVAL.**

The vote was as follows: Council members Benson, Bland, Bradley, Reid, Roberts and Shryock voting aye.

**MOTION BY REID, SECONDED BY ROBERTS TO ENTER INTO EXECUTIVE SESSION TO DISCUSS POSSIBLE LITIGATION.**

The vote was as follows: Council members Benson, Bland, Bradley, Reid, Roberts and Shryock voting aye.

**MOTION BY REID, SECONDED BY BLAND TO RETURN TO REGULAR MEETING OF COUNCIL.**

8-J

May 15, 2001

Roll Call: Council members present were as follows: Roy Benson, Luther Bland, Mary Bradley, Geoffrey Road, Owen Roberts and Nickie Shryock

MOTION BY BLAND, SECONDED BY BRADLEY THAT THE MINUTES OF THE MAY 1, 2001 MEETING OF THE COUNCIL BE APPROVED.

The vote was as follows: Council members Benson, Bland, Bradley, Reid, Roberts and Shryock voting aye.

Gary Jones of the Parks and Recreation Department presented a quote in the amount of \$2,980.00 from Joe Routt Plumbing, Heating and Air to replace the Big Spring Pool pump and motor and re-pipe hookup in the basement.

MOTION BY BENSON, SECONDED BY BLAND TO APPROVE QUOTE FROM JOE ROUTT PLUMBING, HEATING AND AIR IN THE AMOUNT OF \$2,980.00 TO REPLACE THE PUMP AND MOTOR TO THE BIG SPRING POOL AND RE-PIPE HOOKUP TO POOL.

The vote was as follows: Council members Benson, Bland, Bradley, Reid, Roberts and Shryock voting aye.

Mr. Stan Kramer from First Kentucky Securities Corporation was present to discuss water and sewer revenue bond issues to fund approximately \$13.8 million in water system projects and approximately \$7.8 million in sewer system projects for a total of \$21,642 million in projects. Mr. Kramer explained how the City could finance \$10 million to cover the cost starting these projects in 2001 and that debt service would go from \$352,923 to \$1,153,585. Then the City could come back in 2003 and do another \$10 million in financing to complete the projects, which would raise your debt to approximately \$1,954,243. By the time the City would get to that 2003 financing, water and sewer rates would have to be increased approximately 20% to maintain your coverage limit. Under this scenario, it would leave approximately \$400,000 per year for capital projects outside the scope of these two projects.

Public Works Director Bart Miller reminded the Council that Stan was there to just inform the Council of some options and reminded the Council of the \$1 million from the State. Mr. Miller also indicated that his plant supervisors and himself were paring some things down to lower cost and still operate with the cost under \$20 million.

Councilman Benson expressed that since our current operating capacity of 76% is sufficient to take care of the city's needs and the fact that no further development would take place in the City, then why would the City spend this much money to support County development. Mr. Benson stated that "he would not put another burden on taxpayers who are elderly".

Mayor Siegelman reiterated that the states mandates that if you are going to be in the water and sewer business, you will comply with the necessary expansion requirements and improvements as necessary and when needed in order to keep the business, or the City would be forced to sell the business and loose all control over rates, etc.

At the request of Councilman Bland, City Attorney Moore gave the first of Ordinance No. 2001-16 Amending the Enterprise Fund Budget for Fiscal Year Beginning 7/1/2000 and Ending 6/30/2001.

MOTION BY BLAND, SECONDED BY BRADLEY TO ADOPT MUNICIPAL ORDER NO. 2001-6 AMENDING SALARIES OF CITY EMPLOYEES FOR FY 2000-2001 (MAY) AS FOLLOWS:



8-K

August 21, 2001

Roll Call: Council members present were as follows: Roy Benson, Luther Bland, Mary Bradley, Geoffrey Reid, Owen Roberts and Nickie Shryock.

Department Heads: Allen Love, Bart Miller, Frankie Shuck and Allison White.

Mayor Fred Siegelman called the Local Law Enforcement Block Grant Public Hearing to order. Siegelman announced that the City currently has \$12,233.00 in LLEBG funds and that the hearing was being held to solicit oral and written comments for law enforcement related uses. Chief Allen Love and City Clerk Allison White indicated that no oral or written comments had been received to date with no further discussion, Mayor Siegelman then closed the public hearing.

**MOTION BY REID, SECONDED BY BRADLEY TO APPROVE THE MINUTES OF THE AUGUST 7, 2001 MEETING OF THE COUNCIL.**

The vote was as follows: Council members Benson, Bland, Bradley, Reid, Roberts and Shryock voting aye.

Mr. Marc Manning (Montgomery Avenue resident) was present to represent the concerns of Montgomery Avenue residents regarding excessive speeding of traffic on Montgomery Avenue. Mr. Manning iterated to the Council that something must be done. The posted speed limit is 25mph and he indicated that it was nothing to see 45-50 mph limit. Residents are concerned for the safety of their children and well being. Mr. Tom Herrick (Montgomery Avenue resident) also represented the group and presented the results of a brief survey he conducted on Montgomery Avenue. The Versailles Police Department has also conducted a survey and have been monitoring the street, which has slowed traffic somewhat. Mr. Herrick's survey was run over a period of five days and found that 94% of all drivers drive over 25 mph, 68% drive over 31 mph and 6% drive within the speed limit. The concerned residents expressed that they don't have any answers or solutions, but would certainly like to work with the City to rectify the problem. Mr. Herrick presented some traffic "calming" examples (i.e., neckdown, speed hump, raised median), as well as City office vehicles setting an example for the rest of the public. Mayor Siegelman recommended that this issue be referred to the Street Committee for a plan of action. Chief Love expressed the Department's interest in working with the residents of Montgomery Avenue as part of the Neighborhood Meeting Program.

Public Works Director Bart Miller reiterated and reminded the Council of past discussions as to the necessary water plant expansion needs. The Council had previously authorized GRW Engineers to proceed with the design for water and sewer plant expansions. Over the next two to five years, the Council is looking at roughly \$7 million dollars for sewer plant improvements and \$13 million for water plant expansion if we go with 10 mgd plant. Mr. Miller explained that right now "money is as cheap as you will ever be able to get it". Mr. Miller turned the discussion over to Stan Krammer of First Kentucky Securities for an explanation of discussing the pros and cons of issuing revenue bonds in the amount of \$10 million dollars at this time. Mr. Miller explained that Stan was only presenting information and that the process would be done by bid process. Mr. Krammer reviewed the bonding capacity of the City. Mr. Krammer indicated that the approximately total cost for these upgrades is more like \$20 million, however, bonding would be done in phases of \$10 million per year in order to take advantage of some tax code issues, which gets the City a lower interest rate. His recommendation was to do \$10 million now and then again in two to three years. The \$10 million would automatically go into an interest bearing checking account and the interest you earn from the money will make the payment prior to the projects getting underway over the next six months or so.

**MOTION BY SHRYOCK, SECONDED BY BLAND TO AUTHORIZE MAYOR TO PROCEED WITH PREPARING FOR \$10 MILLION BONDING DEBT FOR WATER AND SEWER SYSTEM UPGRADES.**

The vote was as follows: Council members Benson, Bland, Bradley, Reid, Roberts and Shryock voting aye.

**MOTION BY SHRYOCK, SECONDED BY BLAND TO ADOPT FINANCIAL ORDINANCE AMENDING SALARIES OF CITY EMPLOYEES FOR THE 7/1/2001 THROUGH 6/30/2001 FISCAL YEAR (AUGUST, 2001).**

8-L

September 18, 2001

Roll Call: Council members present were as follows: Roy Benson, Luther Bland, Mary Bradley, Geoffrey Reid, Owen Roberts and Nickie Shryock.

Department Heads: Allen Love, Bart Miller, Frankie Shuck, Allison White

**MOTION BY BLAND, SECONDED BY BRADLEY TO APPROVE THE MINUTES OF THE MEETING OF THE COUNCIL.**

The vote was as follows: Council members Benson, Bland, Bradley, Roberts and Shryock voting aye.

At the request of Council member Bland, City Attorney Bill Moore gave a second reading summary of Ordinance No. 2001-30 as follows:

An Ordinance of the City of Versailles, Kentucky, providing for the issuance of City of Versailles Water and Sewer Revenue Bonds, Series of 2001 (the "Bonds") in the principal amount of \$9,800,000.00; setting forth the terms and conditions upon which said bonds and notes and additional bonds ranking on a parity there with are to be and may be issued and outstanding; providing for the payment of said bonds and the interest thereon; providing for the rights of the registered owners of said bonds and the enforcement thereof; and providing for the collection and application of the income and revenues derived from the operations of the combined and consolidated water and sewer systems of the City.

**MOTION BY REID, SECONDED BY BRADLEY TO ADOPT ORDINANCE NO. 2001-30 FOR ISSUANCE OF WATER AND SEWER REVENUE BONDS, SERIES 2001 IN THE AMOUNT OF \$9,800,000.00.**

Councilman Benson indicated that he was "not going to vote in good conscious, to put our citizens further in debt for \$9.8 million project to promote development in the County—we don't have any development inside the City limits. This will be an unfair burden on our taxpayers."

Mayor Siegelman reiterated again that the City has no choice other than to expand, other than selling to another company, which then we could not control our rates. The new company could go to the Public Service Commission and get the highest rate they could get.

Mr. Jason Walton of the Water Treatment Plant was present and informed the Council that the water treatment plant's capacity is 3.4 mgd and that four times this month we have pumped 3.8 mgd. He indicated that this was 24-hour pumping and does not allow for downtime for maintenance.

Councilman Benson expressed his concern for the City approving water taps (Backer/on agenda) and us not being able to supply the water because we are at capacity.

The vote was as follows: Council members Bland, Bradley, Reid, Roberts and Shryock voting aye. Councilman Benson vote nay.

At the request of Councilman Bland, City Attorney Moore gave the second reading of Ordinance No. 2001-29 General Taxation Ordinance (Property Tax) as follows:

**CITY OF VERSAILLES**

**ORDINANCE NO. 2001-29  
GENERAL TAXATION ORDINANCE**

WHEREAS, the total assessment value of all real property subject to general taxation in the City as of January 1, 2001 is \$371,231,078 and,

8-M

June 17, 2003

The vote was as follows: Benson, Bland, Bradley, Reid, Roberts and Shryock voting aye.

The following bids were submitted for the Raw Water and High Service Mains-Contract 2 (GRW Engineers-Project No. 2710):

Infrastructure System	\$1,988,333.70* (low bid)
Smith Contractors	\$1,998,389.00
Anderson Contracting	\$2,090,339.35
Charles Contracting	\$2,183,895.00
Reynolds	\$2,189,511.75
Garrison	\$2,231,239.23
Dix	\$2,325,248.05
Lykins	\$2,742,314.00
Morgan	\$2,743,734.00
Todd Johnson	\$2,843,410.05
Schroeder	\$3,651,300.00

**MOTION BY ROBERTS, SECONDED BY BLAND TO APPROVE BID FROM INFRASTRUCTURE SYSTEM IN THE AMOUNT OF \$1,988,333.70 FOR RAW WATER AND HIGH SERVICE MAIN FOR GRW ENGINEERS PROJECT NO. 2710.**

The vote was as follows: Benson, Bland, Bradley, Reid, Roberts and Shryock voting aye.

The following bids were submitted for the Roan Road/Shetland Drive Sewer Line Extension (GRW Engineers-Project No. 3038).

Perry Construction	\$143,064.00
Ron Eldridge	\$ 93,199.00
Central Rock	\$238,589.29
Todd Johnson	\$172,778.46
Grimes	\$122,390.00
Gooch	\$ 73,265.00* (low bid)
Excavation Inc.	\$180,853.25
Edward Hall Trucking	\$249,630.00
Garrison Construction	\$194,244.60

**MOTION BY SHRYOCK, SECONDED BY REID TO APPROVE BID FROM GOOCH CONSTRUCTION, INC. IN THE AMOUNT OF \$73,265.00 FOR THE ROAN ROAD/SHETLAND DRIVE SEWER LINE EXTENSION (GRW ENGINEERS PROJECT NO. 3038).**

The vote was as follows: Benson, Bland, Bradley, Reid, Roberts and Shryock voting aye.

Mayor Siegelman noted that he would also be requesting funds from the County to assist with the Roan Road/Shetland Drive project.

The following quotes were submitted for the installation of access stairs at the wastewater treatment plant:

Brooks Masonry & Concrete	\$2,675.00
Weber Concrete and Excavating	\$3,150.00
Cwens Home Repair	\$3,200.00

**MOTION BY ROBERTS, SECONDED BY BRADLEY TO APPROVE QUOTE FROM BROOKS MASONRY AND CONCRETE IN THE AMOUNT OF \$2,675.00 FOR THE INSTALLATION OF ACCESS STAIRS AT THE VERSAILLES WASTEWATER TREATMENT PLANT.**

The vote was as follows: Benson, Bland, Bradley, Reid, Roberts and Shryock voting aye.

8-N

July 1, 2003

**Roll Call:** Council members present were as follows: Roy Benson, Luther Bland, Geoffrey Reid And Owen Roberts. Council members Mary Bradley and Nickie Shryock were absent.

**Department Heads:** Allen Love, Bart Miller, Frankie Shuck and Allison White.

**MOTION BY BLAND, SECONDED BY REID TO APPROVE AND ADOPT THE MINUTES OF THE JUNE 17, 2003 REGULAR MEETING OF THE COUNCIL.**

The vote was as follows: Benson, Bland, Reid and Roberts voting aye.

At the request of Council member Bland, City Attorney Moore gave first reading of Ordinance No. 2003-20 Amending Section 91.20 for the Price Paid for a Cemetery Lot Sold As a Unit. City Attorney Moore noted that Ordinance should be changed to read "hereby repealed" where it reads "hereby amended".

At the request of Council member Bland, City Attorney Moore gave first reading of Ordinance No. 2003-21 Amending Section 91.21 for the Price Paid for Each Grave Space.

At the request of Council member Reid, City Attorney Moore gave first reading of Ordinance No. 2003-22 Amending Section 91.22(A)(C)(D) for the Amount Paid for Additional Cemetery Related Charges.

**MOTION BY REID, SECONDED BY ROBERTS TO ENTER INTO EXECUTIVE SESSION REGARDING PROPERTY ACQUISITION.**

The vote was as follows: Benson, Bland, Reid and Roberts voting aye.

**MOTION BY REID, SECONDED BY BLAND TO RETURN TO REGULAR MEETING OF COUNCIL FROM EXECUTIVE SESSION AND IT BEING NOTED THAT NO ACTION WAS TAKEN DURING EXECUTIVE SESSION.**

The vote was as follows: Benson, Bland, Reid and Roberts voting aye.

**MOTION BY REID, SECONDED BY BLAND TO ACCEPT THE OPTION FOR EXTENSION OF TIME IN PURCHASING THE ADDITIONAL PLOT OF LAND AT THE ROSE CREST CEMETERY IN THE AMOUNT OF \$2,100.00 FOR THE NEXT YEAR.**

The vote was as follows: Benson, Bland, Reid and Roberts voting aye.

**MOTION BY REID, SECONDED BY BENSON THAT THE COUNCIL EXPEND UP TO \$5,000.00 FOR THE ACQUISITION OF ANIMAL SHELTER ROAD IN ORDER TO CREATE AN ACCESS ROAD TO THE NEW OSRAM PLANT FOR PUBLIC SAFETY.**

The vote was as follows: Benson, Bland, Reid and Roberts voting aye.

The following bids were submitted for the Water Treatment Plant Expansion-Contract 1 (GRW Project No. 2710):

Smith Contracting	\$ 9,992,000.00
W. Rogers	\$10,089,000.00
Judy Construction	\$10,127,000.00
Building Crafts	\$11,190,432.00
Hall Contracting	\$11,340,000.00
Shook	\$13,411,000.00

**MOTION BY ROBERTS, SECONDED BY BENSON TO ACCEPT AND APPROVE BID FROM SMITH CONTRACTING IN THE AMOUNT OF \$9,992,000.00 FOR THE WATER TREATMENT PLANT EXPANSION CONTRACT #1 (GRW ENGINEERS PROJECT NO. 2710).**

The vote was as follows: Benson, Bland, Reid and Roberts voting aye.





## RESPONSE #9

Versailles submits the following studies, reports, and analyses regarding the most recent plant capacity expansion of the Versailles Water Treatment Plant that Versailles prepared or commissioned or that were otherwise provided to Versailles before the Versailles City Council voted to authorize the expansion:

- a. February 25, 1999. Water Treatment Plant Expansion Preliminary Engineering Report Outline from GRW Engineers
- b. June 1, 1999. Water Treatment Plant Expansion Preliminary Engineering Report from GRW Engineers
- c. July 21, 1999. Cost Comparison Analysis from GRW, considering a plant expansion from 4 MGD to 10 MGD
- d. September/October 1999. Misc information including estimates and analysis re: possibly connection to Frankfort Plant Board to supply Versailles Water.
- e. October 18, 1999. Cost Comparison Analysis from GRW, considering a plant expansion from 4 MGD to 7 MGD
- f. September 13, 2000. Meeting Summary of Versailles/Lawrenceburg Regionalization Evaluation
- g. April 2, 2001. Revised preliminary engineering cost estimates for the water treatment plant, from GRW Engineers
- h. April 2001. Water Treatment Plant Preliminary Engineering Report from GRW Engineers
- i. July 26, 2001. Preliminary proposal from Kruger for Actiflo, from GRW Engineers
- j. August 30, 2001. Minutes of Negotiation between City of Versailles and US Filter/Kruger for the Actiflo process for Versailles Water Treatment Plant Expansion
- k. September 24, 2001. Letter from GRW to Kruger, approving Actiflo for Versailles' plant expansion

It is hereby certified that the foregoing response was prepared by Bart Miller, Versailles Public Works Director, and that the response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Bart Miller  
Public Works Director  
City of Versailles

1-17-17

Date

9-A

**WATER TREATMENT PLANT EXPANSION  
PRELIMINARY ENGINEERING REPORT**

**REPORT OUTLINE  
FEBRUARY 25, 1999**

- I. Introduction
- II. Purpose
- III. Background Considerations
- IV. Population and Water Usage Projections
  - A. Definition of Planning Area
  - B. Land Use
  - C. Population Projections
  - D. Water Usage Projections
- V. Existing Facility Evaluation
  - A. Raw Water Supply
  - B. Raw Water Pump Station
  - C. Raw Water Transmission Main
  - D. Chemical Feed Facilities
  - E. Chemical Mixing Facilities
  - F. Flocculation/Sedimentation Basins
  - G. Filters
  - H. Clearwell(s)
  - I. High Service/Backwash Pumping

- J. Instrumentation, Controls and Telemetry
- K. Miscellaneous
- L. Residuals Handling and Disposal
- VI. Development of Alternatives
- VII. Alternative Analysis
- VIII. Recommended Alternative
- IX. Preliminary Engineering Cost Estimate
- X. Conclusions and Recommendations



**GRW Engineers, Inc.**

Engineers • Architects • Planners

801 Corporate Drive • Lexington, Kentucky 40503

Phone 606-223-3999 • Fax: 606-223-8917

# Project Memorandum

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<b>To:</b>	<u>File</u>	<b>Date:</b>	<u>2/26/99</u>
		<b>Project No.:</b>	<u>2666</u>
<b>From:</b>	<u>Brad Montgomery</u>	<b>Project Name:</b>	<u>Versailles, KY WTP</u>
<b>Subject:</b>	<u>Staff Review - Versailles, Kentucky Water Treatment Plant</u>		

On Thursday, February 25, 1999, I met with the Versailles Water Treatment Plant operations staff to tour and discuss the condition of their existing water treatment plant facilities. Following is a summary of my visit:

### Chemical Feed Facilities

1. Remove carbon feed facilities from existing filter building. Existing feed room is not entirely explosion proof. Chemical has a tendency to “back up” and overflow in existing feed room. Construct carbon feed facilities in/on existing chemical feed building.
2. In general, all chemical feed pumps are “worn out” and need to be replaced.
3. Provide a cover for the ammonia tank (to protect the regulator from moisture).
4. Repair eye wash station. There is apparently a leak under the pavement.
5. Hydrofluosilicic acid is used for fluoridation. There is gravity flow from two 805 gallon bulk storage tanks located on the upper level of the filter building into a single 50-gallon day tank. The bulk storage tanks are vented, but no chemical containment is provided. From the day tank the fluoride is pumped, using a W & T Series 94-100 metering pump to a vented (to atmosphere within the room) gravity feed line where solution water is added. The day tank is not vented. There is a floor drain in the fluoride room which is apparently connected to the building floor drain. No chemical containment is provided in the fluoride feed room. The existing fluoride feed system is operating in a satisfactory manner.
6. There is one W & T V-500 ammoniator in the ammonia feed room with no back-up (a back-up was originally provided, but has since been removed to provide parts for the primary unit). A Culligan Soft Minder Twin Automatic Water Conditioner is also in use. There is the capability to split ammonia flow to the splitter box (pre) and post. The pre ammonia feed has never been used. The splitter panel has been a constant maintenance problem due to gasket failures and the high cost of replacement parts. The pre-ammonia feed has been removed to be used a spare parts for the post feed. Other than the loss of one feeder and the splitter panel, the ammonia feed system is working fine.
7. In the chlorine feed room, there are two W & T. V-500 chlorinators and a three-way (raw water, splitter box and post) splitter panel. There is a chlorine gas detector with an alarm in the filter building. There is no signal for the alarm (audible or visible) at the chemical building. There is no repair kit. The chlorination system is working satisfactorily.
8. We did not go into the chlorine storage room, but the operational staff indicates that there is adequate storage facilities and everything is working fine. There are automatic switchovers and adequate ventilation and safety equipment. Due

to the configuration of the building and driveway, cylinder handling is difficult. This will be difficult to solve, but should be considered in the study.

9. In discussing the disinfection facilities, it was discussed that, due to the feed of a hazardous disinfectant (chlorine gas), there is an industry-wide trend to provide remediation of a potential leak by way of a scrubber or the use of sodium or calcium hypochlorite as a disinfectant, which are as hazardous as gaseous chlorine. It was also discussed that it is our opinion that scrubbers will eventually be required on all gaseous chlorine installations. After discussing the cost of a scrubber (\$150,000+ installed) and the increased chemical costs of switching disinfectants, it was then discussed that a potential course of action is to design the facilities to accommodate a scrubber that could be added at a future date. Another option would be to bid a scrubber as an additive alternate. We will definitely make a recommendation to the City concerning safety and chlorine.
10. If the City elects not to install a scrubber, it may be desirable to re-design the ventilation system(s) such that chlorine gas is exhausted at the velocity of dispersion in the event of a leak. This would reduce the chance of a hazardous situation.
11. The caustic soda feed system consists of one 5,500 gallon bulk storage tank and two W & T Series 44 chemical feed pumps. No day tanks are provided.
12. The alum feed system consists of one 5,500 gallon bulk storage tank and two W & T Series 44 chemical feed pumps. No day tanks are provided.
13. There is one (capacity unknown) bulk storage tank, which was originally provided for polymer, that is no longer used.
14. The anhydrous ammonia storage tank has a capacity of 1,000 gallons with dimensions of 40.96" diameter by 193.5" long.

#### Laboratory/Office

1. Enlarge laboratory/office space by removing back wall of lab (where turbidimeter outputs are mounted) and relocate to depth of existing recessed area where refrigerator is located.
2. New laboratory equipment, glassware, etc. are needed. It was discussed that it would be more cost effective for the City to include this item in the project budget, but not include it in a construction contract. Purchasing this equipment by direct bid from equipment suppliers would save a general contractor's mark-up (overhead and profit) on this equipment.
3. Renovate rest room. Provide new shower and lockers. Relocate hot water heater to mop room. There is no expansion tank on hot water heater. Eliminate/hide exposed piping.

#### Filter Room

1. Existing stainless steel filter consoles are significantly corroded. Paint or replace (replacement preferred).
2. Indicator bulbs on filter consoles burn out constantly. City indicates that this is due to excessive voltage.
3. Existing gas unit heaters have presented constant problems and there is a continual inability to find replacement parts. Repair or replace (replacement preferred).
4. Existing filter console readouts/controls have been a continual problem. Digital readouts preferred.
5. Loss of head indication needed for filters.
6. In order to shut off filters, the "permanent" flow setting has to be ramped to zero. A single switch to remove the filter from service should be provided.
7. The operation staff would like to consider the provision of air/water backwash capability for the new filters. It was

discussed that air/water backwash reduces the backwash time and water used due to a more “violent” cleaning action. Better cleaning also results in longer filter runs. It does require the addition of air piping and a blower. Surface washes can be eliminated.

8. It was discussed that the staff has no preconceived idea as to the configuration of new filters (cluster or row). The decision should be made on the basis of operational convenience and/or cost effectiveness.

#### Sedimentation Basins

1. Due to the sedimentation drain not being located on the bottom of the basin, the new sedimentation basin (new) can only be drained within 18" of the bottom of the basin.
2. Due to there only being a 6-inch drain line, Sedimentation Basin No. 3 takes an inordinate amount of time to drain for maintenance.
3. “Rat-holing” on sludge is a problem in Sedimentation Basin No. 3. This is because positive sludge removal (cross-collectors) have not been provided in the sludge collection hopper.
4. There are visible cracks which leak in Sedimentation Basin No. 1.
5. Effluent water quality in Sedimentation Basin No. 3 is considerably and visibly less than in Basins No. 1 and No. 2. On observation it appears that flow distribution is not equitable between the three basins. There is considerably more water going over the effluent weirs in Basin No. 3 than the other two. Further, the effluent weirs in Basin No. 3 do not all appear to be set at the same elevation. This preliminary conclusion should be verified by an elevation check.
6. The drain valve for Sedimentation Basin No. 2 is leaking (no grease fitting available).
7. The tube settling modules in the Sedimentation Basins are showing wear (folding and bending).
8. There is a crack in the new Sedimentation Basin (appears to be a cold joint). A potentially related item is the continual settlement of the sidewalk adjacent to the basin near the crack.

#### Flocculation Basins

1. Sludge accumulation is a problem in the effluent trough of the new flocculation basin. Drain holes (back to the flocculation basin) were provided “after the fact”, but they are only 1-1/4" in diameter and are too small. Observed velocities in this trough too slow to keep floc suspended.
2. There are visible cracks which leak in Flocculation Basin No. 2.
3. The older flocculation basins have new drive units. The flocculators are operating in a satisfactory manner.

#### Site Piping

1. Additional yard hydrants are needed for basin maintenance.

#### Clearwell

1. The sonic clearwell level indicator has corroded, apparently due to the chlorine.

#### General

1. Provide telephone service and sufficient phone jacks to new construction.
2. Provide sufficient spare parts for existing and future equipment (filter valve motor operators, metering pumps,



chlorination and ammoniation equipment, fuses and bulbs for panels and consoles, etc.).

### Site Grading

1. Entrance road has deteriorated in curve near pond. Raise road and provide suitable stabilization.
2. Road to lagoons is subject to washing. City suggested provision of additional gravel, compaction and a culvert as a solution.

### Lagoons

1. There is no ability to concentrate sludge in the lagoons. No decant mechanisms have been provided.
2. There is no ability to remove a lagoon from service for maintenance. By-pass capabilities were not provided.

### Filter Building

1. There is a leak in the pipe gallery wall at the entrance to the “new” section.
2. The dehumidifier in the pipe gallery has never worked properly and can be removed.
3. The roof leaks. Consider should be given to the installation of a new roof if funds are available.
4. Seal holes in upper level floor used for original dry chemical feeds and existing carbon feed when it is removed. These holes could present a significant safety hazard.

### Instrumentation/Telemetry

1. Continuous recording of turbidity is required.
2. There was a discussion as to the merit of providing particle counting capability. As a minimum, it could be considered for the raw water, filter influent, and combined filter effluent.
3. The existing Huntertown Road Tank level sensor is temperature sensitive. Operation is inconsistent.
4. The staff wished to consider an upgrade of the complete telemetry system. The following signals are currently provided:

Monitor:           KAWC Pressure  
                      KAWC Flow  
                      Huntertown Road Tank Level  
Alarm: Huntertown Road Tank High Level  
                      Huntertown Road Tank Low Level  
                      Huntertown Road Data Fail  
                      KAWC Data Fail  
                      KAWC Low Fail (?)  
Control:           High Service Pumps based on Huntertown Road Tank level

The KAWC flow totalizer is currently inoperable.

5. It was discussed that the monitoring of the level of the new Highland Avenue Tank will be critical to the distribution system water quality in the time frame before a plant expansion can be implemented. With the plant running 24-hours per day during the Summer, the WTP staff will have to “manually” turn over the tank by shutting down the plant. It will be imperative for the staff to be able to know the water level in the tank. It is recommended that a telemetry site be added for the Highland Avenue Tank as soon as the new tank is placed in service.

Raw Water Pump Station

1. Evidently the raw water check valve(s) are not operating properly.

Splitter Box

1. When the raw water pumps start, water splashes out of the raw water flow splitter box. This is evidently due to hydraulic transients (water hammer) in the raw water transmission main.

We did not tour the High Service/Backwash Pump Station of Sludge Lagoons. These will be completed at a later date.

cc: Mr. Bob Stopher  
Mr. Jerry Holt

9-B



801 Corporate Drive  
Lexington, KY 40503  
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**GRW Engineers, Inc.**

June 1, 1999

The Honorable Fred Siegelman  
Mayor  
City of Versailles  
City Hall  
196 South Main Street  
Versailles, KY 40383

Re: Preliminary Engineering Report  
Water Treatment Plant Expansion  
City of Versailles, Kentucky  
GRW Project No. 2710-01

Dear Mayor Siegelman:

At the request of the City staff, the purpose of this correspondence is to present our recommendation regarding the magnitude of the water treatment needs of the City of Versailles. In evaluating these needs, we have worked with your staff to compile the attached summary which includes a history of water production, purchase and sales for the City, as well as future water production projections. In your review of this summary, please note the following items:

1. Only limited historical data was available regarding customer number, water produced and water purchased. This made it impossible to develop any reliable trend based on historical data.
2. We do not have the daily water purchase figures from Kentucky-American Water Company (KAWC), only monthly totals. Therefore, we do not know the maximum daily purchase quantities from KAWC. This has necessitated that we use an average figure as opposed to an actual daily figure for water purchased from KAWC.
3. Typically, we would assume that the City water customer base would increase at the same rate as the projected population increase as provided by the Kentucky State Data Center at the University of Louisville. However, based on conversations with your staff, it was felt that the projected population increase did not reflect that magnitude of growth expected in Versailles. This is primarily due to the following factors:
  - a. Between 500-800 approved future water taps.
  - b. A request for 860 additional taps for the development of the Backer property.
  - c. Requests from the water districts for 2 - 3 million gallons per month additional.

Therefore, we have assumed that the projected population increase covers the previously approved taps and the requests for increase from the water districts. Then, we added 40 new customers per year to reflect the growth due to the Backer property. While this approach is "less than scientific", it is based on the best available data and was discussed in detail with the City staff.



The Honorable Fred Siegelman

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June 1, 1999

3. In projecting individual customer usage, we have used the 1998 figure for gallons produced/purchased per customer. Please note that the 1998 figure is considerably higher than the average for the past three years. Based on conversations with the City staff, this increase is most likely due to several major leaks which have been repaired. The customer usage is also based on an average of the purchase quantity from KAWC, which is also assuredly lower than the actual daily purchase quantities. Therefore, it has been our assumption that the repaired leaks will be balanced by the peaking of the required purchase from KAWC, resulting in a reasonable projection of customer usage.
4. In basing the customer usage on historical data, it is inherent that there is an assumption that the customer distribution (residential, commercial, industrial, etc.) will remain constant over the life of the planning study.
5. We have assumed a seasonal peaking factor of 1.75, which is consistent with observations industry-wide. Due to the unavailability of data, the actual peaking factor for Versailles cannot be determined.

With all of that said, we have projected the average daily water production for the City of Versailles to be 4.39 million gallons per day (MGD) in the year 2020. Further, it is projected that the required peak day production will be 7.67 MGD. In reviewing these projections, it is apparent that a treatment plant expansion is necessary and it is further apparent that the alternatives for such an expansion are an expansion to 8.0 MGD or an expansion to 10.0 MGD. In deciding which of these alternatives is prudent, it is necessary to review the operating hours for each alternative at key points in the design life:

### **8.0 MGD Expansion**

Year	Average Day	Peak Day
2002 - New Plant Goes On Line	10 hours	17 hours, 35 min.
2007 - 5 Years Old	11 hours	19 hours, 10 min.
2012 - 10 Years Old	11 hours, 50 min.	20 hours, 45 min.
2020 - Design Life	13 hours, 10 min.	23 hours



The Honorable Fred Siegelman  
Page 3  
June 1, 1999

**10.0 MGD Expansion**

Year	Average Day	Peak Day
2002 - New Plant Goes On Line	8 hours	14 hours
2007 - 5 Years Old	8 hours, 45 min.	15 hours, 20 min.
2012 - 10 Years Old	9 hours, 30 min.	16 hours, 35 min.
2020 - Design Life	10 hours, 30 min.	18 hours, 25 min.

It would typically be our recommendation that a treatment plant be designed to operate between 8 and 12 hours per day when it first goes on line and 16 to 20 hours per day at the end of its design life. As you can see, both alternatives generally meet this criteria, with the exception of the peak day operation for the 8.0 MGD alternative when the plant is new. Under this scenario (based on the attached flow projections), the operating day could exceed two shifts (16 hours) on the day the plant starts. Therefore, it would be our recommendation that the City consider an expansion of the Versailles Water Treatment Plant to 10.0 MGD.

In making this recommendation, we certainly recognize that there are other factors which will affect the City's decision regarding the magnitude of the water plant expansion. The least of these considerations is not the financial expense. A 10.0 MGD water treatment plant expansion will certainly be considerably more costly than an 8.0 MGD expansion. That is the reason both alternative have been presented for your consideration.

If you have any questions or comments, please do not hesitate to contact me.

Very truly yours,

  
Brad Montgomery, P.E.  
Project Manager

Enclosures

DBM

cc: Mr. Bob Stopher  
Mr. Bart Miller

TABLE IV - 2  
 WATER PRODUCTION, SALES AND PURCHASE HISTORY  
 CITY OF VERSAILLES, KENTUCKY

YEAR	NUMBER OF CUSTOMERS	WATER PRODUCED (GPD)	WATER PURCHASED (GPD)	GALLONS PRODUCED/ PURCHASED PER CUST. PER DAY	WATER SOLD (GPD)	GALLONS SOLD PER CUSTOMER PER DAY	UNACCOUNTED FOR WATER
1990	Not Available	Not Available	Not Available	-----	1,756,263	-----	-----
1991	Not Available	Not Available	Not Available	-----	1,830,348	-----	-----
1992	Not Available	2,043,638	Not Available	-----	1,974,463	-----	-----
1993	4,362	2,048,107	Not Available	-----	2,260,852	-----	-----
1994	4,506	2,260,074	Not Available	-----	1,883,556	-----	-----
1995	4,666	2,544,315	Not Available	-----	2,096,956	-----	-----
1996	4,855	2,613,816	13,097	541.07	2,195,948	452.31	19.63%
1997	5,038	2,568,219	21,344	514.01	2,361,586	468.75	9.65%
1998	5,142	2,948,112	132,665	599.14	2,162,956	420.64	42.43%
Average				551.41		447.24	23.90%

TABLE IV-3  
 WATER PRODUCTION PROJECTIONS  
 WATER TREATMENT PLANT PRELIMINARY ENGINEERING REPORT  
 CITY OF VERSAILLES, KENTUCKY

Year	Population	% Change	Number of Customers	Gallons Produced/ Purchased per Customer per Day	Required Water Production (GPD)	Peaking Factor	Peak Production Requirement (GPD)
1996	6,882		4,855	541.07	2,661,749	1.75	4,658,061
1997	6,977	1.38%	5,038	514.01	2,646,347	1.75	4,631,107
1998	7,084	1.53%	5,142	599.14	3,433,362	1.75	6,008,384
1999	7,191	1.51%	5,260	599.14	3,151,277	1.75	5,514,735
2000	7,311	1.67%	5,387	599.14	3,227,830	1.75	5,648,702
2001	7,391	1.09%	5,486	599.14	3,287,115	1.75	5,752,452
2002	7,472	1.10%	5,587	599.14	3,347,105	1.75	5,857,435
2003	7,552	1.07%	5,686	599.14	3,406,907	1.75	5,962,088
2004	7,633	1.07%	5,787	599.14	3,467,414	1.75	6,067,975
2005	7,713	1.05%	5,888	599.14	3,527,721	1.75	6,173,512
2006	7,794	1.05%	5,990	599.14	3,588,734	1.75	6,280,284
2007	7,874	1.03%	6,091	599.14	3,649,535	1.75	6,386,687
2008	7,955	1.03%	6,194	599.14	3,711,044	1.75	6,494,327
2009	8,035	1.01%	6,296	599.14	3,772,330	1.75	6,601,577
2010	8,116	1.01%	6,400	599.14	3,834,324	1.75	6,710,067
2011	8,180	0.79%	6,490	599.14	3,888,526	1.75	6,804,920
2012	8,244	0.78%	6,581	599.14	3,942,915	1.75	6,900,101
2013	8,308	0.78%	6,672	599.14	3,997,490	1.75	6,995,608
2014	8,372	0.77%	6,763	599.14	4,052,250	1.75	7,091,438
2015	8,437	0.78%	6,856	599.14	4,107,677	1.75	7,188,435
2016	8,501	0.76%	6,948	599.14	4,162,802	1.75	7,284,904
2017	8,565	0.75%	7,040	599.14	4,218,108	1.75	7,381,688
2018	8,629	0.75%	7,133	599.14	4,273,592	1.75	7,478,786
2019	8,693	0.74%	7,226	599.14	4,329,254	1.75	7,576,195
2020	8,757	0.74%	7,319	599.14	4,385,093	1.75	7,673,912



**VERSAILLES/WOODFORD COUNTY POPULATION PROJECTION  
WATER TREATMENT PLANT PRELIMINARY ENGINEERING REPORT  
CITY OF VERSAILLES, KENTUCKY**

Year	Kentucky		Woodford County		Versailles	
	Population	% Change	Population	% Change	Population	% Change
1990	3,686,892 <sup>1</sup>		19,555 <sup>1</sup>		7,269 <sup>1</sup>	
1991	3,714,685 <sup>2</sup>	0.75%	20,392 <sup>2</sup>	4.28%	7,235 <sup>2</sup>	-0.47%
1992	3,751,866 <sup>2</sup>	1.00%	20,784 <sup>2</sup>	1.92%	7,276 <sup>2</sup>	0.57%
1993	3,792,623 <sup>2</sup>	1.09%	20,872 <sup>2</sup>	0.42%	7,151 <sup>2</sup>	-1.72%
1994	3,823,954 <sup>2</sup>	0.83%	20,872 <sup>2</sup>	1.79%	7,151 <sup>2</sup>	-0.87%
1995	3,856,212 <sup>2</sup>	0.84%	21,246 <sup>2</sup>	1.83%	7,089 <sup>2</sup>	-1.90%
1996	3,882,071 <sup>2</sup>	0.67%	21,634 <sup>2</sup>	1.88%	6,954 <sup>2</sup>	-1.04%
1997	3,882,071 <sup>2</sup>	0.67%	22,040 <sup>2</sup>	1.88%	6,882 <sup>2</sup>	-1.04%
1998	3,908,124 <sup>2</sup>	0.67%	22,040 <sup>2</sup>	1.38%	6,882 <sup>2</sup>	1.38%
1999	3,908,124 <sup>2</sup>	1.13%	22,344 <sup>4</sup>	1.54%	6,977 <sup>4</sup>	1.54%
2000	3,952,308 <sup>4</sup>	1.12%	22,687 <sup>4</sup>	1.54%	7,084 <sup>4</sup>	1.54%
2001	3,952,308 <sup>4</sup>	1.12%	22,687 <sup>4</sup>	1.51%	7,084 <sup>4</sup>	1.51%
2002	3,996,491 <sup>4</sup>	1.11%	23,031 <sup>4</sup>	1.66%	7,191 <sup>4</sup>	1.66%
2003	4,040,675 <sup>3</sup>	0.68%	23,413 <sup>3</sup>	1.66%	7,311 <sup>4</sup>	1.66%
2004	4,040,675 <sup>3</sup>	0.68%	23,413 <sup>3</sup>	1.10%	7,311 <sup>4</sup>	1.10%
2005	4,068,327 <sup>4</sup>	0.68%	23,671 <sup>4</sup>	1.10%	7,391 <sup>4</sup>	1.10%
2006	4,068,327 <sup>4</sup>	0.68%	23,671 <sup>4</sup>	1.09%	7,391 <sup>4</sup>	1.09%
2007	4,095,978 <sup>4</sup>	0.68%	23,929 <sup>4</sup>	1.09%	7,472 <sup>4</sup>	1.09%
2008	4,095,978 <sup>4</sup>	0.68%	23,929 <sup>4</sup>	1.08%	7,472 <sup>4</sup>	1.08%
2009	4,123,630 <sup>4</sup>	0.67%	24,187 <sup>4</sup>	1.08%	7,552 <sup>4</sup>	1.08%
2010	4,123,630 <sup>4</sup>	0.67%	24,187 <sup>4</sup>	1.07%	7,552 <sup>4</sup>	1.07%
2011	4,151,281 <sup>4</sup>	0.67%	24,445 <sup>4</sup>	1.07%	7,633 <sup>4</sup>	1.07%
2012	4,151,281 <sup>4</sup>	0.67%	24,445 <sup>4</sup>	1.06%	7,633 <sup>4</sup>	1.06%
2013	4,178,933 <sup>4</sup>	0.66%	24,703 <sup>4</sup>	1.06%	7,713 <sup>4</sup>	1.06%
2014	4,178,933 <sup>4</sup>	0.66%	24,703 <sup>4</sup>	1.04%	7,713 <sup>4</sup>	1.04%
2015	4,206,585 <sup>4</sup>	0.66%	24,960 <sup>4</sup>	1.04%	7,794 <sup>4</sup>	1.04%
2016	4,206,585 <sup>4</sup>	0.66%	24,960 <sup>4</sup>	1.03%	7,794 <sup>4</sup>	1.03%
2017	4,234,236 <sup>4</sup>	0.65%	25,218 <sup>4</sup>	1.03%	7,874 <sup>4</sup>	1.03%
2018	4,234,236 <sup>4</sup>	0.65%	25,218 <sup>4</sup>	1.02%	7,874 <sup>4</sup>	1.02%
2019	4,261,888 <sup>4</sup>	0.65%	25,476 <sup>4</sup>	1.02%	7,955 <sup>4</sup>	1.02%
2020	4,261,888 <sup>4</sup>	0.65%	25,476 <sup>4</sup>	1.01%	7,955 <sup>4</sup>	1.01%
2001	4,289,539 <sup>4</sup>	0.64%	25,734 <sup>4</sup>	1.01%	8,035 <sup>4</sup>	1.01%
2002	4,289,539 <sup>4</sup>	0.64%	25,734 <sup>4</sup>	1.00%	8,035 <sup>4</sup>	1.00%
2003	4,317,191 <sup>3</sup>	0.49%	25,992 <sup>3</sup>	1.00%	8,116 <sup>4</sup>	1.00%
2004	4,317,191 <sup>3</sup>	0.49%	25,992 <sup>3</sup>	0.79%	8,116 <sup>4</sup>	0.79%
2005	4,338,547 <sup>4</sup>	0.49%	26,197 <sup>4</sup>	0.79%	8,180 <sup>4</sup>	0.79%
2006	4,338,547 <sup>4</sup>	0.49%	26,197 <sup>4</sup>	0.78%	8,180 <sup>4</sup>	0.78%
2007	4,359,903 <sup>4</sup>	0.49%	26,403 <sup>4</sup>	0.78%	8,244 <sup>4</sup>	0.78%
2008	4,359,903 <sup>4</sup>	0.49%	26,403 <sup>4</sup>	0.78%	8,244 <sup>4</sup>	0.78%
2009	4,381,259 <sup>4</sup>	0.49%	26,608 <sup>4</sup>	0.78%	8,308 <sup>4</sup>	0.78%
2010	4,381,259 <sup>4</sup>	0.49%	26,608 <sup>4</sup>	0.77%	8,308 <sup>4</sup>	0.77%
2011	4,402,615 <sup>4</sup>	0.49%	26,813 <sup>4</sup>	0.77%	8,372 <sup>4</sup>	0.77%
2012	4,402,615 <sup>4</sup>	0.49%	26,813 <sup>4</sup>	0.77%	8,372 <sup>4</sup>	0.77%
2013	4,423,971 <sup>4</sup>	0.48%	27,019 <sup>4</sup>	0.77%	8,437 <sup>4</sup>	0.77%
2014	4,423,971 <sup>4</sup>	0.48%	27,019 <sup>4</sup>	0.76%	8,437 <sup>4</sup>	0.76%
2015	4,445,326 <sup>4</sup>	0.48%	27,224 <sup>4</sup>	0.76%	8,501 <sup>4</sup>	0.76%
2016	4,445,326 <sup>4</sup>	0.48%	27,224 <sup>4</sup>	0.75%	8,501 <sup>4</sup>	0.75%
2017	4,466,682 <sup>4</sup>	0.48%	27,429 <sup>4</sup>	0.75%	8,565 <sup>4</sup>	0.75%
2018	4,466,682 <sup>4</sup>	0.48%	27,429 <sup>4</sup>	0.75%	8,565 <sup>4</sup>	0.75%
2019	4,488,038 <sup>4</sup>	0.48%	27,634 <sup>4</sup>	0.75%	8,629 <sup>4</sup>	0.75%
2020	4,488,038 <sup>4</sup>	0.48%	27,634 <sup>4</sup>	0.74%	8,629 <sup>4</sup>	0.74%
2001	4,509,394 <sup>4</sup>	0.47%	27,840 <sup>4</sup>	0.74%	8,693 <sup>4</sup>	0.74%
2002	4,509,394 <sup>4</sup>	0.47%	27,840 <sup>4</sup>	0.74%	8,693 <sup>4</sup>	0.74%
2003	4,530,750 <sup>3</sup>		28,045 <sup>3</sup>		8,757 <sup>4</sup>	

<sup>1</sup> 1990 Census

<sup>2</sup> 1997 Population Estimates, Kentucky State Data Center, University of Louisville

<sup>3</sup> High Growth Population Projections 1995-2020, Kentucky State Data Center, University of Louisville

<sup>4</sup> Interpolated

9-C

COST COMPARISON ANALYSIS  
 WATER TREATMENT PLANT EXPANSION ALTERNATIVES  
 VERSAILLES, KENTUCKY  
 GRW PROJECT NO. 2710

*Expansion from  
 4 MGD → 10 MGD*

	Conventional Alternative No. 1 (New Flocc/Sed. Basins)	Conventional Alternative No. 2 (Re-Use Exist.) Flocc/Sed Basins)	Actiflo Alternative	Superpulsator Alternative
Construction:				
Raw Water Pump Station and Transmission Main	\$2,107,800	\$2,107,800	\$2,107,800	\$2,107,800
Water Treatment Plant	\$7,675,500	\$7,490,500	\$6,885,500	\$7,020,500
High Service Transmission Main	\$1,700,500	\$1,700,500	\$1,700,500	\$1,700,500
Construction Sub-Total	\$11,483,800	\$11,298,800	\$10,693,800	\$10,828,800
Project Administrative Costs	\$10,000	\$10,000	\$10,000	\$10,000
Property & R/W Acquisition	\$50,000	\$50,000	\$50,000	\$50,000
Engineering Design	\$643,100	\$632,800	\$598,900	\$606,500
Bidding Services	\$15,000	\$15,000	\$15,000	\$15,000
Construction Administration	\$150,000	\$150,000	\$150,000	\$150,000
Resident Project Representation	\$168,000	\$168,000	\$168,000	\$168,000
Geotechnical Engineering	\$25,000	\$25,000	\$25,000	\$25,000
Additional Engineering Services (O & M Manuals, Start-Up Services, etc.)	\$30,000	\$30,000	\$30,000	\$30,000
Contingencies (10% of Construction)	\$1,148,380	\$1,129,880	\$1,069,380	\$1,082,880
<b>TOTAL</b>	<b>\$13,723,280</b>	<b>\$13,509,480</b>	<b>\$12,810,080</b>	<b>\$12,966,180</b>

**PRELIMINARY DRAFT**

\* ELECTIVE

\* SUBJECT TO REGULATORY DETERMINATION

\* PRICE NEGOTIABLE

*4 MGD → 10 MGD*





GRW Engineers, Inc.

**CONSTRUCTION COST ESTIMATE**

Project:	Water Treatment Plant Expansion		
Owner:	City of Versailles, Kentucky		
Project No.:	2710-01		
Date:	7-22-99	Dwg. No.:	N/A
Estimator:	DBM	Type:	Preliminary

Description	Number of Units	Units of Measure	Unit Cost	Total Cost
<b>Water Treatment Plant Expansion (Conventional Alternate 1)</b>				
Mobilization	1	LS	\$7,500.00	\$7,500.00
New Flash Mixers	2	EA	\$15,000.00	\$30,000.00
Flash Mix Basin	1	LS	\$25,000.00	\$25,000.00
Chemical Building Addition	1	LS	\$300,000.00	\$300,000.00
Caustic Soda Feed System (Bulk Storage Tank, 2 Day Tanks, 2 Metering Pumps and associated appurtenances)	1	LS	\$30,000.00	\$30,000.00
Liquid Alum Feed System (Bulk Storage Tank, 2 Day Tanks, 2 Metering Pumps and associated appurtenances)	1	LS	\$30,000.00	\$30,000.00
Carbon Feed System	1	EA	\$50,000.00	\$50,000.00
Polymer Feed System	1	EA	\$15,000.00	\$15,000.00
Chlorination Modifications	1	LS	\$85,000.00	\$85,000.00
Chlorine Scrubber	1	LS	\$150,000.00	\$150,000.00
Ammoniation Modifications	1	LS	\$85,000.00	\$85,000.00
Additional Ammonia Storage	1	LS	\$10,000.00	\$10,000.00
Cover for Ammonia Storage	1	LS	\$10,000.00	\$10,000.00
Fluoride Feed System	1	EA	\$17,500.00	\$17,500.00
Flouride Feed Modifications (containment, eye wash, etc.)	1	LS	\$10,000.00	\$10,000.00
Corrosion Control Chem. Feed	1	LS	\$10,000.00	\$10,000.00
Plumbing Modifications for Chemical Feeds	1	LS	\$5,000.00	\$5,000.00
Repair Leak at Eye Wash	1	LS	\$2,500.00	\$2,500.00
Convert Existing New Floc Basins to Four, 3-Stage Vertical Paddle Floc Basins	1	LS	\$300,000.00	\$300,000.00
Construct a Single-Stage Vertical Paddle Floc Basin at Exist. Sed Basin No. 3	1	LS	\$130,000.00	\$130,000.00
Flocculation Equipment	1	LS	\$150,000.00	\$150,000.00
Construct Four New Rect- angular Sed. Basins	1	LS	\$1,100,000.00	\$1,100,000.00
New Weirs, Troughs, and Tube Settlers for Exist. Sed. Basin No. 3	1	LS	\$50,000.00	\$50,000.00





GRW Engineers, Inc

**CONSTRUCTION COST ESTIMATE**

Project:	Water Treatment Plant Expansion		
Owner:	City of Versailles, Kentucky		
Project No.:	2710-01		
Date:	8-3-99	Dwg. No.:	N/A
Estimator:	DBM	Type:	Preliminary

Description	Number of Units	Units of Measure	Unit Cost	Total Cost
<b>Water Treatment Plant Expansion (Conventional Alternate 2)</b>				
Mobilization	1	LS	\$7,500.00	\$7,500.00
New Flash Mixers	2	EA	\$15,000.00	\$30,000.00
Flash Mix Basin	1	LS	\$25,000.00	\$25,000.00
Chemical Building Addition	1	LS	\$300,000.00	\$300,000.00
Caustic Soda Feed System (Bulk Storage Tank, 2 Day Tanks, 2 Metering Pumps and associated appurtenances)	1	LS	\$30,000.00	\$30,000.00
Liquid Alum Feed System (Bulk Storage Tank, 2 Day Tanks, 2 Metering Pumps and associated appurtenances)	1	LS	\$30,000.00	\$30,000.00
Carbon Feed System	1	EA	\$50,000.00	\$50,000.00
* Polymer Feed System	1	EA	\$15,000.00	\$15,000.00
* Chlorination Modifications	1	LS	\$85,000.00	\$85,000.00
* Chlorine Scrubber	1	LS	\$150,000.00	\$150,000.00
Ammoniation Modifications	1	LS	\$85,000.00	\$85,000.00
Additional Ammonia Storage	1	LS	\$10,000.00	\$10,000.00
Cover for Ammonia Storage	1	LS	\$10,000.00	\$10,000.00
Fluoride Feed System	1	EA	\$17,500.00	\$17,500.00
Flouride Feed Modifications (containment, eye wash, etc.)	1	LS	\$10,000.00	\$10,000.00
* Corrosion Control Chem. Feed	1	LS	\$10,000.00	\$10,000.00
Plumbing Modifications for Chemical Feeds	1	LS	\$5,000.00	\$5,000.00
Repair Leak at Eye Wash	1	LS	\$2,500.00	\$2,500.00
Convert Existing New Floc Basins to Four, 3-Stage Vertical Paddle Floc Basins	1	LS	\$320,000.00	\$320,000.00
Modify/Upgrade Existing "Old" Vertical Paddle Flocculation Basin	1	LS	\$100,000.00	\$100,000.00
Flocculation Equipment	1	LS	\$175,000.00	\$175,000.00
Construct Four New Rect- angular Sed. Basins	1	LS	\$850,000.00	\$850,000.00
Modifications for Existing Sed. Basin No. 3	1	LS	\$60,000.00	\$60,000.00







GRW Engineers, Inc

**CONSTRUCTION COST ESTIMATE**

Project:	Water Treatment Plant Expansion		
Owner:	City of Versailles, Kentucky		
Project No.:	2710-01		
Date:	8-3-99	Dwg. No.:	N/A
Estimator:	DBM	Type:	Preliminary

Description	Number of Units	Units of Measure	Unit Cost	Total Cost
<b>Water Treatment Plant Expansion (Actiflo Alternate)</b>				
Mobilization	1	LS	\$7,500.00	\$7,500.00
Chemical Building Addition	1	LS	\$300,000.00	\$300,000.00
Caustic Soda Feed System (Bulk Storage Tank, 2 Day Tanks, 2 Metering Pumps and associated appurtenances)	1	LS	\$30,000.00	\$30,000.00
Liquid Alum Storage System (Bulk Storage Tank, 2 Day Tanks and appurtenances)	1	LS	\$20,000.00	\$20,000.00
Carbon Feed System	1	EA	\$50,000.00	\$50,000.00
Chlorination Modifications	1	LS	\$85,000.00	\$85,000.00
Chlorine Scrubber	1	LS	\$150,000.00	\$150,000.00
Ammoniation Modifications	1	LS	\$85,000.00	\$85,000.00
Additional Ammonia Storage	1	LS	\$10,000.00	\$10,000.00
Cover for Ammonia Storage	1	LS	\$10,000.00	\$10,000.00
Fluoride Feed System	1	EA	\$17,500.00	\$17,500.00
Flouride Feed Modifications (containment, eye wash, etc.)	1	LS	\$10,000.00	\$10,000.00
Corrosion Control Chem. Feed	1	LS	\$10,000.00	\$10,000.00
Plumbing Modifications for Chemical Feeds	1	LS	\$5,000.00	\$5,000.00
Repair Leak at Eye Wash	1	LS	\$2,500.00	\$2,500.00
Convert Existing Sed. Basin No. 3 to Actiflo	1	LS	\$125,000.00	\$125,000.00
Actiflo Equipment	1	LS	\$925,000.00	\$925,000.00
Renovate Exist. Floc. and Sed. Basins to 30 min. Td. Sed.	1	LS	\$80,000.00	\$80,000.00
Filter Building Expansion (incl. construction fo 6 New 1 MGD Filters)	1	LS	\$700,000.00	\$700,000.00
Filter Equipment	6	EA	\$45,000.00	\$270,000.00
Filter Consoles	6	EA	\$35,000.00	\$210,000.00
Filter Piping and Valves	1	LS	\$200,000.00	\$200,000.00
Replacement of Existing Filter Controls and Consoles	2	EA	\$50,000.00	\$100,000.00
Clearwell	1	LS	\$1,400,000.00	\$1,400,000.00





GRW Engineers, Inc.

**CONSTRUCTION COST ESTIMATE**

Project:	Water Treatment Plant Expansion		
Owner:	City of Versailles, Kentucky		
Project No.:	2710-01		
Date:	8-11-99	Dwg. No.:	N/A
Estimator:	DBM	Type:	Preliminary

Description	Number of Units	Units of Measure	Unit Cost	Total Cost
Water Treatment Plant Expansion (Superpulsator Alternate)				
Mobilization	1	LS	\$7,500.00	\$7,500.00
New Flash Mixers	2	EA	\$15,000.00	\$30,000.00
Flash Mix Basin	1	LS	\$25,000.00	\$25,000.00
Chemical Building Addition	1	LS	\$300,000.00	\$300,000.00
Caustic Soda Feed System (Bulk Storage Tank, 2 Day Tanks, 2 Metering Pumps and associated appurtenances)	1	LS	\$30,000.00	\$30,000.00
Liquid Alum Feed System (Bulk Storage Tank, 2 Day Tanks, 2 Metering Pumps and associated appurtenances)	1	LS	\$30,000.00	\$30,000.00
Carbon Feed System	1	EA	\$50,000.00	\$50,000.00
Polymer Feed System	1	EA	\$15,000.00	\$15,000.00
Chlorination Modifications	1	LS	\$85,000.00	\$85,000.00
* Chlorine Scrubber	1	LS	\$150,000.00	\$150,000.00
Ammoniation Modifications	1	LS	\$85,000.00	\$85,000.00
Additional Ammonia Storage	1	LS	\$10,000.00	\$10,000.00
Cover for Ammonia Storage	1	LS	\$10,000.00	\$10,000.00
Fluoride Feed System	1	EA	\$17,500.00	\$17,500.00
Flouride Feed Modifications (containment, eye wash, etc.)	1	LS	\$10,000.00	\$10,000.00
Corrosion Control Chem. Feed	1	LS	\$10,000.00	\$10,000.00
Plumbing Modifications for Chemical Feeds	1	LS	\$5,000.00	\$5,000.00
Repair Leak at Eye Wash	1	LS	\$2,500.00	\$2,500.00
Construct New Superpulsator Basin	1	LS	\$715,000.00	\$715,000.00
* Superpulsator Equipment	1	LS	\$540,000.00	\$540,000.00
* Renovate Exist. Floc. and Sed. Basins to 30 min. Td. Sed.	1	LS	\$100,000.00	\$80,000.00
Filter Building Expansion (incl. construction fo 6 New 1 MGD Filters)	1	LS	\$700,000.00	\$700,000.00
Filter Equipment	6	EA	\$45,000.00	\$270,000.00
Filter Consoles	6	EA	\$35,000.00	\$210,000.00
Filter Piping and Valves	1	LS	\$200,000.00	\$200,000.00

* Replacement of Existing				
Filter Controls and Consoles	2	EA	\$50,000.00	\$100,000.00
Clearwell	1	LS	\$1,250,000.00	\$1,250,000.00
New High Service Pump				
Station to be Constructed				
on Exist "New" Clearwell	1	LS	\$400,000.00	\$400,000.00
High Service Pumps & Starters	2	EA	\$75,000.00	\$150,000.00
Instrumentation	1	LS	\$100,000.00	\$100,000.00
Site Grading	1	LS	\$50,000.00	\$50,000.00
* Access Road Improvements	1	LS	\$20,000.00	\$20,000.00
* Site Piping	1	LS	\$320,000.00	\$320,000.00
* Office/Laboratory Modifications	1	LS	\$10,000.00	\$10,000.00
* Painting	1	LS	\$20,000.00	\$20,000.00
* Laboratory Equipment	1	LS	\$5,000.00	\$5,000.00
* Filter Building Restroom				
Renovation	1	LS	\$5,000.00	\$5,000.00
* Replacement Gas Unit Heaters	1	LS	\$2,500.00	\$2,500.00
* Spare Parts	1	LS	\$5,000.00	\$5,000.00
* Remove Dehumidifier in				
Pipe Gallery	1	LS	\$500.00	\$500.00
* New Filter Building Roof	1	LS	\$5,000.00	\$5,000.00
* Seal Filter Building Upper				
Level Floor Penetrations	1	LS	\$5,000.00	\$5,000.00
Electrical	1	LS	\$700,000.00	\$700,000.00
Plumbing Improvements	1	LS	\$5,000.00	\$5,000.00
HVAC	1	LS	\$25,000.00	\$25,000.00
New Residuals Lagoons	1	LS	\$200,000.00	\$200,000.00
Residuals Piping	1	LS	\$50,000.00	\$50,000.00
Residuals Lagoons Access				
Road Improvements	1	LS	\$5,000.00	\$5,000.00
<b>TOTAL</b>				<b>\$7,020,500.00</b>



9-D

CONSTRUCTION COST ESTIMATE  
 16" DIAMETER TRANSMISSION MAIN  
 OLD FRANKFORT PIKE TO VERSAILLES MASTER METER

DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
16 INCH DUCTILE IRON PIPE	33000	FEET	\$19.66	\$648,780.00
16 INCH GATE VALVE	11	EACH	\$2,338.00	\$25,718.00
FIRE HYDRANT	32	EACH	\$742.00	\$23,744.00
16 X 6 TEE	44	EACH	\$1,434.00	\$63,096.00
24 X16 TEE	1	EACH	\$2,832.00	\$2,832.00
HYDRANT VALVE	32	EACH	\$221.00	\$7,072.00
AIR RELEASE VALVE	12	EACH	\$250.00	\$3,000.00
16 INCH--11 1/4 BEND	10	EACH	\$920.00	\$9,200.00
16 INCH 22 1/2 BEND	25	EACH	\$920.00	\$23,000.00
16 INCH 45 BEND	25	EACH	\$910.00	\$22,750.00
16 INCH 90 BEND	10	EACH	\$1,115.00	\$11,150.00
INSTALL PIPE AND APPURTENANCES	33000	FEET	\$41.86	\$1,381,380.00
BORE/JACK GRASSY SPR. & STEELE	100	FEET	\$350.00	\$35,000.00
			<b>SUB-TOTAL</b>	<b>\$2,256,722.00</b>
			<b>ENGINEERING</b>	<b>\$135,403.32</b>
			<b>INSPECTION</b>	<b><u>\$78,082.58</u></b>
			<b>TOTAL</b>	<b>\$2,470,207.90</b>
			<b>CONTINGENCY</b>	<b><u>\$250,000.00</u></b>
			<b>GRAND TOTAL</b>	<b>\$2,720,207.90</b>



CONSTRUCTION COST ESTIMATE  
 16" DIAMETER TRANSMISSION MAIN  
 OLD FRANKFORT PIKE TO STEELE ROAD

DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
16 INCH DUCTILE IRON PIPE	18800	FEET	\$19.66	\$369,608.00
16 INCH GATE VALVE	6	EACH	\$2,338.00	\$14,028.00
FIRE HYDRANT	18	EACH	\$742.00	\$13,356.00
16 X 6 TEE	25	EACH	\$1,434.00	\$35,850.00
24 X16 TEE	1	EACH	\$2,832.00	\$2,832.00
HYDRANT VALVE	18	EACH	\$221.00	\$3,978.00
AIR RELEASE VALVE	7	EACH	\$250.00	\$1,750.00
16 INCH--11 1/4 BEND	6	EACH	\$920.00	\$5,520.00
16 INCH 22 1/2 BEND	14	EACH	\$920.00	\$12,880.00
16 INCH 45 BEND	14	EACH	\$910.00	\$12,740.00
16 INCH 90 BEND	6	EACH	\$1,115.00	\$6,690.00
INSTALL PIPE AND APPURTENANCES	18800	FEET	\$41.86	\$786,968.00
BORE/JACK GRASSY SPR. & STEELE	100	FEET	\$350.00	\$35,000.00
			<b>SUB-TOTAL</b>	<b>\$1,301,200.00</b>
			<b>ENGINEERING</b>	<b>\$78,072.00</b>
			<b>INSPECTION</b>	<b><u>\$45,021.52</u></b>
			<b>TOTAL</b>	<b>\$1,424,293.52</b>
			<b>CONTINGENCY</b>	<b><u>\$150,000.00</u></b>
			<b>GRAND TOTAL</b>	<b>\$1,574,293.52</b>

PLANT BOARD PARTICIPATION \$881,604





CONSTRUCTION COST ESTIMATE  
 16 INCH TRANSMISSION MAIN  
 VERSAILLES MASTER METER TO THEIR McCRACKEN PIKE TANK AND KHOULMAN WATER MAI

DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
MASTER METER VAULT	1	LSUM	\$55,000.00	\$55,000.00
BOOSTER PUMP STATION	1	LSUM	\$400,000.00	\$400,000.00
16 INCH DUCTILE IRON PIPE	19500	FEET	\$19.66	\$383,370.00
16 INCH GATE VALVE	6	EACH	\$2,338.00	\$14,028.00
FIRE HYDRANT	12	EACH	\$742.00	\$8,904.00
16 X 6 TEE	16	EACH	\$1,434.00	\$22,944.00
HYDRANT VALVE	12	EACH	\$221.00	\$2,652.00
AIR RELEASE VALVE	4	EACH	\$250.00	\$1,000.00
16 X 16 TEE	1	EACH	\$1,750.00	\$1,750.00
16 INCH 11 1/4 BEND	6	EACH	\$920.00	\$5,520.00
16 INCH 22 1/2 BEND	15	EACH	\$920.00	\$13,800.00
16 INCH 45 BEND	15	EACH	\$910.00	\$13,650.00
16 INCH 90 BEND	6	EACH	\$1,115.00	\$6,690.00
BORE AND JACK UNDER US60	170	FEET	\$350.00	\$59,500.00
BORE AND JACK UNDER RAILROAD	100	FEET	\$350.00	\$35,000.00
BORE AND JACK UNDER MAIN ST	50	FEET	\$350.00	\$17,500.00
CONNECT TO EXISTING MAIN	2	EACH	\$5,000.00	\$10,000.00
INSTALL PIPE AND APPURTENANCES	17000	FEET	\$41.86	\$711,620.00
INSTALL PIPE IN ASPHALT ON MAIN ST	2500	FEET	\$76.00	\$190,000.00
			<b>SUB-TOTAL</b>	\$1,952,928.00
			<b>ENGINEERING</b>	\$121,667.41
			<b>INSPECTION</b>	\$74,015.97
			<b>CONTINGENCY</b>	<u>\$215,000.00</u>
			<b>TOTAL</b>	<b>\$2,363,611.39</b>
<b>GRAND TOTAL ENTIRE PROJECT</b>				<b>\$5,083,819.29</b>


**GRW Engineers, Inc.**

Engineers • Architects • Planners  
 801 Corporate Drive • Lexington, Kentucky 40503  
 Phone: 606-223-3999 • Fax: 606-223-8917

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## Fax Transmittal

No. of pages:	2	Including cover sheet	Date:	8/16/99
To:	Bart Miller		Time:	
Company:	City of Versailles		By:	
Fax No.:	873-5969			
From:	Brad Montgomery			
Subject:	Water Treatment Plant Study			
Project No.:	2710-01			

**Message:**

In reviewing your options for potable water supply (such as purchase from Frankfort), we suggest the following type of comparison:

**Expand Versailles Water Treatment Plant**

1. Capital cost of water treatment plant expansion.
2. Present worth of the cost of treatment over the life of the facility (chemicals, power, labor, etc.)

**Purchase Water from Frankfort**

1. Present worth of the cost of water over the life of the contract. Care should be taken to allow for increases.
2. Present worth of the cost of power for pumping water from Frankfort.
3. Present worth of the cost of treatment at the existing water plant (chemicals, power, labor, etc.).
4. Capital cost of water treatment plant upgrades. The condition of the existing facility and new regulations will necessitate that improvements be made to the existing plant even if no additional capacity is added.
5. Capital cost of distribution system improvements (if any) required to accommodate pumping water from Frankfort.
6. Capital cost of water main and pumping station to transfer water from Frankfort to Versailles.

In addition to the above cost-related issues, there are several none-cost issues to be considered. A few of these considerations (in no particular order) are as follows:

- a. The ability to preserve and generate job opportunities at the Water Treatment Plant in Versailles.
- b. The ability to maintain control of growth and development in Versailles and Woodford County (rather than being dependent on Frankfort who may be competing for industrial development and economic opportunities).
- c. The priority (or lack thereof) placed on the provision of water to Versailles should a shortage occur.

As you can see, the evaluation of such alternatives is complicated. Outside of cost and technical considerations, many of the factors affecting the evaluation are subjective, and even political.

If you have any questions or comments, please feel free to call.

*If you do not receive all the pages or if you have trouble, please call us at 606-223-3999.*

**COST COMPARISON ANALYSIS  
 WATER TREATMENT PLANT EXPANSION ALTERNATIVES  
 VERSAILLES, KENTUCKY  
 GRW PROJECT NO. 2710**

	Conventional Alternative No. 1 (New Flocc/Sed. Basins)	Conventional Alternative No. 2 (Re-Use Exist.) Flocc/Sed Basins)	Actiflo Alternative	Superpulsator Alternative
<i>Construction:</i>				
Raw Water Pump Station and Transmission Main	\$2,107,800	\$2,107,800	\$2,107,800	\$2,107,800
Water Treatment Plant	\$7,675,500	\$7,490,500	\$6,885,500	\$7,020,500
High Service Transmission Main	<u>\$1,700,500</u>	<u>\$1,700,500</u>	<u>\$1,700,500</u>	<u>\$1,700,500</u>
Construction Sub-Total	\$11,483,800	\$11,298,800	\$10,693,800	\$10,828,800
Project Administrative Costs	\$10,000	\$10,000	\$10,000	\$10,000
Property & R/W Acquisition	\$50,000	\$50,000	\$50,000	\$50,000
Engineering Design	\$643,100	\$632,800	\$598,900	\$606,500
Bidding Services	\$15,000	\$15,000	\$15,000	\$15,000
Construction Administration	\$150,000	\$150,000	\$150,000	\$150,000
Resident Project Representation	\$168,000	\$168,000	\$168,000	\$168,000
Geotechnical Engineering	\$25,000	\$25,000	\$25,000	\$25,000
Additional Engineering Services (O & M Manuals, Start-Up Services, etc.)	\$30,000	\$30,000	\$30,000	\$30,000
Contingencies (10% of Construction)	<u>\$1,148,380</u>	<u>\$1,129,880</u>	<u>\$1,069,380</u>	<u>\$1,082,880</u>
<b>TOTAL</b>	<b>\$13,723,280</b>	<b>\$13,509,480</b>	<b>\$12,810,080</b>	<b>\$12,966,180</b>



**GRW Engineers, Inc.**

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# Fax Transmittal

No. of pages: 2 including cover sheet

To: Bart Miller

Company: City of Versailles

Fax No.: 873-5969

From: Brad Montgomery

Subject: Water Treatment Plant

Project No.: 2710

Date: 9/22/99

Time: 4:00

By: J.K.

**Message:**

Based on some of the numbers presented by Frankfort last night at your Council meeting, we have prepared a rough cost comparison (copy attached) for the construction of a new water plant versus the purchase of water from Frankfort (copy attached). In reviewing this, please note that we had to make a considerable number of assumptions in performing this analysis. With a small amount of effort, anyone could pick it apart. We tried to make the analysis as objective and evenly-based as possible. A couple of resulting thoughts are as follows:

1. The difference in cost is much less than the level of cost estimating accuracy for projects of this size and type. This statement would probably be true regardless of manipulations that could be performed with the figures.
2. The capital cost of a project does not accurately reflect the actual cost. In this example, the City of Versailles would be paying the same annual cost, regardless of the alternative selected (in one instance, the payments would be made in the form of water purchase from Frankfort, not debt service).
3. The total life cycle cost of the alternatives is so close that the City should give heavy consideration to non-cost factors, such as the creation and preservation of jobs in Versailles, the ability to control your own growth and destiny as a community, the ability to control your own costs, the fact that the water main and pump station to Frankfort could be constructed much quicker, etc.
4. The one item that could considerably sway this analysis is rate increases from Frankfort. Knowing that Frankfort expects a rate increase within three years and that a water treatment plant expansion/upgrade will probably be necessary within the life of the analysis (20 years), we have estimated a 5% annual increase in the purchase cost. In reality, this increase will probably occur in larger increments every 3 to 5 years, with a major increase resulting from their water plant expansion. It appears as if the 5% average annual increase is about the "break even" figure in the analysis.
5. Knowing that the alternative are this close in cost gives you firm ground for a tough negotiating stance with Frankfort.

With all of this said, your Council has a tough decision to make. Hopefully, the attached analysis and the above comments provide some useful information in this decision making process. If you have any questions, please call.

*If you do not receive all the pages or if you have trouble, please call us at 606-223-3999.*

**COST COMPARISON  
WATER TREATMENT PLANT VS. WATER PURCHASE  
VERSAILLES, KENTUCKY**

New Water Treatment Plant

Capital Cost (reflects \$1 million in savings from original estimate resulting from design changes) \$11,810,080

Cost of Water Production

Treatment - Related Expenses (1988)	\$704,323	
Water Treated (1988)		928,032,000 gallons
Cost of Water Production		\$0.76 /1,000 gallons
Daily Cost @ say 5,000,000 GPD	\$3,794.71 /day	
Annual Cost		\$1,385,070 /year

Assuming a 4% interest rate and a 3% annual increase in production cost,

$$\text{Present Worth of Production Cost} = PW(20) = A(P/A, 4\%, 20) + G(P/G, 4\%, 20)$$

$$= \$18,849,746 + \$4,642,207 = \underline{\$23,491,953}$$

**Total Present Worth \$35,302,033**

Purchase Water from Frankfort

Capital Cost of Main and Pump Station from Frankfort

Total Estimated Cost	\$5,083,819	
Contribution from Frankfort		\$281,804
<b>Total</b>		<b>\$4,202,215</b>

Capital of Water Treatment Plant Upgrade (estimated without engineering study)

say \$2,000,000

Cost of Water Production

Cost of Water Production	\$0.76 /1,000 gallons	
Daily Cost @ say 3,500,000 GPD	\$2,656.30 /day	
Annual Cost		\$969,549 /year

Assuming a 4% interest rate and a 3% annual increase in production cost,

$$\text{Present Worth of Production Cost} = PW(20) = A(P/A, 4\%, 20) + G(P/G, 4\%, 20)$$

$$= \$13,194,822 + \$3,249,545 = \underline{\$16,444,367}$$

Cost of Water Purchase

Monthly Cost @ say 1,500,000 GPD (assumes \$1.36/1,000 gal. for the first 15,000,000 gallons and \$1.20/1,000 gal. for all over 15,000,000 gallons)		
		\$20,400 first 15,000,000 gallons
		\$35,000 all over 15,000,000 gallons
<b>Total</b>		<b>\$55,400</b>

Annual Cost \$676,800 /year

Assuming a 4% interest rate and a 5% annual increase in purchase cost,

$$\text{Present Worth of Production Cost} = PW(20) = A(P/A, 4\%, 20) + G(P/G, 4\%, 20)$$

$$= \$9,197,915 + \$3,775,350 = \underline{\$12,973,265}$$

**Total Present Worth \$35,619,847**

Note: The increase in water production cost for Versailles was estimated to mirror the projected inflation rate. The increase in the purchase cost from Frankfort was increased over the inflation rate knowing that Frankfort is expecting a rate increase within 3 years and anticipating that Frankfort will need a water treatment plant expansion/upgrade within the life of this analysis (20 years).

# City of Versailles

Fred Siegelman  
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(606) 873-4581

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Clerk-Treasurer  
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William Allen Love  
Chief of Police  
(606) 873-6041

Frankie Shuck  
Fire Chief  
(606) 873-5829

October 1, 1999

To: Mayor Siegelman  
Versailles City Council Members

From: Bart Miller  
Public Works Director

Re: Water Plant Expansion vs, Frankfort Tie-On

We are getting close to the point where a decision needs to be made about our future water needs. As we continue to weigh the best possible option for Versailles, I am submitting material that may help you in making an informed decision.

### **This information consists of the following:**

1. Estimate of total Frankfort pipeline construction cost.
2. Estimate of our share of the Frankfort pipeline cost.
3. Letter from Brad Montgomery from GRW Engineers analyzing the construction of a new water plant vs. the purchase of water from Frankfort.
4. Letter from Brad Montgomery with recommendations on items to be considered when negotiating a wholesale purchase agreement

Hopefully this packet will be of some use. I also submitted to you two council meetings ago the estimates for expanding the water plant. Let me know if you need a copy.

### **To update you on our talks with Frankfort:**

Our cost would be \$4.3 million, our minimum purchase would be 750,000 gallons per day, our capacity would be 4.5 million gallons per day, and the length of the contract would be 20 years.

**Please**, call me or stop by with any input or questions.

We have supplied Bluegrass ADD the information necessary to conduct a thorough water and sewer rate analysis to determine the impact the improvements will have on customers' rates.


**GRW Engineers, Inc.**

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 801 Corporate Drive • Lexington, Kentucky 40503  
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## Fax Transmittal

No. of pages: 2 including cover sheet  
 To: Bart Miller  
 Company: City of Versailles  
 Fax No.: 873-5969  
 From: Brad Montgomery  
 Subject: Water Treatment Plant  
 Project No.: 2710

Date: 10/22/99  
 Time: \_\_\_\_\_  
 By: \_\_\_\_\_

**Message:**

Attached is a revised cost comparison of a water treatment plant versus purchasing water from Frankfort. The revision reflects the reduced capital cost of a water treatment plant expansion incorporating a reduction in capacity to 7.0 MGD. Naturally, this swings the analysis in favor of the water treatment plant expansion.

If you have any questions, comments or would like for me to discuss this with you or your Water Committee, please let me know.

*If you do not receive all the pages or if you have trouble, please call us at 606-223-3999.*



**COST COMPARISON  
7 MGD WATER TREATMENT PLANT VS. WATER PURCHASE  
VERSAILLES, KENTUCKY**

New Water Treatment Plant

Capital Cost		\$9,530,215
Cost of Water Production		
Treatment - Related Expenses (1993)	\$704,323	
Water Treated (1998)	923,032,000 gallons	
Cost of Water Production	\$0.76 /1,000 gallons	
Daily Cost @ say 5,000,000 GPD	\$3,794.71 /day	
Annual Cost	\$1,385,070 /year	
Assuming a 4% interest rate and a 3% annual increase in production cost,		
Present Worth of Production Cost = $PW(20) = A(P/A, 4\%, 20) + G(P/G, 4\%, 20)$		
= \$13,849,746 + \$4,642,207		= <u>\$23,491,953</u>
<b>Total Present Worth</b>		<b>\$33,072,168</b>

Purchase Water from Frankfort

Capital Cost of Main and Pump Station from Frankfort		
Total Estimated Cost	\$5,083,819	
Contribution from Frankfort	<u>\$881,604</u>	
Total		\$4,202,215
Capital of Water Treatment Plant Upgrade (estimated without engineering study)	say	\$2,000,000
Cost of Water Production		
Cost of Water Production	\$0.76 /1,000 gallons	
Daily Cost @ say 3,500,000 GPD	\$2,656.30 /day	
Annual Cost	\$969,549 /year	
Assuming a 4% interest rate and a 3% annual increase in production cost,		
Present Worth of Production Cost = $PW(20) = A(P/A, 4\%, 20) + G(P/G, 4\%, 20)$		
= \$13,194,822 + \$3,249,545		= \$16,444,367
Cost of Water Purchase		
Monthly Cost @ say 1,500,000 GPD (assumes \$1.36/1,000 gal. for the first 15,000,000 gallons and \$1.20/1,000 gal. for all over 15,000,000 gallons)		
		\$20,400 first 15,000,000 gallons
		<u>\$36,000 all over 15,000,000 gallons</u>
Total		\$56,400
Annual Cost		\$676,800 /year
Assuming a 4% interest rate and a 5% annual increase in purchase cost,		
Present Worth of Production Cost = $PW(20) = A(P/A, 4\%, 20) + G(P/G, 4\%, 20)$		
= \$9,197,915 + \$3,775,350		= <u>\$12,973,265</u>
<b>Total Present Worth</b>		<b>\$35,619,847</b>

Note: The increase in water production cost for Versailles was estimated to mirror the projected inflation rate. The increase in the purchase cost from Frankfort was increased over the inflation rate knowing that Frankfort is expecting a rate increase within 3 years and anticipating that Frankfort will need a water treatment plant expansion/upgrade within the life of this analysis (20 years).

**AGREEMENT FOR FRANKFORT TO PROVIDE  
VERSAILLES WITH SUPPLEMENTAL POTABLE WATER**

This agreement made and entered into this \_\_\_\_\_ day of 1999, by and between the Electric & Water Plant Board of the City of Frankfort, Kentucky, hereinafter called "Plant Board" and the City of Versailles, Kentucky, hereinafter called "Versailles."

**WHEREAS**, Versailles has a need for a supplemental water supply; and,

**WHEREAS**, the Plant Board has treatment and pumping capacity to serve Versailles and an abundant raw water supply, subject to continuing adequate Kentucky River flow; and,

**WHEREAS**, the general location of the proposed facilities required for the sale and delivery of water by the Plant Board to Versailles are generally shown on a map marked Exhibit A herewith.

Now, **THEREFORE**, in consideration of the mutual covenants and conditions herein contained, the parties do now agree as follows:

**1. CONSULTING ENGINEERING AGREEMENT**

The Plant Board will secure the services of a consulting engineering firm to develop plans and specifications for the construction of the transmission main, pump station, and appurtenances, required to provide potable water to Versailles. The tasks to be performed by the consulting Engineering firm include, but are not limited to: hydraulic analysis, design, specification development, bidding, award, contract administration, inspection, and easement acquisition. Both the Plant Board and Versailles shall be a party to the Engineering Agreement with the consultant.

?  
not  
ours

## 2. MATERIAL ACQUISITION

The Plant Board will secure the pipe and fittings for the transmission main. The pipe will be rated for 350 psi, constructed of ductile iron, and will be thickness Class 52. The fittings shall be ductile iron, rated for 350 psi working pressure, and use self-restraining type gaskets with high-strength stainless steel wedges for connection to the pipe. Versailles shall pay their pro-rata share of the pipe, fittings, and appurtenances as set forth hereinafter.

## 3. TRANSMISSION MAIN ALIGNMENT

The transmission main to serve Versailles will begin at the Franklin County Industrial Park Number 2 from an existing 24-inch diameter main. The general alignment of the transmission main from the Industrial Park will be along the right-of-way of U.S. 60 for a distance of approximately 43,000 feet to the intersection of US 60 (Main Street) and US 60 by-pass in Versailles. At US 60 by-pass intersection the transmission main will fork, one leg of the water main will continue along US 60 (Main Street) for a distance of approximately 5000 feet to an existing 12-inch main at Elm Street water storage tank. The other leg of the transmission main will extend along US 60 bypass for a distance of approximately 4,500 feet to an existing 12-inch main near the Kuhlman Factory.

## 4. EASEMENTS

The encroachment permit required to construct the proposed transmission main along the public right-of-way of U.S. 60 will be developed and submitted to the Kentucky Department of Transportation by the Consulting Engineer. Any private easement (other than with the Kentucky Department of Transportation) required for the portion of line from the Industrial Park to Steele Road will be developed by the Consultant. Any fees (to property owners, etc.) associated with these private easements will be paid by the Plant Board. Private easements from Steele Road to Versailles will be developed by the Consultant. Any easement fees associated with this section of the transmission main will be paid by Versailles.

## 5. PUMP STATION *(Steele Rd.)*

A pump station will be required to pump water from Frankfort's pressure zone of 972 feet to the Versailles pressure zone of 1008 feet. This pump station will be required to be located in the Plant Board's service territory in order to maintain a satisfactorily suction pressure. The pump station will be owned, operated, and maintained by the Plant Board. Versailles shall be responsible for the cost of this pump station.

*Plant Board  
Pays Electric*

## 6. ESTIMATED CONSTRUCTION COST

The estimated cost of construction of the transmission main and pump station is \$5,083,818 (refer to EXHIBIT B). This estimated cost includes engineering fees. A more accurate estimate can be developed once contracts for design and construction have been executed. The final actual project cost will not be known until project closeout and all work is complete, in place, including any change orders. Versailles agrees to pay the actual project cost except as noted hereinafter. The Versailles portion of the project is estimated at \$4,202,214. The Plant Board agrees to participate in the project cost, in an amount equal to 56% of the actual cost to construct the transmission main, including engineering, material, labor, and appurtenances, from the Industrial Park to Steele Road. The estimated participation by the Plant Board is \$881,604. The 56% participation reflects the capacity of a 12-inch water main, which the Plant Board would construct to upgrade the US 60 corridor, versus the proposed 16-inch diameter water main to serve Versailles. The Plant Board's share of the construction cost does not include the cost of the pump station, because the Plant Board currently operates a pump station sufficient to serve the US 60 corridor and would not need to construct another one to serve our customers. The minimum required pipe size to transmit 4.5 million gallons of water per day is 16-inch diameter. The Plant Board may elect to increase the pipe diameter from 16 inch to 20 inch from the Industrial Park to Steele Road. In that event the Plant Board shall pay for the difference between 16-inch ductile iron pipe, fittings, and appurtenances and 20-inch ductile iron pipe, fittings, and appurtenances. The estimated cost for upgrading the transmission main from 16-inch to 20-inch from the Industrial Park to Steele Road is \$179,193.00.

## 7. BILLING

The Consulting Engineer shall be responsible for contract administration. Invoices for material, equipment and labor shall be reviewed and approved by the Consultant. The Consulting Engineer shall be responsible for billing Versailles and the Plant Board for their pro-rata share of all projects cost. The Consultant Engineering fees shall be reviewed and approved by the Plant Board prior to the billing of these fees.

## 8. METERING

The metering point will be located approximately at the end of Frankfort's service area on US 60 and the beginning of the Versailles service area. This location is in the vicinity of the former Henton farm and entrance #2 of the UK Farm. The Plant Board will own and maintain the metering facilities. The cost of the metering facilities is the responsibility of Versailles.

## 9. RATES

Rates and conditions of service to Versailles shall be at all times under the prevailing Rates, Rules, and Regulations as promulgated and adopted by the Plant Board. The rates charged Versailles will be in accordance with the existing rate schedule applicable to all Plant Board water users except that a minimum consumption of 750,000 gallons per day will be required. A minimum monthly bill will be based on this required daily minimum of consumption. Plant Board's rate schedule is subject to periodic adjustment to reflect changes in the cost of service. A copy of such Rates, Rules, and Regulations, presently existing is attached hereto as a part hereof and marked Exhibit C.

## 10. PROJECTED WATER DEMAND

It is understood by both parties that the water demand for Versailles will grow to approximately 9.5 million gallons per day over the next twenty years. The existing Versailles water treatment plant can produce approximately 4.0 million gallons per day. It is further understood that all demand over 4.0 million gallons will be accommodated by the proposed transmission line.

As a matter of course in providing 4.5 million gallons per day by the end of the initial contract term, the Plant Board will guarantee the maximum water availability in accordance with the following schedule.

CONTRACT YEAR	GROWTH RATE	GUARANTEED MAXIMUM (GPD)
YEAR 1	6%	1,500,000
YEAR 2	6%	1,590,000
YEAR 3	6%	1,685,000
YEAR 4	6%	1,787,000
YEAR 5	6%	1,894,000
YEAR 6	6%	2,007,000
YEAR 7	6%	2,128,000
YEAR 8	6%	2,255,000
YEAR 9	6%	2,361,000
YEAR 10	6%	2,534,000
YEAR 11	6%	2,686,000
YEAR 12	6%	2,847,000
YEAR 13	6%	3,018,000
YEAR 14	6%	3,199,000
YEAR 15	6%	3,391,000
YEAR 16	6%	3,595,000
YEAR 17	6%	3,811,000
YEAR 18	6%	4,039,000
YEAR 19	6%	4,282,000
YEAR 20	6%	4,500,000

? Build in  
10 years.

In the event, an actual daily demand exceeds the guaranteed maximum, as noted above, the Plant Board will provide the additional needed water if it is available and will not adversely effect other Plant Board customers. If for any contract year, Versailles's projected requirements exceed the maximum guarantee, Versailles may request in writing an increase in the maximum. The Plant Board will make every effort to accommodate the requested demand, provided Versailles agrees to an increase in the minimum daily purchase. The Plant Board agrees that the minimum daily purchase will not exceed 75% of the guaranteed maximum.

If Versailles purchases water from another supplier or expands their treatment plant to accommodate growth, the original intent of this agreement will have changed, and therefore the Plant Board will not be obligated to provide Versailles a guaranteed maximum. In any event, Versailles agrees to purchase a minimum of 750,000 gallons per day for the 20-year term of this agreement.

#### 11. INTERRUPTIONS IN SERVICE

The Plant Board will not be responsible for interruptions in service beyond its reasonable control, and it shall have the right upon notice to interrupt water supply to Versailles, if necessary, to make repairs to its water system.

#### 12. TERM OF CONTRACT

The initial term of this agreement shall be for twenty years from the date water is first supplied under this agreement. This agreement can be extended for an additional twenty-year term upon written approval by both parties. Versailles shall notify the Plant Board in writing at least six months before the initial twenty-year term if they do not want to extend the agreement. Upon the giving of such written notice this agreement shall terminate at the end of original twenty-year term. "Nothing in this agreement shall be construed to obligate the Plant Board at the end of the twenty-year term of this agreement to enter into any other agreement with Versailles for water."

*Both Ways*

#### 13. WATER EXTENSION

The Plant Board shall have the right to make or permit to be made extensions to waterlines, which will become part of the Plant Board system. Such extensions shall include taps and tie-ins, and no consent from Versailles shall be required for such extensions, taps or tie-ins.

*Before Master Meter*

#### 14. WATER USE RESTRICTION

In the event any occurrence, condition or circumstances that leads the Plant Board to request voluntary curtailment of water consumption or to impose mandatory

curtailment of water consumption with respect to the Plant Board's own water users, Versailles will make the same request for voluntary curtailment of consumption or will impose the same mandatory curtailment of water consumption, upon its water users, to the end that wholesale water users of the Plant Board and water users of Versailles will be treated alike with respect to curtailment of water consumption, and Versailles will cooperate fully in taking the same character of enforcement action as the Plant Board takes with respect to any such request or mandate.

#### 15. ENTIRE AGREEMENT

This Agreement constitutes the entire Agreement between the Parties and prior negotiations and understandings are hereby superceded by this Agreement. No amendment or alteration to this Agreement shall be valid or binding unless reduced in writing and signed by both parties.

#### 16. GOVERNING LAWS

This Agreement shall be governed by the Laws of the Commonwealth of Kentucky and in the event of litigation, the same shall be brought in the Franklin Circuit Court of the Commonwealth of Kentucky. The parties expressly agree that the prevailing party shall recover from the other party, in addition to taxable costs, all reasonable expenses and all reasonable attorney fees incurred in connection of said litigation.

ELECTRIC AND WATER PLANT BOARD  
OF THE CITY OF FRANKFORT, KENTUCKY

BY: \_\_\_\_\_  
BOARD CHAIRMAN

ATTEST:

\_\_\_\_\_

CITY OF VERSAILLES

BY: \_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_

CONSTRUCTION COST ESTIMATE  
16" DIAMETER TRANSMISSION MAIN  
FRANKFORT TO VERSAILLES

<i>DESCRIPTION</i>	<i>QUANTITY</i>	<i>UNIT</i>	<i>UNIT PRICE</i>	<i>TOTAL</i>
BOOSTER PUMP STATION	1	LSUM	\$400,000.00	\$400,000.00
MASTER METER VAULT	1	LSUM	\$55,000.00	\$55,000.00
16 INCH DUCTILE IRON PIPE	52500	FT	\$19.66	\$1,032,150.00
16 INCH GATE VALVE	17	EA	\$2,338.00	\$39,746.00
FIRE HYDRANT	44	EA	\$742.00	\$32,648.00
HYDRANT VALVE	44	EA	\$221.00	\$9,724.00
AIR RELEASE VALVE	16	EA	\$250.00	\$4,000.00
16 X 6 TEE	60	EA	\$1,434.00	\$86,040.00
16 X 16 TEE	1	EA	\$1,750.00	\$1,750.00
24 X16 TEE	1	EA	\$2,832.00	\$2,832.00
16 INCH 90 BEND	16	EA	\$1,115.00	\$17,840.00
16 INCH 45 BEND	40	EA	\$910.00	\$36,400.00
16 INCH 22 1/2 BEND	40	EA	\$920.00	\$36,800.00
16 INCH--11 1/4 BEND	16	EA	\$920.00	\$14,720.00
BORE/JACK GRASSY SPR. & STEELE	100	FT	\$350.00	\$35,000.00
BORE AND JACK UNDER US60	170	FT	\$350.00	\$59,500.00
BORE AND JACK UNDER RAILROAD	100	FT	\$350.00	\$35,000.00
BORE AND JACK UNDER MAIN ST	50	FT	\$350.00	\$17,500.00
INSTALL PIPE AND APPURTENANCES	50000	FT	\$41.86	\$2,093,000.00
INSTALL PIPE IN ASPHALT ON MAIN ST	2500	FT	\$76.00	\$190,000.00
CONNECT TO EXISTING MAIN	2	EA	\$5,000.00	\$10,000.00
			<b>SUB-TOTAL</b>	<b>\$4,209,650.00</b>
			<b>ENGINEERING</b>	<b>\$257,070.00</b>
			<b>INSPECTION</b>	<b>\$152,098.00</b>
			<b>TOTAL</b>	<b>\$4,618,818.00</b>
			<b>CONTINGENCY</b>	<b>\$465,000.00</b>
			<b>GRAND TOTAL ENTIRE PROJECT</b>	<b>\$5,083,818.00</b>



**CALCULATION OF PLANT BOARD PARTICIPATION  
56% OF CONSTRUCTION COST FROM INDUSTRIAL PARK TO STEELE ROAD**

<i>DESCRIPTION</i>	<i>QUANTITY</i>	<i>UNIT</i>	<i>UNIT PRICE</i>	<i>TOTAL</i>
16 INCH DUCTILE IRON PIPE	18800	FT	\$19.66	\$369,608.00
16 INCH GATE VALVE	6	EA	\$2,338.00	\$14,028.00
FIRE HYDRANT	18	EA	\$742.00	\$13,356.00
HYDRANT VALVE	18	EA	\$221.00	\$3,978.00
AIR RELEASE VALVE	7	EA	\$250.00	\$1,750.00
24 X16 TEE	1	EA	\$2,832.00	\$2,832.00
16 X 6 TEE	25	EA	\$1,434.00	\$35,850.00
16 INCH 90 BEND	6	EA	\$1,115.00	\$6,690.00
16 INCH 45 BEND	14	EA	\$910.00	\$12,740.00
16 INCH 22 1/2 BEND	14	EA	\$920.00	\$12,880.00
16 INCH--11 1/4 BEND	6	EA	\$920.00	\$5,520.00
BORE/JACK GRASSY SPR. & STEELE	100	FT	\$350.00	\$35,000.00
INSTALL PIPE AND APPURTENANCES	18800	FT	\$41.86	\$786,968.00
	<b>SUB-TOTAL</b>			<b>\$1,301,200.00</b>
	<b>ENGINEERING</b>			<b>\$78,072.00</b>
	<b>INSPECTION</b>			<b>\$45,021.00</b>
		<b>TOTAL</b>		<b>\$1,424,293.00</b>
	<b>CONTINGENCY</b>			<b>\$150,000.00</b>
<b>GRAND TOTAL - IND. PARK TO STEELE ROAD</b>				<b>\$1,574,293.00</b>
<b>PLANT BOARD PARTICIPATION (56%)</b>				<b>\$881,604.00</b>

**CONSTRUCTION COST ESTIMATE  
20" DIAMETER TRANSMISSION MAIN  
FRANKLIN COUNTY INDUSTRIAL PARK TO STEELE ROAD**

<i>DESCRIPTION</i>	<i>QUANTITY</i>	<i>UNIT</i>	<i>UNIT PRICE</i>	<i>TOTAL</i>
20 INCH DUCTILE IRON PIPE	18800	FT	\$27.12	\$509,856.00
20 INCH GATE VALVE	6	EA	\$4,600.00	\$27,600.00
FIRE HYDRANT	18	EA	\$742.00	\$13,356.00
HYDRANT VALVE	18	EA	\$221.00	\$3,978.00
AIR RELEASE VALVE	7	EA	\$250.00	\$1,750.00
24 X20 TEE	1	EA	\$3,680.00	\$3,680.00
20 X 6 TEE	25	EA	\$1,795.00	\$44,875.00
20 INCH 90 BEND	6	EA	\$1,625.00	\$9,750.00
20 INCH 45 BEND	14	EA	\$1,270.00	\$17,780.00
20 INCH 22 1/2 BEND	14	EA	\$1,290.00	\$18,060.00
20 INCH--11 1/4 BEND	6	EA	\$1,290.00	\$7,740.00
BORE/JACK GRASSY SPR. & STEELE	100	FT	\$350.00	\$35,000.00
INSTALL PIPE AND APPURTENANCES	18800	FT	\$41.86	\$786,968.00
	<b>SUB-TOTAL</b>			<b>\$1,480,393.00</b>
	<b>ENGINEERING</b>			<b>\$78,072.00</b>
	<b>INSPECTION</b>			<b>\$45,021.00</b>
		<b>TOTAL</b>		<b>\$1,603,486.00</b>
	<b>CONTINGENCY</b>			<b>\$150,000.00</b>
<b>GRAND TOTAL - INDUSTRIAL PARK TO STEELE RD.(20" PIPE)</b>				<b>\$1,753,486.00</b>
<b>GRAND TOTAL - INDUSTRIAL PARK TO STEELE RD. (16" PIPE)</b>				<b>\$1,574,293.00</b>
<b>UPGRADE COST 16" TO 20" (PLANT BOARD RESPONSIBILITY)</b>				<b>\$179,193.00</b>
<b>TOTAL PROJECT COST</b>				<b>\$5,263,011.00</b>
<b>(20" TO STEELE RD. 16" STEELE RD. TO VERSAILLES)</b>				
<b>PLANT BOARD PARTICIPATION</b>				<b>\$1,060,797.00</b>
<b>(20" TO STEELE RD. 16" STEELE RD. TO VERSAILLES)</b>				
<b>VERSAILLES PARTICIPATION</b>				<b>\$4,202,214.00</b>
<b>(20" STEELE RD. 16" STEELE RD. TO VERSAILLES)</b>				



801 Corporate Drive  
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**GRW Engineers, Inc.**

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Nashville, TN

September 22, 1999

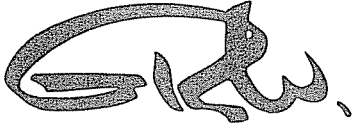
Mr. Bart Miller  
Public Works Director  
City of Versailles  
City Hall  
196 South Main Street  
Versailles, KY 40383

Re: Water Purchase Contract  
City of Versailles, Kentucky  
GRW Project No. 2710

Dear Mr. Miller:

As we discussed yesterday, enclosed for your use is a copy of a recent article from an *Opflow* which is published by the American Water Works Association regarding wholesale water purchase contracts. In addition, it is our recommendation that the following items be considered in the negotiation of wholesale purchase agreement for the protection of both the buyer and the seller:

1. Wholesale Rate. Naturally, the rate is the most important consideration in negotiation of such a contract.
2. Term of Agreement. It is recommended that the term of agreement be set at no less than the term of the City's debt for any jointly used facilities.
3. Method for Future Adjustment of the Rate. In order to reduce or eliminate the possibility of future conflict between the buyer and seller, it is recommended that a time frame and methodology for the calculation of future rate adjustments be negotiated in the original contract.
4. Minimum Purchase Quantity/Bill. This will insure a minimum revenue stream and protect the seller's ability to make debt payments. In the case of the potential Versailles/Frankfort connection, it would also insure that sufficient water quantity pass through the transmission main to prevent water quality deterioration.
5. Maximum Purchase Quantity. This will protect the seller from depletion of its water supply by the buyer. This will also guarantee that a certain maximum quantity of water is available to the buyer. It is recommended that Versailles avoid a surcharge payment should it be necessary to exceed the maximum quantity.
6. Terms of Termination. In the event that either the buyer or seller wishes to terminate the agreement, there are certain consequences (i.e. - the buyer has to develop a new source of potable water, the seller loses a revenue stream that may jeopardize the ability to retire debt, etc.) that need to be considered.




Mr. Bart Miller  
Page 2  
September 22, 1999

Please note that, in our position as consultant to Versailles, the above comments are made specifically for the protection of the City in the negotiation process. The Frankfort Plant Board may not be readily willing to agree to all of the above provisions.

We also strongly recommend that you involve the City Attorney in the negotiation process. As with any legal agreement, his input could be invaluable. Further, if additional legal assistance is required, we recommend Mr. John N. (Jack) Hughes whose specialty of practice is this area (Mr. Hughes was previously the chief staff attorney for Public Service Commission). Mr. Hughes can be reached at (502) 227-7270 or we will be glad to coordinate a meeting.

If you have any questions or if we can be of further service, please feel free to contact me.

Very truly yours,

  
Brad Montgomery, P.E.  
Project Manager

DBM

# Opflow

Vol. 25 No. 2  
February 1999

**American Water Works Association**  
Dedicated to Safe Drinking Water

## Wholesale Contracts Making Sense of Buy-Sell Agreements

by Susan Hall and Ellen G. Miller

Wholesale contracts can help water utilities meet a variety of needs, but for some governing boards or councils, a wholesale water contract looks about as fun as a root canal job. One board member says the district will lose control to outsiders. Another foresees too much hassle. A third thinks that nobody's paying attention to those 1996 Safe Drinking Water Act requirements anyway, so let's just keep on as we are.

A wholesale contract, however, can be the best way for a utility to maintain control of its finances, rates, and distribution system; the easiest way to improve or increase supply; and the most efficient way to meet the SDWA requirements—which really are being enforced.

By knowing what to expect and the pitfalls, utilities will find wholesale contracts are not that difficult to negotiate and implement. Whether a system has had buy-sell arrangements for years or is considering negotiating its first contract, it's important to know why a long-term contract is desired and how the inevitable problems will be handled by both parties.

### Multiple Reasons

For decades, thousands of large and small utilities have bought and sold water to each other. The reasons include

- saving money on pumping, treatment, equipment, and personnel;
- assuring an adequate supply during peak periods;
- acquiring emergency supplies;
- selling surplus supplies;

- delivering a better product to customers (quality, including quantity, color, taste, and smell);
- meeting federal and state standards; and
- forecasting budgets.

A 1995 survey of 539 water utilities within 150 miles (240 km) of Kansas City, Mo., showed that 52 percent bought water from other systems, 40 percent used their own water source, and eight percent used both methods. (See "Wholesale Contracts, a Resource Option" by Ellen G. Miller, Elaine Tatham, and Susan Hall in the November 1996 issue of *Journal AWWA*.)



The requirements of the 1996 Safe Drinking Water Act, ranging from new water quality standards to capacity development to state revolving funds, have brought even more attention to buy-sell arrangements to help stretch dollars, especially for mid-size and smaller systems.

"Rural areas just don't have any way of affording the equipment that's needed," said Marvin L. Roe, alderman of the city of Cleveland in northwest Missouri.

The state's Department of Natural Resources encouraged Cleveland to find a new source of water to ensure enough supply to meet the growing community's needs. Negotiations are under way with nearby Kansas City to purchase potable water to be delivered through new interconnecting pipelines.

"Getting water means our little town is going to grow," Roe said. "Right now, we're doing all we can to supply 600 people." Cleveland's goal is to provide water for its citizens and support growth.

Kansas City's 1997 master plan, following voter approval of a \$150 million capital improvement bond, calls for improvements to ensure adequate and dependable service to suburban wholesale customers, such as Cleveland and Public Water Supply District No. 1 of Platte County.

PWSD No. 1 has grown from 130 customers in 1966 to about 1,300 connections today, with 35-40 connections added per year. The district had originally planned to construct a new water treatment plant to meet the

#BXNGWDD\*\*\*\*\*CAR-RT SORT\*\*C022  
#0804918# 02 KNT OP 1  
MR. DAVID B. MONTGOMERY  
GRW ENGINEERS INC.  
801 CORPORATE DR  
LEXINGTON KY 40503-5401

## Wholesale Contracts

# Making Sense of Buy-Sell Agreements *continued from page 1*

demand, but when the loan was delayed by the 1996 federal government shutdown, supply options were reexamined.

A Kansas City representative came to a district board meeting and explained the city's master plan and how PWSD No. 1 needs could be met within that plan. PWSD No. 1 decided to contract for the water from Kansas City instead of building its own treatment plant. Now, construction has started on the district's connection to Kansas City, which will allow PWSD No. 1 to meet its growing demand.

"We are really excited about having an almost unlimited amount of water available that will support growth and provide uninterrupted service," said PWSD No. 1 Manager Mary Lindsay.

### Getting Started

Before negotiating the terms of their wholesale contracts with Kansas City, Cleveland and PWSD No. 1 both had to develop a plan.

How did they start? First, they did their homework. They collected data on current demand and growth trends for the next five, 10, 15+ years. When the information wasn't available, they turned to their local chambers of commerce and county planning departments.

Next they considered:

- Economic development opportunities. What jobs might city hall or the county commission attract if there were a dependable, adequate source of water?
- Possible quality of life improvements. Would increased supply mean a swimming pool or water park for local kids? Would all customers receive uninterrupted supply and pressure year-round?
- All possible suppliers. Does a neighboring city have excess supply? Does the county system have easily accessible distribution lines?

"If you don't hear that a big system is willing to sell, investigate on your own. Contact the larger systems in the area. Take it upon yourself to make a phone call," Lindsay advised.

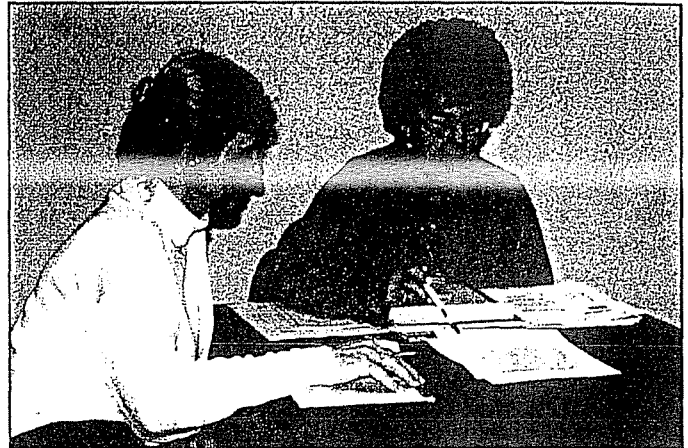
- Costs and benefits. All costs were calculated per 1,000 gal produced. Lower customer costs, such as lower insurance premiums because fire protection would improve, were factored in.

"It is usually much cheaper to buy from another source than treating your own," concluded Lindsay, after evaluating PWSD No. 1's costs.

### The Next Step

After the systems' governance bodies reviewed the data gathered, the utilities were given a green light to proceed with in-depth examinations of the supply options. As staff acquired data about options, the governing boards were updated. System customers were also brought into the loop.

Public information and involvement campaigns were launched. Customers learned about the why, what, when, and how of the options study through the board president's



**Susan Hall (left), marketing and sales manager for Kansas City Water Services, reviews the utility's final wholesale contract with Public Water Supply District No. 1 of Platte County Manager Mary Lindsay.**

semiannual letters, the monthly city newsletters, and annual customer meetings. Customers were told timelines and what the project would cost. The district alerted them to the inconveniences to expect from construction, surveying, and other related work. By listening to the customers' concerns, PWSD No. 1 and Cleveland got a buy-in that supported their decisions.

The media was also kept up-to-date with frequent press releases and fact sheets, allowing the utilities to avoid the trap of letting the grapevine tell—and possibly distort—their stories. One example of good news shared with customers: PWSD No. 1 decreased new debt because its funding package for the Kansas City connection included replacement funds that had accrued since the district started in 1966.

### Board and Council Issues

For PWSD No. 1, careful research meant that there were no barriers to buying water wholesale. The governing board was assured that the utility had considered all the financial, political, service, and consumer issues.

"Our board wasn't worried about control," reported Lindsay. "All they are doing is buying potable water from Kansas City. Everything else in this district is under their control."

Losing local control wasn't an issue for Cleveland, either, but price was. One option was purchasing water from a neighboring smaller utility that resold water purchased from Kansas City, "but the cost could triple," noted Alderman Roe, who has worked for more than four years on water supply issues. Keeping consumer prices reasonable, especially for those on fixed incomes, was a major concern.

### Two-way Street

It's one thing to do homework and sign a wholesale water contract. It's another to make it work.

South of the Missouri River, Public Water Supply District No. 2 of Jackson County serves about 6,500 connections. It

*continued on page 7*

*Opflow*

Through regular public meetings and surveys of our customers, and by inviting customers to be a part of the decision-making process, we further refine our core tasks and learn what tasks we must improve, whether the tasks are done in-house or outsourced. LVVWD is ultimately accountable for the level of service and quality of any job authorized by the utility.

### Conclusion

LVVWD management understands the key to successful change is to change the way we manage the business. We know that becoming more efficient involves changing management's assumptions and behavior and involves buy-in from our staff.

When a task or service is costly or time-consuming to provide or

deliver, contracting the task to an expert may greatly reduce costs and streamline the rest of the job. This allows the utility to focus on its strengths and bring added value to the final product.

■ *Marcellus Jones Jr. is the distribution systems manager at the Las Vegas Valley Water District. He can be contacted at 1001 S. Valley View Blvd., Las Vegas, NV 89153; (702) 258-3143; e-mail, marcellus.jones@lvvwd.com.*

### For More Information

AWWA has a number of resources addressing the issues raised in this article. To order the following, call (800) 926-7337.

<i>The Changing Water Utility: Creative Approaches to Effectiveness and Efficiency</i>	AWWA order #20424
<i>Water Utilities: New Approaches to Ownership and Operation—Video</i>	AWWA order #65126
<i>Maintenance Management</i>	AWWA order #20252
<i>The Utility Business Architecture: Designing for Change—AWWARF Report</i>	AWWA order #90726
<i>Basic Management Principles for Small Water Systems</i>	AWWA order #20222
<i>Water Utility Management—Manual 5</i>	AWWA order #30005
<i>Construction Contract Administration—Manual 47</i>	AWWA order #30047

## Wholesale Contracts

### Making Sense of Buy-Sell Agreements *continued from page 6*

has purchased water from both Kansas City and Independence for several decades. What happens when there is a problem or emergency?

"We have good rapport," said PWS No. 2 Manager Raymond "Bud" Fitzwater. "If something goes wrong, like a dead meter, and they need us to go off line, we do it."

Then there are the larger issues that go back to the contract itself. "If I needed to increase [the amount of water purchased] in 10 or 15 years due to growth, I could do so according to the contract," Fitzwater noted.

"There are two aspects of a successful wholesale contract," said Franklyn W. Pogge, deputy director, Kansas City Water Services Department. "First is the contract itself. It must work for both the buyer and the seller. Next is working together on a daily basis to identify issues and solve problems."

A long-term business partnership starts with putting words on paper that both parties (and their legal advisors) want. The payoff comes through both parties working together year after year so customers get the best service possible.

### Stepping Back

Between the 1996 SDWA's requirements and escalating utility costs, long-term contracts are getting a close second look. Thousands of systems nationally have buy-sell contracts.

Such business arrangements aren't difficult, once the homework is done and everyone is on board.

■ *Susan Hall is manager, marketing & sales, Kansas City (Mo.) Water Services Department. She can be contacted at (816) 545-5158 or Susan\_Hall@kcmo.org. Ellen G. Miller is president, Ellen Miller Group, Lenexa, Kan. Contact her at (913) 888-9029 or emiller@unicom.net.*

### Contract Checklist

Thinking about a first wholesale contract? Whether buying or selling water, save time with this list of major contract items.

#### Green light "must have" sections

- ✓ Long-term contract (20, 25, 30 years' duration)
- ✓ Renewal options
- ✓ Minimum amount of water purchased monthly or annually
- ✓ Ability to increase purchased amount at set intervals
- ✓ Set length of time for initial rates to apply
- ✓ Process that keeps rate increases as low as possible
- ✓ Formula for computing minimum monthly purchase requirement
- ✓ Formula for computing average day consumption (ADC)
- ✓ Rewards for buyers that distribute to nearby customers of the seller (such as no pumping fees)
- ✓ Pressure to be delivered (such as 60, 70, psi) so buyer can predict repumping needs
- ✓ Required engineering specifications
- ✓ Required responsibilities of each party

#### Orange light "nice to have" sections

- ✓ Ability to connect to supplier's new mains in the future
- ✓ Criteria for seller's curtailment of water (drought, emergency, etc.)
- ✓ Process for seller to notify buyers of likely upcoming rate increases
- ✓ Information buyers furnish to seller (maps, cubic feet purchased/month, etc.)

#### Red light "don't do this" sections

- ✓ Amount of water purchased covers entire length of contract; can't be renegotiated
- ✓ Buyer can charge whatever the market will bear when reselling water. Set limits on what the reseller can charge.

- Is L-burg still going to tie on?
- What is F-fort's true pumping capability?
- What if there is a problem w/ F-fort (i.e. lightning); Where are we on priority list?
- How will plant upgrade affect us?  
When would it be?
- How would expansion affect us?  
When would F-fort be expanding?
- What will be our minimum?
- Will other towns & districts still be solicited?
- When would tie-in be completed?



9-E



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# Fax Transmittal

No. of pages: 8 including cover sheet

To: Bart Miller

Company: City of Versailles

Fax No.: 873-5969

From: Brad Montgomery

Subject: Water Treatment Plant

Project No.: 2710

Date: 10/18/99

Time: \_\_\_\_\_

By: \_\_\_\_\_

**Message:**

As requested, attached are a couple of alternatives for a 7.0 MGD water treatment plant expansion. Please note that these are very rough cost estimates that will need to be refined if your Water Committee shows interest in pursuing this matter further. Also, please note that these estimates are based on the assumption that the ultimate design capacity is 7.0 MGD, not 10 MGD as originally assumed. With recently available information on water purchased from KAWC and unaccounted-for-water, we feel that this could be a valid assumption.

If you have any questions, comments or would like for me to discuss this with you or your Water Committee, please let me know.

Bart,  
There is still some negotiating room in Phillippe's number as well.  
Brad

4 MGD → 7 MGD

If you do not receive all the pages or if you have trouble, please call us at 606-223-3999.

**COST COMPARISON ANALYSIS  
WATER TREATMENT PLANT EXPANSION  
7 MGD ALTERNATIVES  
VERSAILLES, KENTUCKY  
GRW PROJECT NO. 2710**

**DRAFT**

	<u>Actiflo Alternative</u>	<u>Membrane Alternative</u>
Construction:		
Raw Water Pump Station and Transmission Main	\$1,700,195	\$2,107,800
Water Treatment Plant	\$4,930,500	\$7,729,500
High Service Transmission Main	<u>\$1,289,500</u>	<u>\$1,700,500</u>
Construction Sub-Total	\$7,920,195	\$11,537,800
Project Administrative Costs	\$10,000	\$10,000
Property & R/W Acquisition	\$10,000	\$10,000
Engineering Design	\$460,000	\$625,000
Bidding Services	\$15,000	\$15,000
Construction Administration	\$150,000	\$150,000
Resident Project Representation	\$168,000	\$168,000
Geotechnical Engineering	\$25,000	\$25,000
Additional Engineering Services (O & M Manuals, Start-Up Services, etc.)	\$30,000	\$30,000
Contingencies (10% of Construction)	<u>\$792,020</u>	<u>\$1,153,780</u>
<b>TOTAL</b>	<b>\$9,580,215</b>	<b>\$13,724,580</b>



GRW Engineers, Inc.

CONSTRUCTION COST ESTIMATE			
Project:	Water Treatment Plant Expansion		
Owner:	City of Versailles, Kentucky		
Project No.:	2710-01		
Date:	10-18-99	Dwg. No.:	N/A
Estimator:	DBM	Type:	Preliminary

Description	Number of Units	Units of Measure	Unit Cost	Total Cost
<b>Raw Water Pumping &amp; Transmission (7 MGD)</b>				
Mobilization	1	LS	\$10,000.00	\$10,000.00
New 3 MGD Raw Water Pump Station	1	LS	\$1,000,000.00	\$1,000,000.00
New 3 MGD Raw Water Pumps and Motor Starters	2	EA	\$50,000.00	\$100,000.00
Piping and Valves	1	LS	\$20,000.00	\$20,000.00
Surge Suppression System	1	LS	\$100,000.00	\$100,000.00
20" DIP Raw Water Intake Lines (2)	400	LF	\$175.00	\$70,000.00
1" Schedule 80 PVC Chemical Feed Lines (2)	400	LF	\$25.00	\$10,000.00
Raw Water Intake Screens	2	EA	\$10,000.00	\$20,000.00
Intake Screen Air Scour System	1	LS	\$10,000.00	\$10,000.00
New 20" Restrained Joint on Steep Grade	405	LF	\$180.00	\$72,900.00
Rock Anchors on Steep Grade	21	EA	\$5,000.00	\$105,000.00
20" Raw Water Main	1,701	LF	\$70.00	\$119,070.00
20" Butterfly Valves & Boxes	4	EA	\$4,500.00	\$18,000.00
Air Release Valves & Boxes	1	EA	\$1,500.00	\$1,500.00
Blowoffs	2	EA	\$500.00	\$1,000.00
Access Road Improvements	1	LS	\$10,000.00	\$10,000.00
Concrete for Cradles, Anchors, & Encasements	25	CY	\$100.00	\$2,500.00
Special Pipe Bedding	15	TN	\$15.00	\$225.00
Telemetry	1	LS	\$30,000.00	\$30,000.00
<b>TOTAL</b>				<b>\$1,700,195.00</b>

**DRAFT**



GRW Engineers, Inc

CONSTRUCTION COST ESTIMATE			
Project:	Water Treatment Plant Expansion		
Owner:	City of Versailles, Kentucky		
Project No.:	2710-01		
Date:	10-18-99	Dwg. No.:	N/A
Estimator:	DBM	Type:	Preliminary

Description	Number of Units	Units of Measure	Unit Cost	Total Cost
<b>Water Treatment Plant Expansion (Actiflo Alternate)</b>			<b>DRAFT</b>	
Mobilization	1	LS	\$7,500.00	\$7,500.00
Chemical Building Addition	1	LS	\$275,000.00	\$275,000.00
Caustic Soda Feed System (Bulk Storage Tank, 2 Day Tanks, 2 Metering Pumps and associated appurtenances)	1	LS	\$27,000.00	\$27,000.00
Liquid Alum Storage System (Bulk Storage Tank, 2 Day Tanks and appurtenances)	1	LS	\$18,000.00	\$18,000.00
Carbon Feed System	1	EA	\$25,000.00	\$25,000.00
Chlorination Modifications	1	LS	\$85,000.00	\$85,000.00
Ammoniation Modifications	1	LS	\$85,000.00	\$85,000.00
Additional Ammonia Storage	1	LS	\$10,000.00	\$10,000.00
Cover for Ammonia Storage	1	LS	\$10,000.00	\$10,000.00
Fluoride Feed System	1	EA	\$17,500.00	\$17,500.00
Fluoride Feed Modifications (containment, eye wash, etc.)	1	LS	\$10,000.00	\$10,000.00
Corrosion Control Chem. Feed	1	LS	\$10,000.00	\$10,000.00
Plumbing Modifications for Chemical Feeds	1	LS	\$5,000.00	\$5,000.00
Repair Leak at Eye Wash	1	LS	\$2,500.00	\$2,500.00
Convert Existing Sed. Basin No. 2 to Actiflo	1	LS	\$100,000.00	\$100,000.00
Actiflo Equipment	1	LS	\$600,000.00	\$600,000.00
Renovate Exist. Floc. and Sed. Basin to 30 min. Td. Sed.	1	LS	\$80,000.00	\$80,000.00
3 MGD Modular Filter Building	1	LS	\$560,000.00	\$560,000.00
Filter Equipment	1	LS	\$350,000.00	\$350,000.00
Replacement of Existing Filter Controls and Consoles	2	EA	\$50,000.00	\$100,000.00
Clearwell	1	LS	\$1,000,000.00	\$1,000,000.00
New High Service Pump Station to be Constructed on Exist "New" Clearwell	1	LS	\$350,000.00	\$350,000.00
High Service Pumps & Starters	2	EA	\$65,000.00	\$130,000.00





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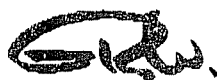
CONSTRUCTION COST ESTIMATE			
Project:	Water Treatment Plant Expansion		
Owner:	City of Versailles, Kentucky		
Project No.:	2710-01		
Date:	10-18-99	Dwg. No.:	N/A
Estimator:	DBM	Type:	Preliminary

Description	Number of Units	Units of Measure	Unit Cost	Total Cost
<b>DRAFT</b>				
<b>Water Treatment Plant Expansion (Membranes - 7 MGD)</b>				
Mobilization	1	LS	\$7,500.00	\$7,500.00
New Flash Mixers	2	EA	\$12,000.00	\$24,000.00
Flash Mix Basin	1	LS	\$20,000.00	\$20,000.00
Chemical Building Addition	1	LS	\$275,000.00	\$275,000.00
Caustic Soda Feed System (Bulk Storage Tank, 2 Day Tanks, 2 Metering Pumps and associated appurtenances)	1	LS	\$27,000.00	\$27,000.00
Liquid Alum Feed System (Bulk Storage Tank, 2 Day Tanks, 2 Metering Pumps and associated appurtenances)	1	LS	\$18,000.00	\$18,000.00
Carbon Feed System	1	EA	\$25,000.00	\$25,000.00
Chlorination Modifications	1	LS	\$85,000.00	\$85,000.00
Ammoniation Modifications	1	LS	\$85,000.00	\$85,000.00
Additional Ammonia Storage	1	LS	\$10,000.00	\$10,000.00
Cover for Ammonia Storage	1	LS	\$10,000.00	\$10,000.00
Fluoride Feed System	1	EA	\$17,500.00	\$17,500.00
Fluoride Feed Modifications (containment, eye wash, etc.)	1	LS	\$10,000.00	\$10,000.00
Corrosion Control Chem. Feed	1	LS	\$10,000.00	\$10,000.00
Plumbing Modifications for Chemical Feeds	1	LS	\$5,000.00	\$5,000.00
Repair Leak at Eye Wash	1	LS	\$2,500.00	\$2,500.00
Convert Existing Sed. Basin No. 3 to Membrane Filter Basin	1	LS	\$150,000.00	\$150,000.00
Membrane Filter Equipment	1	LS	\$3,570,000.00	\$3,570,000.00
Modify Existing Filter Building for Membrane Ancilliary Equip.	1	LS	\$150,000.00	\$150,000.00
Stuctural Repairs to Existing Sed Basin No. 3	1	LS	\$10,000.00	\$10,000.00
Drain Improvements to Exist. Sed Basin No. 3	1	LS	\$25,000.00	\$25,000.00
Clearwell	1	LS	\$1,250,000.00	\$1,250,000.00
New High Service Pump Station to be Constructed on Exist "New" Clearwell	1	LS	\$350,000.00	\$350,000.00









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# Fax Transmittal

**No. of pages:** 6 including cover sheet

**To:** Bart Miller

**Company:** City of Versailles

**Fax No.:** 873-5969

**From:** Brad Montgomery

**Subject:** Water treatment Plant Expansion Study

**Project No.:** 2710

**Date:** 11/18/99

**Time:** \_\_\_\_\_

**By:** \_\_\_\_\_

**Message:**

At your request, attached is a "seat of the pants" preliminary engineering cost estimate for an 8 MGD expansion to the Versailles Water Treatment Plant. Please note the following in your review of this estimate:

1. On a gallon-per-gallon basis, an 8 MGD expansion is not as economical as a 7 MGD expansion. This is primarily due to the sizing of your existing basins and the potential for their use in the expansion.
2. For the 8 MGD option, the high service transmission main size increased from 16" to 20" over the 7 MGD alternative.
3. This alternative would still compare very favorably in a cost effective analysis to the purchase of water.

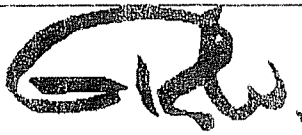
If you Council wishes to pursue this option, please let me know and we can discuss "redoing" the Preliminary Engineering Report. If you have any questions, please call.

*4 MGD → 8 MGD*

*If you do not receive all the pages or if you have trouble, please call us at 606-223-3999.*







GRW Engineers, Inc

**CONSTRUCTION COST ESTIMATE**

Project:	Water Treatment Plant Expansion		
Owner:	City of Versailles, Kentucky		
Project No.:	2710-01		
Date:	11-18-99	Dwg. No.:	N/A
Estimator:	DBM	Type:	Preliminary

Description	Number of Units	Units of Measure	Unit Cost	Total Cost
<b>Water Treatment Plant Expansion 8 MGD Actiflo Alternate</b>				
Mobilization	1	LS	\$7,500.00	\$7,500.00
Chemical Building Addition	1	LS	\$285,000.00	\$285,000.00
Caustic Soda Feed System (Bulk Storage Tank, 2 Day Tanks, 2 Metering Pumps and associated appurtenances)	1	LS	\$28,500.00	\$28,500.00
Liquid Alum Storage System (Bulk Storage Tank, 2 Day Tanks and appurtenances)	1	LS	\$19,000.00	\$19,000.00
Carbon Feed System	1	EA	\$27,500.00	\$27,500.00
Chlorination Modifications	1	LS	\$85,000.00	\$85,000.00
Chlorine Scrubber	1	LS	\$150,000.00	\$150,000.00
Ammoniation Modifications	1	LS	\$85,000.00	\$85,000.00
Additional Ammonia Storage	1	LS	\$10,000.00	\$10,000.00
Cover for Ammonia Storage	1	LS	\$10,000.00	\$10,000.00
Fluoride Feed System	1	EA	\$17,500.00	\$17,500.00
Fluoride Feed Modifications (containment, eye wash, etc.)	1	LS	\$10,000.00	\$10,000.00
Corrosion Control Chem. Feed	1	LS	\$10,000.00	\$10,000.00
Plumbing Modifications for Chemical Feeds	1	LS	\$5,000.00	\$5,000.00
Repair Leak at Eye Wash	1	LS	\$2,500.00	\$2,500.00
Convert Existing Sed. Basin No. 3 to Actiflo	1	LS	\$125,000.00	\$125,000.00
Actiflo Equipment	1	LS	\$700,000.00	\$700,000.00
Renovate Exist. Floc. and Sed. Basins to 30 min. Td. Sed.	1	LS	\$80,000.00	\$80,000.00
4 MGD Modular Filter Building	1	LS	\$650,000.00	\$650,000.00
Filter Equipment	1	LS	\$450,000.00	\$450,000.00
Replacement of Existing Filter Controls and Consoles	2	EA	\$50,000.00	\$100,000.00
Clearwell	1	LS	\$1,200,000.00	\$1,200,000.00
New High Service Pump Station to be Constructed on Exist "New" Clearwell	1	LS	\$375,000.00	\$400,000.00
High Service Pumps & Starters	2	EA	\$70,000.00	\$140,000.00
Instrumentation	1	LS	\$100,000.00	\$100,000.00



**PRELIMINARY ENGINEERING TOTAL PROJECT COST ESTIMATE  
8 MGD WATER TREATMENT PLANT EXPANSION  
VERSAILLES, KENTUCKY  
GRW PROJECT NO. 2710**

**8 MGD Actiflo  
w/Modular Filters**

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Construction:

Raw Water Pump Station and Transmission Main	\$1,868,695
Water Treatment Plant	\$6,060,500
High Service Transmission Main	<u>\$1,501,000</u>
Construction Sub-Total	\$9,430,195
Project Administrative Costs	\$10,000
Property & R/W Acquisition	\$10,000
Engineering Design	\$530,000
Bidding Services	\$15,000
Construction Administration	\$150,000
Resident Project Representation	\$168,000
Geotechnical Engineering	\$25,000
Additional Engineering Services (O & M Manuals, Start-Up Services, etc.)	\$30,000
Contingencies (10% of Construction)	<u>\$943,020</u>
<b>TOTAL</b>	<b>\$11,311,215</b>

9-F





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# Project Memorandum

<b>To:</b>	Bart Miller	<b>Date:</b>	9/13/00
	City of Versailles, KY	<b>Project No.:</b>	2676-05
<b>From:</b>	Brad Montgomery	<b>Project Name:</b>	Versailles/Lawrenceburg Regionalization
<b>Subject:</b>	Meeting Summary - Versailles/Lawrenceburg Water Regionalization Evaluation		

On September 7, 2000, a meeting was held at City Hall in Lawrenceburg, Kentucky between representatives of the Cities of Lawrenceburg and Versailles regarding the evaluation of a cooperative effort toward increased and/or emergency water supply. Following is a brief summary of items discussed:

1. Following is a capacity summary for the Versailles water treatment plant:
  - Average Production - 2.98 MGD
  - Peak Production - 3.6 MGD (this is the practical production limit)
  - Rated Capacity - 4.0 MGD
2. Following is a capacity summary for the Lawrenceburg water treatment plant:
  - Average Production - 1.65 MGD
  - Peak Production - 2.50 MGD
  - Rated Capacity - 2.59 MGD
3. Lawrenceburg currently has a water treatment plant expansion under design to increase capacity to 5.0 MGD.
4. Versailles is currently in the conceptualization phase of a water treatment plant expansion to 8.0 - 10.0 MGD.
5. It would be the desire of both Cities to maintain their own water treatment facilities.
6. If a pipeline connecting the two Cities is built in the current situation, it could only serve as an emergency back-up for the City of Lawrenceburg unless Versailles was willing to wheel water from Kentucky-American Water Company on a constant basis. Versailles already has an emergency connection from KAWC and would not benefit from a second connection.
7. Lawrenceburg is in need of additional water treatment capacity very quickly. Due to the presence of the KAWC connection, Versailles has more time in which to evaluate alternatives and make a decision.
8. The Lawrenceburg water treatment plant is in such bad condition that maintaining operation for even a few years would require significant improvements. It would be very difficult to keep the plant in full operation while making the necessary improvements. Therefore, it is the current concept to design a new plant on a new site.

9. It would not be of economic benefit to build expansions on both sides of the river and build a pipeline to transport a portion of the water one way or the other. In other words, it would be more economical for both Cities to be responsible for their own water supply and treatment if two plants are to remain in operation.
10. The City of Versailles' water treatment plant was most recently expanded in 1992 and most recently upgraded in 1999. Therefore, the Versailles treatment plant is in good shape with the need for minor upgrades due to changing regulations. It is just undersized to provide the required capacity.
11. The only way to achieve economic benefit of a combined effort is to construct a regional water treatment facility. Since the Versailles plant is in reasonably good shape, it would be most economical to construct this plant at the site of the existing Versailles water treatment plant. In order to accomplish this, two things would have to occur:
  - a. Lawrenceburg would have to make the necessary provisions to keep their existing water plant operational during the design and construction of the regional facility. This could take 3 - 4 years, depending on the time to resolve political and financial issues. Representatives from Lawrenceburg indicated that keeping the plant in service for this time frame would be very difficult and costly.
  - b. A pipeline from the Versailles plant to the Lawrenceburg plant would have to be constructed to provide Lawrenceburg with sufficient quantity of water during the construction of the regional facility. Since Versailles also has a shortage of treatment capacity, this would require Versailles to continuously purchase water from KAWC to augment their treatment capacity. Representatives from Versailles indicated that the City Council may not be willing to "wheel" water through their system to serve Lawrenceburg. If so, the price would be something in excess of the \$1.85/1,000 gallons, which is Versailles' purchase price from KAWC.
12. The other option for a combined effort is the construction of a pipeline solely as an emergency connection. Since Versailles already has an emergency connection to KAWC, the connection would be for the sole benefit of Lawrenceburg. As such, Versailles would look to Lawrenceburg to pay the full cost of the pipeline.

The meeting adjourned with both parties agreeing that there seemed to be very little opportunity for a joint effort between the two Cities. However, both sides felt that their representative ruling bodies had been well-served by the meeting in that due diligence had been performed in the evaluation of all feasible alternatives.

Please note that this summary is not intended to fully document all items of discussion in the meeting. It is only intended to address the key issues discussed. Should there be any comments, corrections or additions, please notify the author.

9-G

**GRW Engineers, Inc.**

Engineers • Architects • Planners  
801 Corporate Drive • Lexington, Kentucky 40503  
Phone: 859-223-3999 • Fax: 859-223-8917

Engineering  
Architecture  
Planning  
GIS  
Digital Mapping  
Environmental

Arlington, TX  
Cincinnati, OH  
Ft. Mitchell, KY  
Indianapolis, IN  
Louisville, KY  
Nashville, TN

## Fax Transmittal

<b>No. of pages:</b>	<u>12</u>	<b>Date:</b>	<u>April 2, 2001</u>
<b>To:</b>	<u>Bart Miller</u>	<b>Time:</b>	<u>1:11 PM</u>
<b>Company:</b>	<u>City of Versailles</u>	<b>By:</b>	<u></u>
<b>Fax No.:</b>	<u>873-5969</u>		
<b>From:</b>	<u>Brad Montgomery</u>		
<b>Subject:</b>	<u>Versailles Water Plant</u>		
<b>Project No.:</b>	<u>2710</u>		

Attached are the updated, revised preliminary engineering cost estimates for the water treatment plant. Please pass these along to Bruce and Jason for review.

My goal is to finish the text of the report by the end of next week and have the exhibits completed the following week.


If you have any questions, please call.

*If you do not receive all the pages or if you have trouble, please call us at 859-223-3999.*

**COST COMPARISON ANALYSIS  
WATER TREATMENT PLANT EXPANSION  
VERSAILLES, KENTUCKY  
GRW PROJECT NO. 2 / 0**

Description	Conventional Alternative No. 1 (New Flocc/Sed Basins)	Conventional Alternative No. 2 (Re-Use Exist Flocc./Sed. Basins)	Ballasted Flocculation Alternative	Supersaturator Alternative
Construction:				
Raw Water Pump Station and Transmission Main	\$2,279,349	\$2,279,349	\$2,279,349	\$2,279,349
Water Treatment Plant	\$8,267,540	\$8,057,740	\$7,404,340	\$7,543,740
High Service Transmission Main	\$1,859,750	\$1,859,750	\$1,859,750	\$1,859,750
Construction Sub-Total	\$12,406,639	\$12,196,839	\$11,543,439	\$11,682,839
Project Administrative Costs	\$10,000	\$10,000	\$10,000	\$10,000
Property & RAW Acquisition	\$50,000	\$50,000	\$50,000	\$50,000
Engineering Design	\$660,000	\$650,000	\$615,000	\$620,000
Bidding Services	\$15,000	\$15,000	\$15,000	\$15,000
Construction Administration	\$150,000	\$150,000	\$150,000	\$150,000
Resident Project Representation	\$180,000	\$180,000	\$180,000	\$180,000
Geotechnical Engineering	\$25,000	\$25,000	\$25,000	\$25,000
Additional Engineering Services (O & M Manuals, Start-Up Services, etc.)	\$30,000	\$30,000	\$30,000	\$30,000
Contingencies (10% of Construction)	\$1,240,664	\$1,219,684	\$1,154,344	\$1,168,284
<b>TOTAL</b>	<b>\$14,767,303</b>	<b>\$14,526,523</b>	<b>\$13,772,783</b>	<b>\$13,931,123</b>





**CONSTRUCTION COST ESTIMATE**

**Project:** Water Treatment Plant Expansion

**Owner:** City of Versailles, Kentucky

**Project No.:** 2710-01

**Date:** 3-30-01      **Dwg. No.:** N/A


**Estimator:** DBM      **Type:** Preliminary

**GRW Engineers, Inc.**


Description	Number of Units	Units of Measure	Unit Cost	Total Cost
<b>Water Treatment Plant Expansion (Conventional Alternate 1)</b>				
Mobilization	1	LS	\$8,100.00	\$8,100.00
New Flash Mixers	2	EA	\$16,200.00	\$32,400.00
Flash Mix Basin	1	LS	\$27,000.00	\$27,000.00
Chemical Building Addition	1	LS	\$324,000.00	\$324,000.00
Caustic Soda Feed System (Bulk Storage Tank, 2 Day Tanks, 2 Metering Pumps and associated appurtenances)	1	LS	\$32,400.00	\$32,400.00
Liquid Alum Feed System (Bulk Storage Tank, 2 Day Tanks, 2 Metering Pumps and associated appurtenances)	1	LS	\$32,400.00	\$32,400.00
Carbon Feed System	1	EA	\$54,000.00	\$54,000.00
Polymer Feed System	1	EA	\$16,200.00	\$16,200.00
Chlorination Modifications	1	LS	\$91,800.00	\$91,800.00
Chlorine Scrubber	1	LS	\$162,000.00	\$162,000.00
Ammoniation Modifications	1	LS	\$91,800.00	\$91,800.00
Additional Ammonia Storage	1	LS	\$10,800.00	\$10,800.00
Cover for Ammonia Storage	1	LS	\$10,800.00	\$10,800.00
Fluoride Feed System	1	EA	\$18,900.00	\$18,900.00
Fluoride Feed Modifications (containment, eye wash, etc.)	1	LS	\$10,800.00	\$10,800.00
Corrosion Control Chem. Feed	1	LS	\$10,800.00	\$10,800.00
Plumbing Modifications for Chemical Feeds	1	LS	\$5,400.00	\$5,400.00
Repair Leak at Eye Wash	1	LS	\$2,700.00	\$2,700.00
Convert Existing New Flo Basins to Four, 3-stage Vertical Paddle Flocc Basins	1	LS	\$324,000.00	\$324,000.00
Construct a Single-Stage Vertical Paddle Flow Basin at Exist. Sed. Basin No. 3	1	LS	\$140,400.00	\$140,400.00
Flocculation Equipment	1	LS	\$162,000.00	\$162,000.00
Construct Four New Rectangular Sedimentation Basins	1	LS	\$1,188,000.00	\$1,188,000.00
New Weirs, Troughs, and Tube Settlers for Existing Sedimentation Basin No. 3	1	LS	\$54,000.00	\$54,000.00
Sedimentation Basin Equipment	1	LS	\$243,000.00	\$243,000.00
Structural Repairs to Existing Sed Basin No. 3	1	LS	\$10,800.00	\$10,800.00






CONSTRUCTION COST ESTIMATE				
 <b>GRW Engineers, Inc.</b>		Project: Water Treatment Plant Expansion		
		Owner: City of Versailles, Kentucky		
		Project No.: 2710-01		
		Date: 3-30-01	Dwg. No.: N/A	
		Estimator: DBM	Type: Preliminary	
Description	Number of Units	Units of Measure	Unit Cost	Total Cost
<b>Water Treatment Plant Expansion (Conventional Alternate 2)</b>				
Mobilization	1	LS	\$8,100.00	\$8,100.00
New Flash Mixers	2	EA	\$16,200.00	\$32,400.00
Flash Mix Basin	1	LS	\$27,000.00	\$27,000.00
Chemical Building Addition	1	LS	\$324,000.00	\$324,000.00
Caustic Soda Feed System (Bulk Storage Tank, 2 Day Tanks, 2 Metering Pumps and associated appurtenances)	1	LS	\$32,400.00	\$32,400.00
Liquid Alum Feed System (Bulk Storage Tank, 2 Day Tanks, 2 Metering Pumps and associated appurtenances)	1	LS	\$32,400.00	\$32,400.00
Carbon Feed System	1	EA	\$54,000.00	\$54,000.00
Polymer Feed System	1	EA	\$16,200.00	\$16,200.00
Chlorination Modifications	1	LS	\$91,800.00	\$91,800.00
Chlorine Scrubber	1	LS	\$162,000.00	\$162,000.00
Ammoniation Modifications	1	LS	\$91,800.00	\$91,800.00
Additional Ammonia Storage	1	LS	\$10,800.00	\$10,800.00
Cover for Ammonia Storage	1	LS	\$10,800.00	\$10,800.00
Fluoride Feed System	1	EA	\$18,900.00	\$18,900.00
Flouride Feed Modifications (containment, eye wash, etc.)	1	LS	\$10,800.00	\$10,800.00
Corrosion Control Chem. Feed	1	LS	\$10,800.00	\$10,800.00
Plumbing Modifications for Chemical Feeds	1	LS	\$5,400.00	\$5,400.00
Repair Leak at Eye Wash	1	LS	\$2,700.00	\$2,700.00
Convert Existing New Floc Basins to Four, 3-Stage Vertical Paddle Floc Basins	1	LS	\$345,600.00	\$345,600.00
Modify/Upgrade Existing "Old" Vertical Paddle Flocculation Basin	1	LS	\$108,000.00	\$108,000.00
Flocculation Equipment	1	LS	\$189,000.00	\$189,000.00
Construct Four New Rect- angular Sed. Basins	1	LS	\$918,000.00	\$918,000.00
Modifications for Existing Sed. Basin No. 3	1	LS	\$64,800.00	\$64,800.00
Sedimentation Basin Equipment	1	LS	\$324,000.00	\$324,000.00
Filter Building Expansion				



GRW Engineers, Inc. QUANTIFICATION SUMMARY				
 <b>GRW Engineers, Inc.</b>		Project: Water Treatment Plant Expansion		
		Owner: City of Versailles, Kentucky		
		Project No.: 2710-01		
		Date: 4-2-01	Dwg. No.:	N/A
		Estimator: DBM	Type:	Preliminary
Description	Number of Units	Units of Measure	Unit Cost	Total Cost
<b>Water Treatment Plant Expansion (Actiflo Alternate)</b>				
Mobilization	1	LS	\$8,100.00	\$8,100.00
Chemical Building Addition	1	LS	\$324,000.00	\$324,000.00
Caustic Soda Feed System (Bulk Storage Tank, 2 Day Tanks, 2 Metering Pumps and associated appurtenances)	1	LS	\$32,400.00	\$32,400.00
Liquid Alum Storage System (Bulk Storage Tank, 2 Day Tanks and appurtenances)	1	LS	\$21,600.00	\$21,600.00
Carbon Feed System	1	EA	\$54,000.00	\$54,000.00
Chlorination Modifications	1	LS	\$91,800.00	\$91,800.00
Chlorine Scrubber	1	LS	\$162,000.00	\$162,000.00
Ammoniation Modifications	1	LS	\$91,800.00	\$91,800.00
Additional Ammonia Storage	1	LS	\$10,800.00	\$10,800.00
Cover for Ammonia Storage	1	LS	\$10,800.00	\$10,800.00
Fluoride Feed System	1	EA	\$18,900.00	\$18,900.00
Fluoride Feed Modifications (containment, eye wash, etc.)	1	LS	\$10,800.00	\$10,800.00
Corrosion Control Chem. Feed	1	LS	\$10,800.00	\$10,800.00
Plumbing Modifications for Chemical Feeds	1	LS	\$5,400.00	\$5,400.00
Repair Leak at Eye Wash	1	LS	\$2,700.00	\$2,700.00
Convert Existing Sed. Basin No. 3 to Actiflo	1	LS	\$135,000.00	\$135,000.00
Actiflo Equipment	1	LS	\$999,000.00	\$999,000.00
Renovate Exist. Floc. and Sed. Basins to 30 min. Td. Sed.	1	LS	\$86,400.00	\$86,400.00
Filter Building Expansion (incl. construction fo 6 New 1 MGD Filters)	1	LS	\$756,000.00	\$756,000.00
Filter Equipment	6	EA	\$48,600.00	\$291,600.00
Filter Consoles	6	EA	\$37,800.00	\$226,800.00
Filter Piping and Valves	1	LS	\$216,000.00	\$216,000.00
Replacement of Existing Filter Controls and Consoles	2	EA	\$54,000.00	\$108,000.00
Clearwell	1	LS	\$1,512,000.00	\$1,512,000.00
New High Service Pump Station to be Constructed on Exist "New" Clearwell	1	LS	\$432,000.00	\$400,000.00



CONSTRUCTION COST ESTIMATE				
 <b>GRW Engineers, Inc.</b>		Project: Water Treatment Plant Expansion		
		Owner: City of Versailles, Kentucky		
		Project No.: 2710-01		
		Date: 4-2-01	Dwg. No.: N/A	
		Estimator: DBM	Type: Preliminary	
Description	Number of Units	Units of Measure	Unit Cost	Total Cost
<b>Water Treatment Plant Expansion (Superpulsator Alternate)</b>				
Mobilization	1	LS	\$8,100.00	\$8,100.00
New Flash Mixers	2	EA	\$16,200.00	\$32,400.00
Flash Mix Basin	1	LS	\$27,000.00	\$27,000.00
Chemical Building Addition	1	LS	\$324,000.00	\$324,000.00
Caustic Soda Feed System (Bulk Storage Tank, 2 Day Tanks, 2 Metering Pumps and associated appurtenances)	1	LS	\$32,400.00	\$32,400.00
Liquid Alum Feed System (Bulk Storage Tank, 2 Day Tanks, 2 Metering Pumps and associated appurtenances)	1	LS	\$32,400.00	\$32,400.00
Carbon Feed System	1	EA	\$54,000.00	\$54,000.00
Polymer Feed System	1	EA	\$16,200.00	\$16,200.00
Chlorination Modifications	1	LS	\$91,800.00	\$91,800.00
Chlorine Scrubber	1	LS	\$162,000.00	\$162,000.00
Ammoniation Modifications	1	LS	\$91,800.00	\$91,800.00
Additional Ammonia Storage	1	LS	\$10,800.00	\$10,800.00
Cover for Ammonia Storage	1	LS	\$10,800.00	\$10,800.00
Fluoride Feed System	1	EA	\$18,900.00	\$18,900.00
Fluoride Feed Modifications (containment, eye wash, etc.)	1	LS	\$10,800.00	\$10,800.00
Corrosion Control Chem. Feed	1	LS	\$10,800.00	\$10,800.00
Plumbing Modifications for Chemical Feeds	1	LS	\$5,400.00	\$5,400.00
Repair Leak at Eye Wash	1	LS	\$2,700.00	\$2,700.00
Construct New Superpulsator Basin	1	LS	\$772,200.00	\$772,200.00
Superpulsator Equipment	1	LS	\$583,200.00	\$583,200.00
Renovate Exist. Floc. and Sed. Basins to 30 min. Td. Sed.	1	LS	\$108,000.00	\$80,000.00
Filter Building Expansion (Incl. construction fo 6 New 1 MGD Filters)	1	LS	\$756,000.00	\$756,000.00
Filter Equipment	6	EA	\$48,600.00	\$291,600.00
Filter Consoles	6	EA	\$37,800.00	\$226,800.00
Filter Piping and Valves	1	LS	\$216,000.00	\$216,000.00
Replacement of Existing Filter Controls and Consoles	2	EA	\$54,000.00	\$108,000.00
Clearwell	1	LS	\$1,350,000.00	\$1,350,000.00





9-H



WATER TREATMENT PLANT  
PRELIMINARY ENGINEERING REPORT  
CITY OF VERSAILLES, KENTUCKY

PRELIMINARY  
SUBJECT TO CHANGE

APRIL, 2001

**I. Introduction**

The City of Versailles in Woodford County lies within Central Kentucky's Blue Grass Region and is located approximately 12 miles west of Lexington on U.S. Highway 60. Versailles has an approximate population of 6,882 persons according to the 1997 population estimates published by the Kentucky Data Center at the University of Louisville. The major employers in Woodford County include the Osram Sylvania fluorescent lighting plant; World Color (formerly Rand McNally & Co.), which produces books and maps; L & N Glass; and Kuhlman. In recent years, the City has experienced significant growth that can be primarily attributed to a dramatic increase in residential development. Besides the availability of jobs and the attractiveness of Versailles, this increase in residential development can further be attributed to Versailles' proximity to the cities of Lexington and Frankfort.

The growth in Versailles has increasingly "stressed" the existing infrastructure supported by the City. Of immediate concern is the City's water treatment plant which was expanded to its current capacity in 1992. In order to accommodate the projected growth of the community, the City has selected GRW Engineers, Inc. to evaluate the condition of the existing water treatment plant, its capability to meet the future needs of Versailles and its capability to provide a quality supply of potable water in light of the significant changes to drinking water legislation.

**II. Purpose**

The purpose of this report is to evaluate the need for a cost effective expansion of Versailles's existing 4.0 million gallon per day (MGD) water treatment plant. Major items to be addressed by this study are as follows:

- A. Introduction
- B. Purpose
- C. Background Considerations
- D. Population and Water Usage Projections

- E. Existing Facility Evaluation
- F. Development of Alternatives
- G. Alternative Analysis
- H. Recommended Alternative
- I. Preliminary Engineering Cost Estimate
- J. Conclusions and Recommendations

### **III. Background Considerations**

The Versailles Water Treatment Plant was originally constructed on its current site in 1965 as a 1.0 MGD treatment facility using the Kentucky River as a source of raw (untreated) water. In 1973, a “high-rate” expansion increased the capacity from 1.0 MGD to 2.0 MGD by the installation of tube settlers in the sedimentations basins, the addition of “mixed” filter media, and pumping improvements. The original raw water intake lines were “washed out” during a flood in 1978 and re-built in a 1979 project. Then, in 1992, the plant was expanded to its current capacity of 4.0 MGD by the addition of modular, parallel-train, convention treatment units to the existing plant.

✕ Within approximately one year of the completion of the 1992 expansion, the plant was producing water at 100% of the plant capacity. The City of Versailles was then forced to supplement their water production by purchasing water from Kentucky-American Water Company (KAWC). The water was purchased from KAWC at a price in excess of the user charges established by the City of Versailles for their customers. This economics of purchasing water from KAWC, in part, added to the need for this study.

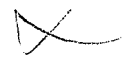
Finally, in 1994, one of the old raw water pumps was replaced and a new intake line was constructed into the Kentucky River. There have been several smaller projects and improvements to the Versailles Water Treatment Plant over the years, however, it is the intent of this section to document those of major significance.

### **IV. Population and Water Usage**

#### **A. Population**

The population of Woodford County is projected to increase per the 1999 Population Data as published by the Kentucky Data Center at the University of Louisville Urban Research Institute. Table VI-1 presents the population data (census data) for the Commonwealth of Kentucky, Woodford County and the City of Versailles, as well as the University of Louisville population projections for the years 2000 through 2020 (actual estimates available through 1999 for the State

TABLE IV - 1  
 VERSAILLES/WOODFORD COUNTY POPULATION PROJECTION  
 WATER TREATMENT PLANT PRELIMINARY ENGINEERING REPORT  
 CITY OF VERSAILLES, KENTUCKY



Year	Kentucky		Woodford County		Versailles	
	Population	% Change	Population	% Change	Population	% Change
1990	3,686,892 <sup>1</sup>		19,555 <sup>1</sup>		7,250 <sup>1</sup>	
		0.75%		4.22%		2.06%
1991	3,714,686 <sup>2</sup>		20,381 <sup>2</sup>		7,399 <sup>2</sup>	
		1.12%		1.84%		1.78%
1992	3,756,358 <sup>2</sup>		20,757 <sup>2</sup>		7,531 <sup>2</sup>	
		0.96%		0.37%		0.27%
1993	3,792,288 <sup>2</sup>		20,834 <sup>2</sup>		7,551 <sup>2</sup>	
		0.82%		1.73%		1.58%
1994	3,823,215 <sup>2</sup>		21,194 <sup>2</sup>		7,670 <sup>2</sup>	
		0.84%		1.88%		1.73%
1995	3,855,248 <sup>2</sup>		21,593 <sup>2</sup>		7,803 <sup>2</sup>	
		0.67%		2.09%		1.92%
1996	3,881,051 <sup>2</sup>		22,045 <sup>2</sup>		7,953 <sup>2</sup>	
		0.69%		1.24%		1.09%
1997	3,907,816 <sup>2</sup>		22,319 <sup>2</sup>		8,040 <sup>2</sup>	
		0.68%		1.85%		1.85%
1998	3,934,310 <sup>2</sup>		22,731 <sup>2</sup>		8,188 <sup>4</sup>	
		0.67%		0.18%		0.18%
1999	3,960,825 <sup>2</sup>		22,773 <sup>2</sup>		8,204 <sup>4</sup>	
		0.69%		2.66%		2.66%
2000	3,988,188 <sup>3</sup>		23,378 <sup>3</sup>		8,421 <sup>4</sup>	
		0.48%		1.01%		1.01%
2001	4,007,334 <sup>4</sup>		23,614 <sup>4</sup>		8,507 <sup>4</sup>	
		0.48%		1.00%		1.00%
2002	4,026,480 <sup>4</sup>		23,851 <sup>4</sup>		8,592 <sup>4</sup>	
		0.48%		0.99%		0.99%
2003	4,045,626 <sup>4</sup>		24,087 <sup>4</sup>		8,677 <sup>4</sup>	
		0.47%		0.98%		0.98%
2004	4,064,772 <sup>4</sup>		24,323 <sup>4</sup>		8,762 <sup>4</sup>	
		0.47%		0.97%		0.97%
2005	4,083,919 <sup>4</sup>		24,560 <sup>4</sup>		8,847 <sup>4</sup>	
		0.47%		0.96%		0.96%
2006	4,103,065 <sup>4</sup>		24,796 <sup>4</sup>		8,932 <sup>4</sup>	
		0.47%		0.95%		0.95%
2007	4,122,211 <sup>4</sup>		25,032 <sup>4</sup>		9,017 <sup>4</sup>	
		0.46%		0.94%		0.94%
2008	4,141,357 <sup>4</sup>		25,268 <sup>4</sup>		9,102 <sup>4</sup>	
		0.46%		0.94%		0.94%
2009	4,160,503 <sup>4</sup>		25,505 <sup>4</sup>		9,188 <sup>4</sup>	
		0.46%		0.93%		0.93%
2010	4,179,649 <sup>3</sup>		25,741 <sup>3</sup>		9,273 <sup>4</sup>	
		0.28%		0.63%		0.63%
2011	4,191,157 <sup>4</sup>		25,903 <sup>4</sup>		9,331 <sup>4</sup>	
		0.27%		0.62%		0.62%
2012	4,202,664 <sup>4</sup>		26,065 <sup>4</sup>		9,389 <sup>4</sup>	
		0.27%		0.62%		0.62%
2013	4,214,172 <sup>4</sup>		26,226 <sup>4</sup>		9,448 <sup>4</sup>	
		0.27%		0.62%		0.62%
2014	4,225,679 <sup>4</sup>		26,388 <sup>4</sup>		9,506 <sup>4</sup>	
		0.27%		0.61%		0.61%
2015	4,237,187 <sup>4</sup>		26,550 <sup>4</sup>		9,564 <sup>4</sup>	
		0.27%		0.61%		0.61%
2016	4,248,694 <sup>4</sup>		26,712 <sup>4</sup>		9,622 <sup>4</sup>	
		0.27%		0.61%		0.61%
2017	4,260,202 <sup>4</sup>		26,874 <sup>4</sup>		9,681 <sup>4</sup>	
		0.27%		0.60%		0.60%
2018	4,271,709 <sup>4</sup>		27,035 <sup>4</sup>		9,739 <sup>4</sup>	
		0.27%		0.60%		0.60%
2019	4,283,217 <sup>4</sup>		27,197 <sup>4</sup>		9,797 <sup>4</sup>	
		0.27%		0.59%		0.59%
2020	4,294,724 <sup>3</sup>		27,359 <sup>3</sup>		9,856 <sup>4</sup>	

<sup>1</sup> 1990 Census

<sup>2</sup> 1999 Population Estimates, Kentucky State Data Center, University of Louisville

<sup>3</sup> Population Projections 1997-2020, Kentucky State Data Center, University of Louisville

<sup>4</sup> Interpolated

and Counties) for the State and Woodford County. From the County projections, estimates have been developed for the City by applying the County growth rate to the City's population estimates. The data presented in Table VI-1 indicates an increase in the natural population growth in both Woodford County and the City of Versailles through the year 2020.

In discussions with the staff of the City, it has been concluded that the population projections may not be reflective of the actual growth to be expected within the service area of the Versailles water system. As of 1987, the City had approved 815 additional lots for residential development. Currently, the City estimates that approximately 500 of these lots remain to be developed. In addition, the City is currently reviewing (and expected to approve) the development of the Backer property, which contains 860 potential lots for development. Further, it is estimated that North Woodford Water District, who purchases water from the City of Versailles, will increase from 11-15 million gallons per month to 13-18 million gallons per month.

As can be seen, the population growth of the City of Versailles and Woodford County will create a substantial demand on the water system. By 2020, the population is "officially" projected to increase by 1,816 persons (the last official City estimate available is from 1997) with unofficial projections resulting in even higher figures.

#### B. Water Usage

In 2000, the Versailles Water Treatment Plant treated an average of 2,966,653 GPD and the City purchased an additional 120,571 GPD from KAWC. Of this amount, 35% is unaccounted-for-water in the system, thus leaving an average of 2,286,756 GPD of metered water sales to customers. During 1998, the City realized that their unaccounted-for-water percentage is higher than should be expected and has taken several measures to reduce the quantity of unaccounted-for-water. It is to be expected that a reduction in unaccounted-for-water will occur.

It is very typical that the peak day water production for the Versailles Water Treatment Plant be 3,600,000 gallons, which is the approximate maximum daily production of the 4.0 MGD Versailles Water Treatment Plant. As stated previously, the City supplements its production by purchasing water from Kentucky-American Water Company when needed. The telemetered totalizer of the KAWC meter has only been operational since March of 2000. The historical tabulation of water purchased from KAWC is shown in Table IV-2

The Versailles water system served 5,246 customers during 2000. During the past five years, Versailles has sold an average of 443 gallons per customer per day and produced/purchased 572 gallons per customer per day. The maximum annual average of water production per customer is 616 gallon per customer per day which occurred in 1999. A historical tabulation of water production, sales, and purchase is shown in Table IV-3.

Table V-2 shows the historical peak day production for Versailles's Water Treatment Plant during 1998 and through January of 2001. As previously stated, the actual daily peak factor over this

TABLE IV-2  
 WATER PURCHASED FROM KENTUCKY-AMERICAN WATER COMPANY  
 CITY OF VERSAILLES, KENTUCKY

YEAR	MONTH	AVERAGE DAILY WATER PURCHASE (GPD)	PEAK DAY WATER PURCHASE (GPD)	NUMBER OF DAYS UTILIZED
2000	December	175,000	1,958,000	31
2000	November	79,000	406,000	30
2000	October	36,000	86,000	31
2000	September	71,000	350,000	30
2000	August	157,000	895,000	25
2000	July	347,000	621,000	3
2000	June	412,000	850,000	13
2000	May	116,000	116,000	1
2000	April	253,000	253,000	1
2000	March	764,000	853,000	3

TABLE IV - 3  
 WATER PRODUCTION, SALES AND PURCHASE HISTORY  
 CITY OF VERSAILLES, KENTUCKY

YEAR	NUMBER OF CUSTOMERS	WATER PRODUCED (GPD)	WATER PURCHASED (GPD)	GALLONS PRODUCED/ PURCHASED PER CUST. PER DAY	WATER SOLD (GPD)	GALLONS SOLD PER CUSTOMER PER DAY	UNACCOUNTED FOR WATER
1990	Not Available	Not Available	Not Available	-----	1,756,263	-----	-----
1991	Not Available	Not Available	Not Available	-----	1,830,348	-----	-----
1992	Not Available	2,043,638	Not Available	-----	1,974,463	-----	-----
1993	4,362	2,048,107	Not Available	-----	2,260,852	-----	-----
1994	4,506	2,260,074	Not Available	-----	1,883,556	-----	-----
1995	4,666	2,544,315	Not Available	-----	2,096,956	-----	-----
1996	4,855	2,613,816	13,097	541.07	2,195,948	452.31	19.63%
1997	5,038	2,568,219	21,344	514.01	2,361,586	468.75	9.65%
1998	5,142	2,948,112	132,665	599.14	2,162,956	420.64	42.43%
1999	5,137	2,932,045	229,977	615.54	2,257,671	439.49	40.06%
2000	5,246	2,966,653	120,571	588.49	2,286,756	435.90	35.00%
<b>Average</b>				<b>571.65</b>		<b>443.42</b>	<b>29.35%</b>

time period is only known since March of 2000 due to the unknown quantity purchased from KAWC. The maximum peaking factor for water plant production since January of 1998 is 1.52 (August 1998). The maximum peaking factor for water purchased from KAWC is 11.19 (December 2000). Since sufficient historical data is not available to determine an actual value, a peaking factor of 1.75 has been used to project future peak water treatment plant production for the purpose of this study. This is consistent with actual peaking factors encountered by other communities of the same size and customer distribution as Versailles.

Typically, in projecting future water usage, it would be assumed that the City's water customer base will grow at the same rate as the general population of the City. However due to the requests made for water customer service taps as discussed in the previous section, 40 customers per year, the approximate size of the Backer property development, have been added to the customer projections based on population. This would allow the remainder of the projected growth due to the project population increase to be allocated toward the remaining 500 taps for previously approved development, increased sales to the water districts, and other "normal" growth. Based on discussions with City staff and representatives of the City Council, it has been determined that these assumptions are reasonable.

It has been further assumed that the rate of water production per customer will remain consistent with the historical maximum for water production/purchase (599 GPD/customer). This represents the existing mix of residential, commercial, institutional and industrial users, which, according to conversations with City staff, is not expected to change drastically. In addition, the City has initiated an aggressive leak detection program, which has only been marginally successful. Therefore, it is probable that the majority of unaccounted-for-water is the result of inaccurate metering which still dictates the need for production. Finally, based on the data present in Table IV-3, it can be seen that the historical production per customer has not fluctuated significantly over the past five years.

Table IV-4 shows that actual and projected water production from 1996 through 2025 for the Versailles, Kentucky Water Treatment Plant. The projections for the year 2025 are 7,410 customers with an average water production of 4,560,932 GPD and a peak water production of 7,981,631 GPD. Therefore, it is recommended that an expansion/upgrade of the Versailles Water Treatment Plant to 10.0 MGD be investigated. A 10.0 MGD expansion would result in an 8-9 hour average operating day upon initial start-up (year 2005) and an 19-20 hour operating day at the peak daily production at the end of the 20 year planning period. This recommended expansion should provide adequate water supply for the City of Versailles through the year 2025 based on the most current available data.

## **V. Existing Facilities**

### **A. Raw Water Supply**

Pool 5 of the Kentucky River provides the raw water supply for the City of Versailles. The

TABLE IV-4  
 WATER PRODUCTION PROJECTIONS  
 WATER TREATMENT PLANT PRELIMINARY ENGINEERING REPORT  
 CITY OF VERSAILLES, KENTUCKY

Year	Population	% Change	Number of Customers	Gallons Produced/ Purchased per Customer per Day	Required Water Production (GPD)	Peaking Factor	Peak Production Requirement (GPD)
1996	7,953		4,855	541.07	2,661,749	1.75	4,658,061
1997	8,040	1.09%	5,038	514.01	2,646,347	1.75	4,631,107
1998	8,188	1.84%	5,142	599.14	3,433,362	1.75	6,008,384
1999	8,204	0.20%	5,137	615.54	3,162,029	1.75	5,533,551
2000	8,421	2.65%	5,246	588.49	3,087,219	1.75	5,402,632
2001	8,507	1.02%	5,340	615.54	3,286,722	1.75	5,751,764
2002	8,592	1.00%	5,433	615.54	3,344,184	1.75	5,852,322
2003	8,677	0.99%	5,527	615.54	3,401,889	1.75	5,953,306
2004	8,762	0.98%	5,621	615.54	3,459,836	1.75	6,054,713
2005	8,847	0.97%	5,715	615.54	3,518,021	1.75	6,156,537
2006	8,932	0.96%	5,810	615.54	3,576,443	1.75	6,258,775
2007	9,017	0.95%	5,906	615.54	3,635,099	1.75	6,361,424
2008	9,102	0.94%	6,001	615.54	3,693,988	1.75	6,464,479
2009	9,188	0.94%	6,098	615.54	3,753,512	1.75	6,568,646
2010	9,273	0.93%	6,194	615.54	3,812,858	1.75	6,672,501
2011	9,331	0.63%	6,273	615.54	3,861,328	1.75	6,757,324
2012	9,389	0.62%	6,352	615.54	3,909,951	1.75	6,842,414
2013	9,448	0.63%	6,432	615.54	3,959,142	1.75	6,928,499
2014	9,506	0.61%	6,511	615.54	4,008,069	1.75	7,014,120
2015	9,564	0.61%	6,591	615.54	4,057,145	1.75	7,100,004
2016	9,622	0.61%	6,671	615.54	4,106,371	1.75	7,186,149
2017	9,681	0.61%	6,752	615.54	4,156,172	1.75	7,273,301
2018	9,739	0.60%	6,833	615.54	4,205,694	1.75	7,359,964
2019	9,797	0.60%	6,913	615.54	4,255,362	1.75	7,446,883
2020	9,856	0.60%	6,995	615.54	4,305,610	1.75	7,534,818
2021	9,915	0.60%	7,077	615.54	4,356,066	1.75	7,623,115
2022	9,975	0.60%	7,159	615.54	4,406,824	1.75	7,711,941
2023	10,034	0.60%	7,242	615.54	4,457,886	1.75	7,801,301
2024	10,095	0.60%	7,326	615.54	4,509,255	1.75	7,891,196
2025	10,155	0.60%	7,410	615.54	4,560,932	1.75	7,981,631



existing Raw Water Pumping Stations are located near Kentucky River Mile 85.1. Using the Kentucky Division of Water's supply availability criteria for streams, it has been determined that the "7Q10" flow in Pool 5 is 79.6 MGD. The 7Q10 represents the lowest flow of a stream for seven days in a past 20-year period. According to the Division of Water, the projected water withdrawal for a particular stream, or in the case pool, over the 20-year design period shall not exceed the 7Q10. Therefore, the source of supply for the City of Versailles, Pool 5 of the Kentucky River, is adequate through the year 2020 as a source of raw water. Therefore, it is not recommended that Versailles actively consider any alternate source of supply. In addition, Table V-1 shows the historical raw water quality as observed at the Versailles water treatment plant.

#### B. Raw Water Pump Station

Versailles' current raw water intake, pump station and 12-inch raw water main were constructed in 1965. An addition/expansion of the raw water pump station occurred to accompany the high-rate expansion of the water treatment plant in 1973. Then in 1994, a new 24-inch intake line was installed and one of the raw water pumps was increased in size to 2,800 gpm. The new intake line was necessitated due to damage to the two (2) original 14-inch intake lines that occurred due to activity in the river (debris, etc.) Recently, the second pump has been replaced with new 2,800 gpm capacity pump, which will give the City 100% back-up capability. This project also included the installation of a potassium permanganate feed system to deter zebra mussel colonization, lighting improvements, HVAC improvements and painting at the raw water pump station. Other than those projects described above, there have been several other minor projects involving pump replacement, modifications, etc.

Upon completion of the recent project, both existing vertical turbine raw water pumps will be rated at 2,800 gpm each. Both existing pumps are currently operating in a satisfactory manner, however, the larger of the pumps (which will remain after the current project) has experienced a reduction in pumping capacity due to wear (say 2,600 gpm).

As stated previously, a new intake (elevation 479.78) and a new 24-inch intake line were installed in 1994. The 24-inch line reduces to 18-inch prior to entering the pump station wet well. The velocity in the 24-inch intake line is 1.97 feet per second at the existing capacity of 4.0 MGD. The velocity in the 18-inch section is 3.50 ft/sec. Increasing the capacity to 10.0 MGD per pump would result in velocities of 4.92 ft/sec in the 24-inch intake line and 8.76 ft/sec in the 18-inch pipe. The expanded capacity velocities are higher than typical, however, the velocities alone do not violate any industry-wide design standards. Hydraulic Institute Standards, who develops the industry standards for pump station design, recommends that the basic design requirements for satisfactory hydraulic performance of rectangular intake structures include:

1. Adequate depth of flow to limit velocities in the pump bays and reduce the potential for formulation of surface vortices.
2. Adequate pump bay width, in conjunction with the depth, to limit the maximum

TABLE V - 1  
 RAW WATER QUALITY  
 VERSAILLES, KENTUCKY WATER TREATMENT PLANT

Month	Raw Water pH			Raw Water Alkalinity			Raw Water Hardness			Raw Water Turbidity		
	Average	Peak Day	Low Day	Average (mg/l)	Peak Day (mg/l)	Low Day (mg/l)	Average (mg/l)	Peak Day (mg/l)	Low Day (mg/l)	Average (NTU)	Peak Day (NTU)	Low Day (NTU)
	January 1998	7.82	8.00	7.60	70	76	65	135	137	124	95	600
February 1998	7.76	8.00	7.60	68	73	66	122	137	120	64	250	14
March 1998	7.75	7.80	7.60	69	70	66	121	137	120	67	185	15
April 1998	7.55	7.70	7.20	67	69	66	120	120	120	191	800	25
May 1998	7.55	7.70	7.40	68	69	66	120	120	120	112	250	24
June 1998	7.59	7.80	7.40	68	69	65	120	120	120	140	400	34
July 1998	7.57	7.70	7.40	68	69	67	120	120	120	101	700	30
August 1998	7.68	7.90	7.50	68	69	66	120	120	120	26	40	14
September 1998	7.83	8.20	7.60	68	69	67	120	120	120	20	27	10
October 1998	7.50	8.20	7.30	68	69	66	120	120	120	16	21	14
November 1998	7.40	7.50	7.30	67	69	66	120	120	120	13	15	10
December 1998	7.54	7.70	7.40	68	68	66	120	120	120	25	90	10
January 1999	7.48	7.70	7.00	67	68	63	115	120	103	199	900	20
February 1999	7.63	8.40	7.30	72	78	67	135	137	120	21	60	4
March 1999	7.89	8.30	7.70	70	71	68	137	137	137	43	120	7
April 1999	7.84	8.00	7.60	70	71	69	137	137	137	8	40	6
May 1999	7.71	7.90	7.60	70	72	69	137	137	137	12	30	6
June 1999	8.12	8.80	7.60	72	74	70	152	154	137	10	50	5
July 1999	8.53	9.20	7.70	68	73	63	141	154	137	9	12	5
August 1999	7.88	8.30	7.50	71	82	64	159	171	154	6	9	4
September 1999	7.77	8.20	7.50	76	90	73	171	171	171	6	9	4
October 1999	7.67	8.00	7.10	92	98	83	177	188	171	5	8	3
November 1999	7.70	8.80	7.50	102	106	98	221	222	205	4	7	3
December 1999	7.90	8.10	7.60	149	180	105	269	290	222	4	6	2
January 2000	7.87	8.10	7.70	125	180	108	236	290	188	10	52	2
February 2000	7.91	8.20	7.70	88	115	54	189	222	154	109	500	4
March 2000	7.85	8.00	7.70	88	105	74	163	171	154	25	79	10
April 2000	7.81	8.00	7.60	73	100	55	136	137	120	49	201	9
May 2000	7.72	7.80	7.60	58	59	55	134	137	120	12	20	9
June 2000	7.78	8.40	7.50	65	80	56	150	171	137	14	27	10
July 2000	7.66	7.80	7.60	80	87	68	185	222	154	26	85	11
August 2000	7.66	7.90	7.50	76	89	60	158	171	120	14	24	9
September 2000	7.66	7.90	7.50	77	84	74	187	205	171	10	16	8
October 2000	7.82	8.30	7.50	95	107	78	174	205	154	8	11	6
November 2000	7.68	7.80	7.50	93	100	88	171	188	154	5	10	3
December 2000	7.77	8.10	7.50	88	116	60	192	273	119	74	400	3
January 2001	7.71	7.80	7.60	74	100	40	156	290	102	50	180	9
Average	7.74	8.03	7.50	78	87	69	152	167	138	43	168	10

pump approach velocities to 0.5 m/s (1.5 ft/sec), but narrow and long enough to channel flow uniformly toward the pumps.

To assess the above conditions, the Hydraulic Institute has established recommended design criteria for various parameters of a pump intake structure. Following is a tabulated analysis of the Versailles Raw Water Intake in comparison to the recommendations in *American National Standard for Pump Intake Design* published by the Hydraulic Institute in 1998:

Parameter	H.I.S @ 4.0 MGD	Versailles WTP @ 4.0 MGD	H.I.S. @ 10.0 MGD	Versailles WTP @ 10.0 MGD
Suction Bell Diameter	14"	13.80"	23"	N/A
Suction Bell Floor Clearance	7"	10"	11.5"	N/A
Suction Bell Submergence	43"	107"	60"	69"
Minimum Allowable Liquid Depth	50"	117"	72"	81"
Partition Walls	Yes	Yes	Yes	Yes
Pump Bay Width	28"	51" <sup>1</sup>	46"	51" <sup>1</sup>
Length of Flat Pump Approach	70"	30" <sup>2</sup>	115"	30" <sup>2</sup>
Back Wall to Centerline of Suction Bell	10.5"	24" <sup>1</sup>	17.25"	24" <sup>1</sup>
Angle of Floor Convergence	10 <sup>0</sup> Max.	>45 <sup>02</sup>	10 <sup>0</sup> Max.	>45 <sup>02</sup>

<sup>1</sup> Not in compliance with H.I.S., however, corrections can be made with minor construction.

<sup>2</sup> Not in compliance with H.I.S. and would require major structural renovation to achieve compliance.

As can be seen from the above table, several parameters achieve H.I.S. compliance and two (2) others can be brought into compliance with minor construction activities. However, the Length of Flat Pump Approach and Angle of Floor Convergence are considerably different from the H.I.S. recommendations for both existing and proposed conditions. Further, there would be almost no way to construct the necessary improvements while keeping the intake in service.

Data furnished by the consultant for the Kentucky River Steering Committee indicates that

the average water surface elevation in Pool 5 of the Kentucky River is 483.50 and that the minimum historical level is 477.50. Hydraulic Institute Standards recommends that there be 40" of submergence on a 24-inch pipe at 4.0 MGD and 58" submergence on a 24-inch pipe at 10.0 MGD to minimize free surface vortices. As stated previously, the centerline elevation of the existing intake line is 479.78. Therefore, the depth of submergence of 45" is sufficient under current conditions at or above the normal pool elevation of the river. However, the depth of submergence is not sufficient under the proposed expansion. Further, at the historic low pool elevation the intake is exposed. Please note that this discussion is subject to discrepancies in the datum used to determine elevations. The elevations furnished by the Kentucky River Steering Committee are based on Kentucky River Datum. There is no indication on the record drawings as to the datum used for construction of the intake. In addition, it is of concern that there is currently only one operable intake line. It is recommended that provisions be made for the construction of a back-up intake line.

Therefore, it is apparent that the existing pumps or pumping station cannot accommodate an expansion to 10.0 MGD. Naturally, the existing pumps and a renovated/upgraded pump station may be able to be used within an expansion to contribute to the design capacity. However, an addition to the existing pump station or a new parallel pump station will be required in order to attain the desired capacity. Within any expansion, consideration will need to be given to the design of piping, valving and the surge (water hammer) suppression system, etc., as these existing systems are under designed for their current application. As of the writing of this study, new pump control valves have been ordered and are scheduled for installation during March of 2001.

It was noted that there appears to be a conflict between the existing primary power service line to the existing raw water pump station and monorail which is used for removal of the pumps. In its current location, this could be of considerable safety-related consequence. City staff has indicated that it is more practical to pull the pumps using a crane; therefore, the monorail can be removed to eliminate the potential problem.

As stated previously, the City has recently completed construction of a Zebra Mussel Control Project. The project consists of the following: replacing the existing intake screen with galvanized steel screens (zinc deters the colonization of zebra mussels), the installation of a potassium permanganate feed system, and the electrical work associated with integrating the pump motor starters with the chemical feed system. In addition to deterring zebra mussels, the potassium permanganate will assist in taste and odor control. It will also serve as a pre-oxidant which will reduce the pre-chlorine requirement, thus potentially reducing the levels of trihalomethanes (THM's). Keeping the new intake screens clean has presented an operational problem due to the reduced size of the openings. The City has made some minor modifications to the screens to reduce the maintenance burden. However, it is recommended that provisions for cleaning the intake screens be provided in the expansion program.

#### C. Raw Water Transmission Main

The existing 12-inch raw water transmission main was constructed in 1965. The main is

constructed of lined cast iron pipe. Based on the discharge pressure of the pumps and the known elevations which determine the static head, a Hazen-Williams friction factor (C-factor) of 94 can be calculated for the main. By comparison the C-factor for a new ductile iron water main is between 130 and 140. The source of the reduced carrying capacity for the existing raw water main is unknown. However, possible causes include, but are not limited to, tuberculation, air pockets, partially closed valve(s), etc. or a combination. The condition of this main and the ability to transport the required capacity is of significant concern to the City in the planning of an expansion and/or improvements to the Water Treatment Plant.

At 4.0 MGD, the velocity in an 12-inch pipe is 7.78 ft/sec, which is above the recommended velocity of 5 ft/sec for water mains. In a rapid valve closure situation (i.e.-power failure), surge pressures near 575 p.s.i. could be expected. The water hammer within the existing system is apparent in that water splashes out of the existing flow splitter box and “shoots” into the air upon pump start-up. Increasing the capacity to 10.0 MGD would result in a velocity increase to 19.70 ft/sec (potential surge pressures near 1,300 p.s.i.). This velocity would generate excessive friction loss (particularly considering the previously discussed condition of this main), resulting in excessive discharge pressures (current discharge pressures are near 180 p.s.i.). Increased velocities will also generate the potential for formation of excessive hydraulic transients (water hammer). Therefore, the 12-inch raw water transmission main is not sized adequately to accommodate an expansion to 10.0 MGD.

The existing raw water flow meter is a 16-inch magnetic flow meter located in the Chemical Feed Building and is operating in a satisfactory manner.

#### D. Static In-Line Chemical Mixer

Chemical mixing is currently accomplished by a 16-inch diameter, in-line, static mixer located in the 16-inch raw water main in the Chemical Feed Building. The mixer is located just downstream of the chemical feed injection points. The existing 16-inch diameter raw water main (increases from 12-inch to 16-inch outside the building) has a velocity of 4.43 ft/sec at 4.0 MGD, which is acceptable. An increase in capacity to 10.0 MGD would result in a velocity increase to 11.08 ft/sec, which is excessive. Therefore, the raw water main and static mixer will have to be replaced to accommodate the proposed expansion.

Further, Ten States Standards states that “Basins should be equipped with mechanical mixing devices.” Static mixing is only allowed where flow rates do not fluctuate. Further, Ten States Standards states that “The rapid mix and flocculation basins shall be as close together as possible. The length of pipeline between the static mixer and the flocculation basins is approximately 235 feet at the Versailles plant.

#### D. Chemical Feeds

A summary of chemical usage at the Versailles Water Treatment Plant from January 1998

TABLE V - 2  
 WATER PRODUCTION AND CHEMICAL USAGE  
 VERSAILLES, KENTUCKY WATER TREATMENT PLANT

Month	Average Production (GPD)	Peak Day Production (GPD)	Peaking Factor	Coagulant		Corrosion Control		Fluoride
				Liquid Alum (lbs/day)	Liquid Alum (mg/l)	NaOH (lbs/day)	NaOH (mg/l)	
January 1998	2,729,032	3,300,000	1.21	893	39.24	232	10.19	109
February 1998	2,850,000	3,600,000	1.26	813	34.20	232	9.76	114
March 1998	2,918,710	3,600,000	1.23	898	36.89	206	8.46	117
April 1998	2,962,900	3,600,000	1.22	1,246	50.42	359	14.53	119
May 1998	3,159,677	3,600,000	1.14	1,079	40.95	368	13.96	126
June 1998	3,295,000	3,600,000	1.09	1,273	46.32	448	16.30	132
July 1998	2,472,581	3,450,000	1.40	925	44.86	211	10.23	87
August 1998	2,370,774	3,600,000	1.52	810	40.97	167	8.45	111
September 1998	3,375,000	3,600,000	1.07	1,125	39.97	253	8.99	135
October 1998	3,179,032	3,600,000	1.13	1,220	46.01	399	15.05	127
November 1998	3,105,000	3,600,000	1.16	942	36.38	390	15.06	124
December 1998	3,077,419	3,600,000	1.17	770	30.00	341	13.29	123
January 1999	2,708,710	3,600,000	1.33	957	42.36	257	11.38	111
February 1999	2,941,071	3,450,000	1.17	714	29.11	201	8.19	118
March 1999	2,898,387	3,600,000	1.24	755	31.23	194	8.03	115
April 1999	2,870,000	3,600,000	1.25	690	28.83	209	8.73	115
May 1999	3,329,032	3,600,000	1.08	705	25.42	211	7.58	133
June 1999	3,337,000	3,600,000	1.08	704	25.33	203	7.30	134
July 1999	2,618,323	3,300,000	1.26	546	25.00	101	4.35	104
August 1999	2,624,903	3,150,000	1.20	567	25.68	123	5.58	95
September 1999	2,955,000	3,450,000	1.17	812	32.67	146	5.87	100
October 1999	3,147,742	3,600,000	1.14	973	37.10	255	9.68	131
November 1999	2,907,760	3,367,200	1.16	802	33.13	255	10.53	119
December 1999	2,846,616	3,221,000	1.13	640	26.71	205	9.32	117
January 2000	2,711,535	3,522,500	1.30	814	36.36	187	8.23	116
February 2000	2,969,379	3,533,900	1.19	1,174	47.97	294	11.18	113
March 2000	2,953,445	3,663,400	1.24	867	35.38	239	9.84	113
April 2000	2,801,390	3,513,600	1.25	818	35.40	281	12.10	108
May 2000	3,247,348	3,716,600	1.14	820	30.32	272	10.67	124
June 2000	3,293,443	3,743,000	1.14	1,107	40.33	386	13.90	124
July 2000	3,123,198	3,648,000	1.17	1,039	40.00	379	14.55	121
August 2000	2,994,194	3,636,000	1.21	745	29.97	334	13.39	122
September 2000	2,885,608	3,276,000	1.14	655	27.20	285	11.90	119
October 2000	2,989,500	3,802,500	1.27	499	20.00	224	9.00	116
November 2000	2,809,550	3,276,000	1.17	468	20.00	208	8.90	109
December 2000	2,821,250	3,276,000	1.16	918	39.33	288	12.27	106
January 2001	3,007,428	3,155,040	1.05	1,019	40.58	281	11.23	121
<b>Average</b>	<b>2,953,701</b>	<b>3,514,885</b>	<b>1.20</b>	<b>860</b>	<b>34.91</b>	<b>260</b>	<b>10.49</b>	<b>117</b>

through January 2001 is shown in Table V-2.

1. Potassium Permanganate

As stated previously, the potassium permanganate feed system has only recently been operated by the City at the intake pumping station. The feed system consists of a dry chemical feed designed to feed the chemical through an eductor using raw water as solution water. The feed system is designed to be connected operationally to the motor starters of the raw water pumps so that chemical cannot be fed when the raw water pumps are not operating. Since very little potassium permanganate has been fed, the proposed feed rate can only be estimated. Theoretically, feed concentrations of 0.33 to 3.0 ppm are expected for zebra mussel control, with 1 ppm being a typical value. This corresponds to a feed rate range of 1.85 gph to 16 gph (11 lbs/day to 100 lbs/day at a 3% solution concentration).

At an expanded treatment plant capacity of 10.0 MGD, the projected feed rate range of potassium permanganate will be 28 lbs/day to 250 lbs/day. The currently proposed dry chemical feeder will have the capacity to accommodate the proposed expansion. However, the configuration and proximity of the additional raw water pumping facilities will ultimately determine the need for additional chemical feed equipment.

Further, the use of raw water as a feed solution will need to be evaluated. Plugging of the strainer upstream of the dry chemical feeder as presented a significant maintenance issue.

2. Caustic Soda

Caustic Soda (Sodium Hydroxide) is currently fed in a liquid form at a concentration of 25% to the filter effluent for pH/alkalinity control. The caustic soda feed system consists of one 5,500 gallon storage tank and two (2) Wallace & Tiernan (W&T) Series 44 chemical feed pumps. Caustic use from 1998 through 2002 averaged 260 lbs per day with a peak day of 448 pounds. At a design flow rate of 10.0 MGD, the projected average caustic feed rate is 881 lbs/day. Naturally, the caustic feed and storage system will need to be replaced to accommodate such an expansion. The treatment plant operating staff has indicated that the caustic feed pumps are in need of replacement due to wear. The existing storage tank will not meet the Ten States Standards requirement for 30 days of storage at the projected flowrate. At a flow rate of 4.0 MGD, the required storage volume is 3,750 gallons. Therefore, the existing storage is adequate for the current design capacity. However, increasing the capacity to 10.0 MGD necessitates that 12,700 gallons of caustic storage be provided. In addition, there are no day tanks at the existing facility. Ten States Standards also requires that two (2) day tanks, each with a 30-hour design capacity, be provided.

3. Alum

The Versailles water treatment plant utilizes liquid alum (50% solution) as the primary coagulant. It is expected that liquid alum, or a slight variation thereof (acid alum?) will be able to meet the precursor (total organic carbon) removal requirements (Enhanced Coagulation) of the Stage 1 Disinfectants, Disinfection By-Product Rule, for which compliance is mandated by December of 2002 for large systems serving greater than 10,000 customers. See Table V-2 for a tabulation of the total organic carbon removal during 2000. Please note that Enhanced Coagulation was not practiced during this time period.

The existing liquid alum feed system consists of one 5,500 gallon storage tank and two (2) Wallace & Tiernan (W&T) Series 44 chemical feed pumps. Liquid alum use from 1998 through 2000 averaged 860 lbs per day with a peak day of 1,273 pounds. At a design flow rate of 10.0 MGD, the projected average liquid alum feed rate is 2,912 lbs/day. Naturally, the alum feed and storage system will need to be replaced to accommodate an expansion. The treatment plant operating staff has indicated that the alum feed pumps are in need of replacement due to wear. The existing storage tank will not meet the Ten States Standards requirement for 30 days of storage at either the existing or the projected flowrate. At a flow rate of 4.0 MGD, the required storage volume is 6,200 gallons. Therefore, the existing storage is deficient for the current design capacity. By increasing the capacity to 10.0 MGD, a storage volume of 21,000 gallons is necessitated. Further, there are no day tanks at the existing facility. Ten States Standards also requires that two (2) day tanks, each with a 30-hour design capacity, be provided.

4. Carbon

Carbon is fed using a single gravimetric dry chemical feeder located in the Filter Building. The existing carbon feed area in the Filter Building is not rated as "explosion proof" as required. The carbon slurry is then fed by gravity to a single slurry tank located in the Chemical Feed Building. From the slurry tank, carbon is pumped, using a single slurry pump, to the feed point just upstream of the static mixer. Carbon was not used from 1998 through 2000 at the Versailles Water Treatment Plant. The existing carbon feed system has a tendency to back-up from the Chemical Feed Building and overflow in the Filter Building due to a failure of the level control system in the slurry tank. Further, the gravity piping from the Filter Building to the Chemical Feed Building is inaccessible for maintenance. The carbon feed system could be considerably simplified by locating the feed system as close to the application point as possible. In addition, it is required that a minimum of two (2) chemical feeders, two (2) slurry (day) tanks, and two (2) slurry pumps be provided for a system such as Versailles'. Further, Ten States Standards states that



TABLE V - 3  
 TOTAL ORGANIC CARBON REMOVAL  
 VERSAILLES WATER TREATMENT PLANT  
 VERSAILLES, KENTUCKY

YEAR	MONTH	RAW WATER ALKALINITY (mg/l)	RAW WATER TOTAL ORGANIC CARBON (mg/l)	FINISHED WATER TOTAL ORGANIC CARBON (mg/l)	PERCENT REMOVAL	REQUIRED PERCENT REMOVAL	REMOVAL RATIO
2000	December	103	2.80	2.30	17.86%	25%	0.71
2000	November	92	5.00	2.20	56.00%	35%	1.60
2000	October	93	3.30	2.30	30.30%	25%	1.21
2000	September	86	5.80	4.00	31.03%	35%	0.89
2000	August	66	8.01	5.86	26.84%	35%	0.77
2000	July	68	N/A	4.20	N/A	N/A	N/A
2000	June	69	5.44	4.30	20.96%	35%	0.60
2000	May	56	4.60	4.20	8.70%	45%	0.19
2000	April	92	2.50	2.30	8.00%	25%	0.32
2000	March	79	2.60	2.00	23.08%	25%	0.92
2000	February	91	2.90	2.40	17.24%	25%	0.69
2000	January	115	2.40	2.10	12.50%	25%	0.50
AVERAGE		84.17	3.78	3.18	15.85%	25%	0.63

“Activated carbon should not be applied near the point of chlorine or other oxidant application.” At the Versailles plant, chlorine and carbon are applied at the same location.

Since carbon has not been recently fed, the calculated feed rates for carbon are based on the requirements in Ten States Standards. Ten States Standards requires that the carbon feed rate range of 0.1 mg/l to 40 mg/l be provided. This results in a carbon feed range from 8.34 lbs/day to 3,336 lbs/day. Considerable reconfiguration and upgrade will be necessary to the existing carbon feed system to eliminate operational problems, accommodate a treatment plant capacity of 10.0 MGD, and bring the system into compliance.

5. Polymer

There is an existing polymer feed system at the Versailles water treatment plant that is no longer in use. The system consists of a 1,690 gallon (6'-0" diameter by 130" tall) bulk storage tank, a single polymer transfer pump, a single day tank, and two (2) polymer feed pumps. While it is not anticipated that a polymer feed system will be necessary with conventional treatment, it may be beneficial to utilize a polymer to increase the effectiveness of disinfection by-product pre-cursor removal and/or reduce the quantity of residuals generation.

6. Chlorine

Gaseous chlorine is currently fed from separate chlorine storage and feed rooms located on the front of the Chemical Feed Building. Feed equipment consists of two Wallace & Tiernan V-500, wall-mounted, V-notch chlorinators. The pre-chlorine feed has averaged 91 lbs/day (peak day of 131 lbs.) and the post chlorine feed has averaged 24 lbs/day (peak day of 54.2 lbs) from January of 1998 through January of 2001. At the projected capacity of 10.0 MGD, the pre-chlorine feed rate is projected as approximately 310 lbs/day and the post-chlorine feed rate is projected to be 85 lbs/day for a total average chlorine demand of 395 lbs/day. Based on a peaking factor of 1.61 (see above), the peak day chlorine demand would be approximately 640 lbs/day. This would be in excess of the 500 lb. capacity of the existing V-500 chlorinators. Therefore, the existing chlorinators would need to be replaced to accommodate the expansion. Further, the existing chlorination equipment is a discontinued brand by the manufacturer.

A two in-three out distribution panel provides the capability for either chlorinator to feed pre (upstream of static mixer), intermediate (flow splitter box), and/or post (filter effluent). Chlorine is fed from ton cylinders. One set of two-cylinder scales, a wall-mounted chlorine gas detector in each room (total of two) and an alarm which sends a signal to the Filter Building are included in the chlorination equipment. The

operational staff indicated that there is no visual or audible alarm at the Chemical Feed Building; however, an audible alarm is shown on the treatment plant drawings. The chlorine feed equipment is generally operating in a satisfactory manner. Automatic switchovers, adequate ventilation equipment, and appropriate safety equipment are present. There is no repair kit available. One problem noted by the operational staff is the difficulty in handling chlorine cylinders due to the configuration of the building and driveway.

The exhaust fan from the chlorine feed room discharges on the front (north side) of the building, which is generally in the best location away from air intakes for the Chemical Feed Building and the Filter Building. The exhaust fan from the chlorine storage room discharges on the west side of the building, which, again, is generally away from other air intakes. However, while generally located in the best available locations, these intakes are still in the proximity of the air intakes for both the Chemical Feed Building and Filter Building. This is a potentially dangerous situation, depending on wind direction, in the event of a chlorine leak. With the exception of one nearby residence, the water treatment plant is not in the vicinity of residential or inhabited areas. There is currently no means of handling or neutralizing the gaseous chlorine should a leak occur.

It appears as if the floor drains in the chlorine storage and feed room are connected to the plant sewer outside of the Chemical Feed Building. The most recent version of Ten States Standards discourages the installation of floor drains in chlorine feed facilities and indicates that "Where provided, the floor drains shall discharge to the outside of the building and shall not be connected to other internal or external drainage systems."

## 7. Ammonia

Chloramination is used at the Versailles Water Treatment Plant for residual disinfection. Feed equipment consists of one Wallace & Tiernan V-500, wall-mounted, V-notch ammoniator. A Culligan Soft Minder Twin Automatic Water Conditioner (softener) is used to treat the solution water (the water softener is installed to reduce the calcium and magnesium content sufficiently to provide longer venturi life in the ammonia feed equipment). The ammonia feed has averaged 24.4 lbs/day, with a peak day of 38.3 lbs. from January of 1998 through January 2001. At the projected capacity of 10.0 MGD, the ammonia feed rate, based on historical data, is projected as approximately 83 lbs/day. Please note that literature, and practical experience, suggests a chlorine-to-ammonia ratio range between 3:1 and 4:1 to minimize the production of di- and tri-chloramine species, which contribute to taste and odor problems. The average feed ration during the past two years is approximately 4.75:1. Nevertheless, the projected feed range would be well within the 500 lb. capacity of the existing V-500 ammoniator. However, the existing

ammoniation equipment is a discontinued model by the manufacturer. Therefore, replacement of the existing equipment should be considered in order to insure availability of spare parts.

A two in-two out distribution panel provides the capability for either ammoniator to feed pre (flow splitter box) and/or post (clearwell influent). The pre-ammonia feed has never been used. There is a subsequent distribution panel in the High Service Pump Station which provides the capability to split the post ammonia to either, or both, of the existing clearwells. The distribution panel in the ammonia feed room has been a constant source of maintenance due to gasket failures and the high cost of replacement parts. Currently, the parts from the pre-ammonia feed portion of the distribution panel have been used to repair the post-ammonia feed portion, thus making the pre-ammonia feed unusable. Other than the distribution panel, the ammonia feed system is working in a satisfactory manner.

The anhydrous ammonia storage tank has a capacity of 1,000 gallons (4,000 lbs) with dimensions of 40.96" diameter by 193.5" in length. It is located outside just to the south of the chemical feed building. A cover should be provided for the tank to protect the regulator from direct moisture contact. It should be noted that the Handbook of Chlorination and Alternative Disinfectants (Fourth Edition, 1999) states the following: "The use of ammonia in the gas form should be limited to cylinder deliveries. The use of storage tanks or rail cars and tanker trucks is not recommended because of current interpretation of the Uniform Fire Code."

## 8. Fluoride

The fluoride feed room is located adjacent to the Filter Room on the upper level of the Filter Building. Hydrofluosilicic acid is fed from 55 gallon day tank using a single, W&T Series 94-100 metering pump. Fluoride feed has averaged 117 lbs/day or 57 gallons per day. Based on the projected design capacity of 10.0 MGD, the projected daily fluoride feed is approximately 400 lbs. or 200 gallons at a 25% solution. The existing feed pump will need to be replaced in order to achieve the desired feed capacity. It is also recommended (and required) that duplicity be provided in all chemical feed pumps and day tanks. Bulk fluoride storage is provided in two, 805 gallon bulk storage tanks located on the upper floor of the Filter Building. At the current average feed rate, approximately 28 days of storage is provided. The required storage volume at the expanded plant capacity of 10.0 MGD is 6,000 gallons. Additional bulk storage facilities will be required. Bulk fluorosilicic acid is fed by gravity to the day tank. In addition to the above items, the following deficiencies were noted in the fluoride feed system:

- a. Chemical containment of the acid is not provided for the bulk storage facilities or in the Fluoride Feed Room. The existing floor drain is connected

to the Filter Building Floor Drain System. There is an overflow on the bulk storage tanks for which containment is provided.

- b. The day tank is not vented to the outside of the building.
- c. The point of application of the fluorosilicic acid is not in the lower half of the horizontal filter effluent pipe. The application point is on top of the pipe.
- d. The fluoride feed pump has a standard electrical receptacle. Ten States Standards requires that the fluoride feed pump have a nonstandard receptacle and be interconnected with the raw water pump.
- e. The anti-siphoning device on the metering pump is not operable.
- f. A deluge shower and eye wash device is required at all fluosilicic acid installations.

#### 9. Corrosion Control

Currently, there is no chemical feed system in place for corrosion control in the distribution system. Corrosion control is accomplished entirely using the caustic soda for pH/alkalinity adjustment. It is recommended that a chemical feed system, using orthophosphates or polyphosphates, be provided as a supplemental corrosion control system.

#### 10. General

- a. It is recommended that all individual water supply lines to chemical feed systems be equipped with individual backflow prevention devices.
- b. There is apparently a leak in the water supply line to the existing eye wash station on the east exterior side of the Chemical Feed Building. This leak is, most likely, beneath the pavement and is in need of repair.

#### E. Flocculation Basins

Flocculation is currently accomplished in two parallel trains of three-stage flocculation basins with vertical paddle, mechanically-driven flocculators. The "old" train, constructed in 1965, measures 40'-0" x 12'-0" x 8'-8" deep (all three stages) for a total volume of 31,132 gallons. The newer train, which was constructed in 1992, consists of three stages, each with dimensions of 17'-0" x 17'-0" x 8'-4" deep, for a total volume of 54,020 gallons. Both flocculation basins have hopper-type bottoms to facilitate sludge removal.

Based on the design of the Mixed Water Distribution Box (weir length and elevation is the same for both floc basins), which is immediately upstream of the Flocculation Basins, it has been assumed that the design intent was to split flows equally between the two flocculation basins. Therefore, the "new" basin has a detention time of 39 minutes at 4 MGD (2 MGD per train) and 15 minutes at 10 MGD (5 MGD per train). The "old" basin has a detention time of 22 minutes at 4 MGD and 9 minutes at 10 MGD. Since the State of Kentucky requires that 40-60 minutes of detention time be required for conventional flocculation, additional flocculation capability will be necessary to increase the capacity of the treatment plant to 10 MGD. The manner by which the additional flocculation capacity is to be provided will depend on the treatment technology incorporated into the treatment plant expansion (discussed hereinafter).

The flocculators in the "old" basin are fairly new and all of the flocculators are operating in a satisfactory manner. However, sludge accumulation has been a constant problem in the effluent trough of the new flocculation basin. An undrained effluent trough (for all practical purposes, drain holes are too small at 1-1/4") with minimal velocities (insufficient to keep the floc in suspension) appears to be the problem. Also, there are visible cracks with leakage in sides and bottom of the "old" flocculation basins.

#### F. Sedimentation Basins

Flocculated water is mixed in the effluent piping of the flocculation basins prior to discharge to the sedimentation basins. There are three (3) existing sedimentation basins, each of which has been equipped with tube settling modules. The two (2) "old" sedimentation basins (No. 1 and No. 2) were constructed in 1965 and have hopper-type bottoms with manual sludge removal. The "new" basin (No. 3) was constructed in 1992 and has mechanical sludge collection with manual sludge removal. Sedimentation Basins No. 1 and No. 2 each have dimensions of 40'-0" long by 24'-0" wide by 11.70' deep. Each basin has a volume of 84,015 gallons for a total combined volume of 168,031 gallons. Sedimentation Basin No. 3 has dimensions of 68'-0" long by 26'-4" wide by 13'-4" deep. This results in a volume of 164,962 gallons.

The flow split to each of the sedimentation basins is determined by the effluent weirs in the respective basins. It is assumed, based on the calculation of similar volumes, that the flow through Sedimentation Basin Nos. 1 and 2 should be equivalent to the flow through Basin No. 3. However, the flow split, based on a preliminary field measurement and subsequent calculation, is approximately 566 gpm each to Basins No. 1 and 2 and 1,260 gpm to Basin No. 3. The operational staff has indicated that the settled water from Basin No. 3 is typically cloudy as compared to the effluent from Basin Nos. 1 and 2. This could be attributed to the disparity in flow as well as the additional distance that the flocculated water has to travel to Basin No. 3 (shearing of floc).

Sedimentation Basins No. 1 and No. 2 have a detention time of slightly less than 2 hours at 4 MGD (1 MGD per basin) and slightly more than 47 minutes at 10.0 MGD (2.5 MGD per basin). Sedimentation Basin No. 3 has a detention time of 2 hours at 4 MGD (2 MGD in Basin No. 3) and 48 minutes at 10.0 MGD (5 MGD in Basin No. 3). It is required the 2 hours detention time be

provided for sedimentation basins with tube settlers. It is also a recommended industry standard (see Water Treatment Plant Design, Third Edition as published by the American Water Works Association) that the length to width ratio be between 5:1 and 3:1 for sedimentation basins. This ratio is 1.67:1 in Basins No. 1 & 2 and 2.58:1 in Basin No. 3. It is obvious that additional sedimentation capacity will have to be provided to increase the capacity of the treatment plant to 10.0 MGD. However, it is also felt that consideration should be given to the reconfiguration of the existing sedimentation basins should they be utilized for conventional sedimentation in the expansion.

In addition, the following deficiencies were noted by the operational staff:

- a. Due to the drain for Sedimentation Basin No. 3 not being located on the bottom of the tank, it can only be drained to within approximately 18" of the bottom.
- b. Due to there only being a 6-inch drain line, Sedimentation Basin No. 3 takes an inordinate amount of time to drain for maintenance.
- c. "Rat-holing" of sludge is a problem in Sedimentation Basin No. 3. This is due to the configuration of the sludge collection hoppers and that positive sludge removal has not been provided in the sludge collection hoppers.
- d. There are visible cracks which leak in Sedimentation Basin No. 1.
- e. The drain valve for Sedimentation Basin No. 2 is leaking (no grease fitting available).
- f. The tube settling modules in the sedimentation basins are showing wear (folding and bending).
- g. There is a crack in the wall of Sedimentation Basin No. 3 (appears to be a cold joint). A potentially related item is the continual settlement of the sidewalk adjacent to the basin in the vicinity of the crack.

#### G. Filters

There are four (4) existing filters at the Versailles Water Treatment Plant. The older filters, No. 1 and No. 2, were constructed in 1965. They were "high rated" by installing mixed media in 1973. A construction project has recently been completed which replaced the media, replaced the surface wash arms, replaced the filter bottoms, painted the filters and repaired leaks in the filter effluent piping in Filter Nos. 1 and 2. The newer filters, No. 3 and No. 4, were constructed in 1992.

Each filter has dimensions of 14'-4" x 12'-4" with a surface area of 176.78 ft<sup>2</sup>/filter. At 700 gpm per filter (4.0 MGD plant flow), each filter carries 3.96 gpm/ft<sup>2</sup>, which is typical of a high rate filter. At 10.0 MGD (2.5 MGD/filter), each filter would have to accommodate 9.90 gpm/ft<sup>2</sup>, which

is well in excess of the maximum allowable surface loading of 5.0 gpm/ft<sup>2</sup>. Therefore, additional filtration capacity is necessary to accommodate the proposed expansion.

Discussions with the operations staff and field investigations have resulted in the development of the following list of problems associated with the existing filters and/or filter room:

1. The existing stainless steel filter consoles are considerably corroded. In general, corrosion has been a problem in the filter room.
2. The indicator bulbs on the filter consoles burn out constantly. The operational staff has indicated that this is due to excessive voltage.
3. The existing filter console readouts/controls have been a continual problem. Digital readouts are preferred by the staff.
4. Loss of head indication is needed for the filters.
5. Filter rewash capability is needed for each filter.
6. In order to shut off the filters, the "permanent" flow setting has to be ramped to zero. A single switch to remove the filter from operation should be provided.
7. Within the past several months, there has been a violent air discharge problem upon filter start-up after a complete plant shut-down in Filters No. 1 and 2. This has been preliminarily diagnosed to air entering the filter effluent piping through faulty air release valve(s) and through the fluoride feed piping. The City has since shut off the air release valves and re-piped the fluoride feed pipe which has, at least temporarily, corrected the problem.

#### H. Clearwell

There are two existing clearwells. The "old" clearwell, from the 1965 project, is 54'-0" x 54'-0" x 10'-0" deep and has a volume of 218,117 gallons. The newer clearwell, from the 1992 project, is 75'-6" x 75'-6" x 10'-0" deep, less a 20'-2" x 23'-8" future pump sump, and has a volume of 390,649 gallons. The total combined clearwell volume is 608,766 gallons which is approximately 15.2% of the current rated daily capacity. By rule of thumb, 15% of the rated treatment capacity is required, provided that the disinfectant concentration-contact time (discussed in more detail hereinafter) requirements can be met. At the proposed increase in capacity to 10.0 MGD, the existing clearwells will provide approximately 6.1% of the rated daily treatment capacity in clearwell storage. Therefore, additional clearwell storage of approximately 900,000 gallons will be necessary.



Following is the C-T calculation for the existing system:

System Characteristics:      Flow =            2,800 gpm  
   pH=                7.7  
   Pre-chlorination residual=    1.25 mg/l  
   Post-chloramination residual=    3.0 mg/l (Combined)

   Flocculator/Clarifier Volume=    413,144 gallons (average baffling)  
   “New” Clearwell Volume=        390,649 gallons (superior baffling)  
   “Old” Clearwell Volume=        218,117 gallons (poor baffling)

Pre-Disinfection C-T:         $T_d = 418,144 \text{ gal.}/2,800 \text{ gpm} = 149.34 \text{ min.}$   
    $T = T_d \times \text{baffling factor} = 149.34 \times 0.5 = 74.67 \text{ min.}$   
    $C-T = 74.67 \text{ min} \times 1.25 \text{ mg/l} = 93.34 \text{ min.-mg/l}$

Post-Disinfection C-T:        “Old” Clearwell  
    $T_d = 218,117 \text{ gal.}/2,800 \text{ gpm} = 77.90 \text{ min.}$   
    $T = T_d \times \text{baffling factor} = 77.90 \times 0.3 = 23.37 \text{ min.}$   
    $C-T = 23.37 \text{ min} \times 3.0 \text{ mg/l} = 70.11 \text{ min.-mg/l}$

   “New” Clearwell  
    $T_d = 390,649 \text{ gal.}/2,800 \text{ gpm} = 139.52 \text{ min.}$   
    $T = T_d \times \text{baffling factor} = 139.52 \times 0.7 = 97.66 \text{ min.}$   
    $C-T = 97.66 \text{ min} \times 3.0 \text{ mg/l} = 292.99 \text{ min.-mg/l}$

   Total Post Disinfection C-T:  $70.11 \text{ min.-mg/l} + 292.99 \text{ min.-mg/l} = 363.1 \text{ min.-mg/l}$

Pre-Disinfection Log Removal for Free Chlorine (from chart):    0.86 (interpolated)

Post-Disinfection Log Removal for Chloramination (from chart): 0.73 (interpolated at 15°C)

Total System Inactivation:    2-Log (credit for a properly operated filtration plant) +  
    $0.86\text{-Log} + 0.73\text{-Log} = 3.59\text{-Log} > 3\text{-Log} - \text{O.K.}$

Therefore, the existing clearwell disinfection process, as well as the total system treatment process, meets the required inactivation levels for giardia and viruses.

The existing sonic clearwell level indicator has corroded, presumably from exposure to the moist, chlorinated environment.

I. High Service/Backwash Pump Station

There are two existing Layne & Bowler vertical turbine high service pumps, each sized for 2,800 gpm. Following is the nameplate data from the pumps:

Manufacturer - Layne & Bowler  
Flow - 2,800 gpm  
TDH - 558 feet  
Motor Horsepower - 500 HP  
Motor Speed - 1,770 RPM  
Model No. - 14 RH  
Serial No. - 74-01692B

Even though the pumps are supposedly rated the same, one of the pumps has a reduced pumping capacity of approximately 2,400 gpm. The operations staff calls this the “small pump” and it is typically not used. The motor on the “large pump” is making considerable noise and, according to the staff, there is a hole in the pump bowl of this pump. This pump will need considerable maintenance prior to the implementation of an expansion project. Regardless, new high service pumps will be needed to accommodate the proposed expansion (capacity). Further, new discharge piping and valves will be required for the new pumps. The high service flow meter will need to be replaced with the proposed expansion.

The existing vertical turbine backwash pump is sized for 3,500 gpm at 55' TDH. Following is the nameplate data for this pump:

Manufacturer - Layne & Bowler  
Flow - 3,400 gpm  
TDH - 55 feet  
Motor Horsepower - 75 HP  
Motor Speed - 1,770 RPM  
Model No. - 16 K  
Serial No. - D11333

The rated capacity of the backwash pump equates to a backwash rate of 19.79 gpm/ft<sup>2</sup> of filter area. Ten States Standards suggests 15 gpm/ft<sup>2</sup> minimum with a rate of 20 gpm/ft<sup>2</sup> or rate necessary to provide for a 50 percent expansion of the filter media being recommended. Assuming that the size of any new filter will not exceed the size of the existing filters and that the existing pump is operating in a satisfactory manner, there are no anticipated improvements to the backwash pumping, even with the proposed increase in treatment capacity. However, with the increase in the number of filters, there will be an associated increase in the run time of the backwash pump. Therefore, the

City may wish to consider the provision of back-up capability for the backwash pump.

There is an existing shock trap located in the High Service Pump Station. The shock trap is manufactured by Pulsation Controls from Santa Paula, CA and is apparently in satisfactory operating condition. There is no available information as to the sizing or the adequacy of the existing shock trap.

The City operational staff has indicated that they prefer the use of mechanical seals for new pumps or replacements provided as part of an expansion. Further, additional lighting is needed in the High Service Pump Station. Also, the existing air release valves on the discharge of the pumps are not the appropriate application for vertical turbine pumps.

#### J. Instrumentation, Controls and Telemetry

With the exception of the above noted exceptions, the existing filter control system is operating in a satisfactory manner. The type of technology selected (i.e. - air-water backwash, etc.) for the proposed expansion and the extent of the modifications to the existing facility will determine the need for improvements to the filter control system. It will be necessary to replace the existing consoles due to the above noted corrosion. Following are additional notations and comments regarding instrumentation, controls and telemetry:

1. Continuous recording of turbidity is required. This will most likely be added by the City prior to the expansion.
2. It has been discussed with the operational staff as to the merit of providing particle counting capability. As a minimum, it could be considered for the raw water, filter influent, and combined filter effluent.
3. The existing Huntertown Road Tank level sensor is temperature sensitive. Operation is inconsistent.
4. The staff wished to consider an upgrade of the complete telemetry system. The following signals are currently provided:

Monitor:      KAWC Pressure  
                  KAWC Flow  
                  Huntertown Road Tank Level

Alarm:          Huntertown Road Tank High Level  
                  Huntertown Road Tank Low Level  
                  Huntertown Road Data Fail  
                  KAWC Data Fail  
                  KAWC Low Fail

Control: High Service Pumps based on Huntertown Road Tank level

5. It has been discussed with the City that the monitoring of the level of the new Highland Avenue Tank will be critical to the distribution system water quality in the time frame before a plant expansion can be implemented. With the plant running 24-hours per day during the Summer, the WTP staff will have to "manually" turn over the tank by shutting down the plant. It will be imperative for the staff to be able to know the water level in the tank. It is recommended that a telemetry site be added for the Highland Avenue Tank as soon as the new tank is placed in service.

K. Miscellaneous

There are several miscellaneous items to be addressed as follows:

- omit*
1. The staff has requested an enlargement of the laboratory/office space by removing back wall of lab (where turbidimeter outputs are mounted) and relocate the wall, thus expanding the existing room to the depth of existing recessed area where refrigerator is located.
  2. New laboratory equipment, glassware, etc. are needed. It is more cost effective for the City to include this item in the project budget, but not include it in a construction contract. Purchasing this equipment by direct bid from equipment suppliers would save a general contractor's mark-up (overhead and profit) on this equipment.
  3. A rest room renovation is necessary. A new shower and lockers should be provided. The hot water tank should be relocated to the mop room. There is no expansion tank on hot water heater. Exposed piping should be eliminated or hidden.
  4. The existing gas unit heaters have presented constant problems and there is a continual inability to find replacement parts. Replacement of these unit heaters is preferred by the staff.
  5. Additional yard hydrants are needed for basin maintenance.
  6. Provide telephone service and sufficient phone jacks to new construction.
  7. Provide sufficient spare parts for existing and future equipment (filter valve motor operators, metering pumps, chlorination and ammoniation equipment, fuses and bulbs for panels and consoles, etc.).
  8. The dehumidifier in the pipe gallery has never worked properly and can be removed.
  9. The Filter Building roof leaks. Consideration should be given to the installation of a new roof.
  10. The existing floor penetration for the original dry chemical feeders and existing carbon feeder (when it is removed) should be sealed. These holes could present a significant safety hazard.

11. The treatment plant entrance road has deteriorated in the curve near the pond. The elevation of the road should be increased and suitable stabilization provided.
12. The road to the lagoons is subject to washing. It is suggested that additional compacted gravel, along with appropriate drainage structures would solve the problem.

#### L. High Service Transmission Main

The existing high service transmission main from the treatment plant to the Versailles distribution system consists of 22,731 linear feet (4.3 miles) of 16-inch cast iron transmission main. This existing transmission main current terminates near the Osram Sylvania fluorescent lighting plant on U.S. 62. From that point, 4,975 linear feet of parallel 20-inch ductile iron and 12-inch cast iron transmission mains carry water to the Highland Avenue Tank. At the existing treatment plant capacity of 4 MGD (2,800 gpm), the velocity in the 16-inch transmission main is 4.47 ft/sec. American Water Works Association recommends a maximum velocity of 5 ft/sec in water distribution mains. Therefore, the existing main is sized sufficiently for the existing flow. The condition of the existing main is unknown. At the projected flow of 10 MGD, the velocity in the 16-inch main would be 11.18 ft/sec which is obviously excessive, both from the perspective of surge (water hammer) formation potential and excessive pressure at the high service pump discharge. Therefore, a parallel treated water transmission main will be required from the water treatment plant to the Osram Sylvania plant on U.S. 62 in order to accommodate the proposed treatment plant expansion.

The existing 20-inch and 12-inch mains from the Sylvania Plant to Highland Avenue currently operate at velocities of 2.33 ft/sec and 1.47 ft/sec, respectively. Under the condition of the proposed increase in treatment capacity, the velocities in these mains would increase to 5.83 ft/sec (20") and 3.67 ft/sec (12"). This calculation is the result of a single pipeline analysis and does not account for flow which could be distributed to the remainder of the distribution system. It is recommended that the decision regarding the capacity of these mains be based on the results of a computerized hydraulic modeling analysis of the Versailles water distribution system. This type of analysis is beyond the scope of this study. For the purpose of this study, the required distribution system improvement recommendations will be limited to the high service transmission main, which is integral to the successful expansion of the treatment plant. It should be noted, however, that the proper operation of the entire Versailles water utility system will ultimately be dependent upon the implementation of appropriate distribution system improvements, as well as those necessary at the treatment plant.

#### M. Residuals Handling/Disposal

Backwash water, sedimentation basin residuals, and the clearwell overflow are transferred to the Lagoon Influent Splitter Box via a 12" PVC gravity sewer. At that point, the plant waste is transferred to Lagoon Cell No. 1 and/or Lagoon Cell No. 2. Lagoon Cell No. 1 has a capacity of 829,000 gallons and Lagoon Cell No. 2 has a capacity of 1,195,000 gallons. There is a pier supported, 8-inch PVC perforated draw-down pipe located 2.5 feet above the bottom of each lagoon.

These drawdown pipes, when activated, transfer the flow to the Decant Pump Station. The original design of the Decant Pump Station was to recycle the lagoon supernatant to the head of the treatment facility. However, due to the potential recycle of pathogens already removed from the water, such as giardia and cryptosporidium, this feature is no longer in use. Therefore, the supernatant flows out of a 12-inch overflow pipe in the pump station, by gravity, to a farm pond located immediately downgrade of the lagoons. From the farm pond, the settled water is discharged to the receiving stream (ultimately the Kentucky River). This discharge is approved through the KPDES permitting program.

In order to accommodate the proposed expansion, additional residuals storage capacity will be required. In addition, there is currently no capability to concentrate residuals within the existing lagoons as no decant mechanism has been provided. The inability to remove clear water from the lagoons at a controlled rate complicates the removal of residuals from the lagoons as the lagoons can never dry. Further, the operational staff and their residuals consultant have expressed that it is not possible to remove a lagoon from service as no by-pass capability is provided. This is not consistent with the as-built drawings for the facility. While the isolation of an individual cell is complicated, it appears as if the isolation could be accomplished. Regardless, the ability to isolate or by-pass any or all of the lagoons should be provided in a manner such that it is not a cumbersome process.

## **VI. Development of Alternatives**

In working with the staff of the City of Versailles, four (4) alternatives were developed for evaluation which meet the criterion of expanding the treatment plant to the recommended 10.0 MGD capacity. The alternatives revolve around differing approaches to the coagulation, flocculation and sedimentation of the water. Each of the alternatives was developed specifically with the intention of meeting the full requirements of the Kentucky Division of Water and Ten States Standards in the expansion of the plant. Portions of the expansion associated with raw water pumping, chemical addition, filtration, clearwell storage, high service pumping, etc. were common to each of the alternatives and are discussed in more detail in the Chapter entitled Recommended Improvement hereinafter. Please note that there are two alternatives under consideration for filtration: (1) conventional multi-media filtration, and (2) modular multi-media filtration. Since the filtration process for each of these approaches is similar and there is not a significant cost difference, the decision regarding the type of filtration will be determined during the final design process. Following is a brief discussion regarding the alternatives for coagulation, flocculation and sedimentation:

### **A. Conventional Flocculation/Sedimentation with New Flocculation and Sedimentation Basins**

This alternative involves the demolition of existing “old” flocculation and sedimentation basins and the construction of four (4) new 3-stage vertical paddle flocculation basins and four (4) new rectangular sedimentation basin with continuous residuals removal. The new flocculation basins would incorporate existing

Flocculation Basin Nos. 1, 2 and 3 into the new treatment train. One new 3-stage flocculation basin would also be constructed ahead of the existing “new” sedimentation basin. The existing “new” sedimentation basin would also be retrofitted with continuous residuals removal equipment. A schematic representation of this alternative is shown as Exhibit VI-1. The advantage of this alternative is that the older basins, which have exhibited structural deterioration, are demolished and new basins with optimum treatment dimensions are placed in service. The primary problem with this alternative is maintaining the operation of the treatment plant during construction. It would be necessary to operate the plant for a significant time period at a reduced capacity after the demolition of the existing “old” flocculation/sedimentation basins during construction of the new treatment trains. This could be accomplished with supplemental water purchase from KAWC, but it would be very costly and could result in water shortages.

B. Conventional Flocculation/Sedimentation using the Existing Flocculation and Sedimentation Basins

This alternative consists of the re-use of the existing “old” flocculation/sedimentation basin, the re-use of the existing “new” flocculation and sedimentation basins, the construction of three (3) new 3-stage flocculation basins parallel to the existing “new” flocc basins, and the construction of three (3) new rectangular sedimentation basins with continuous residuals removal parallel to the existing “new” sedimentation basin. The existing sedimentation basins would also be retrofitted with continuous residuals removal equipment. A schematic representation of this alternative is shown as Exhibit VI-2. The advantage of this alternative is that the amount of time for reduced operating capacity for the treatment plant is dramatically reduced. The disadvantage is that irregularly configured existing basins with structural deterioration remain in service.

C. Ballasted Flocculation with High Rate Sedimentation

The proprietary name for this process is Actiflo as manufactured by Kruger/Vivendi. In the Actiflo process, coagulant is injected into the raw water destabilizing the suspended solids, which are then bonded to recirculated microsand using a polyelectrolytic polymer. The resulting floc is then separated from the water using lamella plate settling. The microsand, which is constantly recycled, provides two main advantages according to the manufacturer: (1) it represents a large surface area that enhances flocculation, and (2) it acts as a ballast increasing the settling velocity of the floc. The Actiflo process has four (4) basic steps: (1) a rapid mixing tank, and injection tank, a flocculation tank, and a settling tank. The anticipated configuration of this alternative includes the use of the existing “new” sedimentation basin for Actiflo portion of the process. The Kentucky Division of Water requires that a 30 minute detention time “sedimentation basin” be included in the process train

between the Actiflo and the filters. The combined volume of the existing “old” flocculation/sedimentation basins and the “new” flocculation basin will meet this requirement. Further, clearwell volume will need to be increased to accommodate the necessary contact time for disinfection. A schematic of the ballasted flocculation alternative is shown as Exhibit VI-3. A drawing of the Actiflo portion of the process is included as Exhibit VI-4. The primary advantages of this alternative include no new concrete tank construction, increased TOC removal (according to the system manufacturer), and the ability for quicker response to rapidly changing water quality in the Kentucky River. The primary disadvantage is that Actiflo is a proprietary process which eliminates competition in the bidding process.

#### D. Superpulsator

The Superpulsator is a solids contact, sludge blanket type clarifier as manufactured by Infilco Degremont, Inc. It uses a pulsating effect, upward flow and homogenous sludge blanket for the removal of turbidity, TOC and color from the raw water. The Superpulsator integrates chemical addition, coagulation, flocculation and sedimentation into one basin. The high rate design results in basins with much smaller area than conventional flocculation and sedimentation. However, the existing basin(s) will not be of sufficient size to accommodate the proposed Superpulsator and this alternative does include the construction of a new basin. Similar to Actiflow, an intermediate sedimentation basin and increased clearwell size are required. A schematic representation of the alternative is included as Exhibit VI-5 and a drawing of the Superpulsator layout is included as Exhibit VI-6. The primary advantages of the Superpulsator include a long history of performance and reduced concrete tank size. The disadvantages include long plant start-up times (> 30 min.), potential upsets due to rapid changes in raw water characteristics (according to the manufacturer, the Superpulsator performs better in waters with low suspended solids), a considerable amount of equipment to operate and maintain, and a proprietary design.

### VI. Alternative Analysis

A cost effective analysis of the above-described alternatives is attached in Appendix A. As can be seen, the ballasted flocculation (Actiflo) alternative is the most cost-effective of the alternatives considered. However, please note that the difference between all of the alternatives (particularly the Superpulsator) is less than the typical accuracy for which an analysis of this type can be completed.

### VII. Recommended Improvements

Based on the results of the cost effective analysis of alternatives and the non-cost advantages discussed hereinbefore, it is recommended that Versailles water treatment plant be expanded to a



capacity of 10.0 MGD using the ballasted flocculation alternative. Following is a more detailed description of the recommended improvements throughout the treatment plant:

A. Raw Water Pump Station

It is recommended that a new 6.0 MGD raw water pumping station be constructed adjacent to the existing 4.0 MGD raw water pumping station. The new pump station should contain two new 6.0 MGD raw water pumps and associated motor controls, surge control equipment, etc. The station should also maintain the capability for chemical (potassium permanganate) feed for the purpose of zebra mussel control. It is further recommended that the new intake be designed to be self cleaning to eliminate problems associated with the build-up of leaves and debris.

Upon completion of the proposed pump station, it is recommended that modifications be made to the existing station in an attempt to achieve compliance with the recommendations of Hydraulic Institute Standards. Other recommendations to the existing station include the addition of a scouring system to the intake screens and improvements to improve the reliability of the water supply to the chemical feed system. Removal of the existing monorail is also recommended. In order to reliably achieve the rated flow of the treatment plant while operating in parallel with the new pump station, it may be determined during final design that it is necessary to replace one or both existing pumps.

During final design, it may be determined that it is more cost effective to build on completely new 10.0 MGD raw water pump station as opposed to making the required modifications to the existing station. This will be a cost and operability based decision made in conjunction with City staff during design.

B. Raw Water Transmission Main

It is recommended that a new 24" raw water transmission main be constructed from the raw water pumping station to the treatment plant. Even though the existing 16" raw water flow meter is working in a satisfactory manner, it is poorly located and too small to accommodate the proposed plant expansion. Therefore, it is recommended that a new raw water flow meter be installed.

C. Chemical Mixing

It is recommended that a new single-stage mechanical flash mix basin be constructed for the purpose of chemical mixing. Please note that the second stage mixing will be accomplished as part of the Actiflo process described hereinbefore.

## D. Chemical Feeds

In order to accommodate the recommended improvements to the chemical feed system described hereinafter, an expansion to the existing Chemical Feed Building is anticipated. A building expansion may not be necessary if the coagulant and polymer feed facilities are constructed near the Actiflo basin and caustic soda feed facilities are installed near the clearwell. Following are the specific recommendations for chemical feed improvements:

### 1. Potassium Permanganate

As stated previously, the existing potassium permanganate feed system is sufficiently sized to accommodate the proposed expansion. Sufficient piping and a method to split flow between the two intakes will need to be provided in the expansion project. Further, improvements to prevent plugging of the raw water feed will be needed as well.

### 2. Caustic Soda

As stated in the Evaluation of Existing Facilities, the existing caustic soda feed system is inadequate for the proposed expansion. Therefore, it is recommended that a new caustic soda feed system be provided, which will include bulk storage tanks, chemical transfer pumps, day tanks, and chemical metering pumps. At this time, it is anticipated that the primary point of pH/alkalinity will be post-filtration in order to take advantage of better coagulation characteristics of lower pH waters. Therefore, the City staff has requested that the new caustic feed facilities be installed as close to the point of application (probably entrance to the clearwell) as possible. The new high service pump station will most likely serve as the location for the caustic feed system.

### 3. Primary Coagulant

Currently, liquid alum is used as the primary coagulant at the Versailles water treatment plant. Since the existing liquid alum feed system will not accommodate the proposed expansion, it is recommended that a new primary coagulant feed system be installed near the point of chemical addition (the Actiflo mixing basin). Similar to the caustic feed system, the new system will include bulk storage tanks, chemical transfer pumps, day tanks, and chemical metering pumps.

As part of the design, it is recommended that the City also evaluate alternate coagulants in order to achieve the required removal of TOC. The

selected primary disinfectant will also have an affect on the selected coagulant (i.e. - ferric products to be used with chlorine dioxide to reduce the impact of chlorite formation). For the purpose of this study, it has been assumed that the City will continue to use liquid alum.

4. Polymer

It is recommended that a polymer feed system be installed as recommended by Actiflo. It is further recommended that this equipment be located near the point of chemical application (near the Actiflo basin).

5. Carbon

Since the existing carbon feed system has experienced operational and maintenance problems and is presumably undersized to accommodate the proposed expansion, it is recommended that a new carbon feed system be installed at a location near the point of chemical application. To simplify the installation, it is recommended that a gravimetric chemical feeder with an inductor (jet-pump) be used to feed the carbon. The unit should be installed in a explosion-proof environment with appropriate dust collection capability. Pre (raw water) and intermediate (settled water) feed points should be installed with the feed points physically separated as much as possible from the point of chlorine addition.

6. Chlorine

Based on the findings in the Existing Facility Evaluation, it is recommended that the entire chlorine feed system be replaced. In order more positively control the feed at each feed point, it is further recommended that an individual chlorinator be dedicated to each feed location (rather than using a distribution panel) with a single back-up chlorinator being provided as a spare for any of the primary chlorinators. Any equipment suitable for re-use, such as scales, automatic switchovers, etc., should be used. It is also recommended that modifications to the ton cylinder handling system be implemented in order simplify operations. A repair kit and spare parts should also be furnished.

It is recommended that a chlorine scrubber be installed for safety purposes in the event of a chlorine gas leak. It is further recommended that floor drains in the chlorine feed and storage areas be plugged or modified to discharge outside of the building. The

Finally, it is recommended that the City consider the use of chlorine

dioxide as the primary disinfectant, while continuing the use of chloramination as a residual disinfectant. Besides being an effective disinfectant, chlorine dioxide is the only chlorine-based disinfectant that has proven effective in the inactivation of cryptosporidium.

## 7. Ammonia

It is recommended that the City of Versailles continue the practice of chloramination for residual disinfection due to its effectiveness in the prevention of formation of disinfection by-products. It is recommended that the existing gaseous ammonia feed equipment be replaced due to the discontinuation of the existing equipment by the manufacturer (lack of parts availability) and the deteriorated condition of the existing equipment. It is further recommended that two ammoniators be provided (one as a back-up). It is felt that a distribution panel is unnecessary since the feed of ammonia at multiple locations is unnecessary. It is recommended that the ammonia feed point be moved to after the clearwell to take full advantage of the C-T credit for free chlorine.

As recommended by the American Water Works Association handbook on chloramination (see direct quote hereinbefore), it is recommended that ammonia be delivered and stored in cylinders (similar to chlorine) as opposed to bulk storage. Since it is felt that caustic soda, the primary coagulant and polymer storage and feed facilities will be moved to a different location within the plant, the existing chemical feed building can be reconfigured to accommodate ammonia cylinder storage.

The use of anhydrous ammonia is very similar to the chlorine gas system in terms of feed equipment, storage, and safety. Therefore, it is also recommended that an ammonia scrubber be installed for safety purposes in the event of a gas leak.

An option to the use of anhydrous ammonia is the use of ammonium hydroxide or aqua ammonia. In this case, the feed system would be similar to the caustic or coagulant, consisting of bulk storage tanks, transfer pumps, day tanks, and metering pumps. Aqua ammonia is typically delivered as a liquid. Compared to a gaseous chlorine or ammonia gas system, the liquid ammonia system can be constructed in a much smaller area and does not have the inherent safety concerns associated with an accidental release. It has been the experience of the author that the use of ammonium hydroxide could be a more cost effective alternative, particularly when considering that minimal renovation to the existing chemical building would be required to accommodate the new feed system. It is recommended that this be

considered during the final design.

8. Fluoride

It is recommended that a fluoride feed system be constructed and installed in the Chemical Feed Building. It is recommended that the practice of using hydrofluosilicic acid be continued and that the new system meet all applicable design recommendations and requirements, as stated hereinbefore, for bulk storage, transfer pumps, day tanks, metering pumps, and feed point. It is further recommended that appropriate chemical containment be provided along with necessary safety equipment (deluge shower and eye wash).

9. Corrosion Control

It is recommended that provisions be made in the design of the treatment plant expansion for the addition of corrosion control chemicals (typically ortho- or poly-phosphates). While it is recommended that the primary means of corrosion control be the water chemistry, a chemical additive can be a good back-up in the event of rapid changes in raw water quality as is typical of the Kentucky River. The corrosion control feed system would probably consist of a batch tank and metering pumps and would be located in the Chemical Feed Building. The typical feed point for phosphates is post-filtration, however, literature indicates that a pre-filtration feed option can prevent mineral build-up on the filter media.

10. General

- a. It is recommended that all individual water supply lines to chemical feed systems be equipped with individual backflow prevention devices.
- b. It is recommended that the leak in the water supply line to the existing exterior eye wash station be repaired if it is determined that this station is to remain in service. Modifications may be required to this stations to supply tempered water.

E. Flocculation/Sedimentation

As stated hereinbefore, it is recommended that a dual-train Actiflo ballasted flocculation/high rate sedimentation system be installed in the existing "new" sedimentation basin. This system would be designed to accommodate the full 10.0 MGD flow with no additional basin construction. A layout of the Actiflo system is shown in Exhibit VI-4. The remaining existing flocculation and sedimentation

basins would be used for the intermediate 30 minutes of settling and chlorine contact time as required by the Kentucky Division of Water. The following repairs would also be required to the existing basins:

1. Drain and residuals removal improvements will need to be made to the existing "new" sedimentation basin (Sedimentation Basin No. 3).
2. It is recommended that the structural repairs be made to the "old" flocculation and sedimentation basins to remedy visible leaks in the concrete tanks.
3. It is recommended that the drain valve on Sedimentation Basin No. 2 be replaced.
4. It is recommended that the wall crack in Sedimentation Basin No. 3 be repaired. It is further recommended that consideration be given to the repair of the sidewalk on the exterior of the basin in the vicinity of the crack.

During the design, it may be determined that it is not cost effective to renovate existing Sedimentation Basin No. 3 into an Actiflo basin. It may be further determined that it is not feasible to take that basin out of service for a time sufficient to make the necessary renovations. Therefore, the option is to construct a new basin for the purpose of the Actiflo system.

#### G. Filters

It is recommended that an expansion to the existing Filter Building be constructed which houses six (6) new filters, each rated at 1.0 MGD. It is recommended that air/water backwash be implemented on both the new and existing filters to improve the quality of the backwash and reduce the amount of water used during backwash. Please note the following recommendations for the existing filters:

1. It is recommended that all filter control be replaced. This would serve the dual purpose of correcting problems noted hereinbefore, as well as provide a single compatible system for both the new and old filters.
2. It is recommended that filter rewash capability be added to the existing filters.

As an alternative to conventional filtration, it is recommended that the construction of modular filters be considered during final design to improve the cost effectiveness of the project.

*Existing*

H. Clearwell

As stated hereinbefore, additional clearwell storage of approximately 900,000 gallons is recommended. Based on a C-T calculation using a post-disinfection free chlorine residual of 2.0 mg/l, a pH of 8.0 and a temperature of 0.5 degrees C, only 90,790 gallons of additional clearwell storage would be required over the existing volume (please note that the calculation was completed without the 30 minute detention time intermediate sedimentation basins). It is further recommended that a new clearwell level sensing device be installed.

I. High Service/Backwash Pumps

In order to accommodate the proposed plant expansion and keep the existing plant in service during construction, it is recommended that a new 10.0 MGD high service pump station be constructed with associated piping, valves, surge protection and controls. It is also recommended that a back-up backwash pump be installed in the existing High Service Pump Station as discussed in Section V hereinbefore. It is recommended that positive air relief be provided for the existing backwash pump and that the discharge check valve be repaired/replaced. Additional lighting has been requested by City staff in the existing High Service Pump Station.

J. Instrumentation, Controls and Telemetry

For a treatment facility of the size of the proposed plant (10.0 MGD), it is recommended that consideration be given to the monitoring and control of the facility using a Supervisory Control and Data Acquisition (SCADA) system. In addition to the previously recommended replacement of the existing filter control system, please note the following recommendations for instrumentation, controls and telemetry:

1. It required that the continuous monitoring and recording of each filter's effluent turbidity be provided.
2. It is recommended that particle counting capability be provided for raw water, filter influent, and combined filter effluent (at a minimum).
3. Replace, modify and/or expand the existing telemetry system in its entirety with at least the following signals:

Monitor:       KAWC Pressure  
                  KAWC Flow  
                  Huntertown Road Tank Level  
                  Highland Avenue Tank Level  
                  Elm Street Tank Level

Alarm:           Huntertown Road Tank High Level  
                  Huntertown Road Tank Low Level  
                  Huntertown Road Data Fail  
                  KAWC Data Fail  
                  KAWC Low Fail  
                  Highland Avenue Tank High Level  
                  Highland Avenue Tank Data Fail  
                  Elm Street Tank High Level  
                  Elm Street Tank Data Fail

Control:         High Service Pumps based on Huntertown Road Tank level

The new/upgraded telemetry system should be designed for increased reliability, which has been a problem with the existing system.

#### K.     Miscellaneous

There are several miscellaneous items to be addressed as follows:

1.     The staff has requested an enlargement of the laboratory/office space by removing back wall of lab (where turbidimeter outputs are mounted) and relocate the wall, thus expanding the existing room to the depth of existing recessed area where refrigerator is located. The upstairs area of the Filter Building could be re-used as additional office space, storage, and/or a training area since it will no longer be used for chemical feed.
2.     New laboratory equipment, glassware, etc. are needed. It is more cost effective for the City to include this item in the project budget, but not include it in a construction contract. Purchasing this equipment by direct bid from equipment suppliers would save a general contractor's mark-up (overhead and profit) on this equipment.
3.     A rest room renovation is necessary. A new shower and lockers should be provided. The hot water tank should be relocated to the mop room. There is no expansion tank on hot water heater. Exposed piping should be eliminated or hidden.
4.     The existing gas unit heaters have presented constant problems and there is a continual inability to find replacement parts. Replacement of these unit heaters is preferred by the staff.
5.     Additional yard hydrants are needed for basin maintenance.
6.     Provide telephone service and sufficient phone jacks to new construction. A separate dedicated line for internet access would be beneficial.
7.     Provide sufficient spare parts for existing and future equipment (filter valve motor operators, metering pumps, chlorination and ammoniation equipment, fuses and



bulbs for panels and consoles, etc.).

8. The dehumidifier in the pipe gallery has never worked properly and can be removed.
9. The Filter Building roof leaks. Consideration should be given to the installation of a new roof.
10. The existing floor penetration for the original dry chemical feeders and existing carbon feeder (when it is removed) should be sealed, particularly if the upstairs of the building is to be re-used as previously discussed. These holes could present a significant safety hazard.
11. The treatment plant entrance road has deteriorated in the curve near the pond. The elevation of the road should be increased and suitable stabilization provided.
12. The road to the lagoons is subject to washing. It is suggested that additional compacted gravel, along with appropriate drainage structures would solve the problem.

#### L. High Service Transmission Main

It is recommended that a new 24-inch high service transmission main be installed from the water treatment plant to the vicinity of the Osram Sylvania plant on U.S. 62 in order to accommodate the proposed treatment plant expansion.

#### M. Residuals Handling/Disposal

It is recommended that a terraced, three lagoon system for residuals storage and concentration be constructed upstream of the existing lagoons. The existing lagoons could then be used for effluent polishing and chlorine residual dissipation prior to discharge. It is recommended that each lagoon be constructed with sufficient volume to accommodate residuals from operation for one calendar year. The lagoons could then be rotated on an annual basis for drying, cleaning and maintenance. Landfill disposal of the dried residuals is recommended. Each lagoon should be equipped with a decant mechanism and access for cleaning. Provisions for by-pass of each lagoon should be provided.

### VIII. Preliminary Engineering Cost Estimate

A preliminary engineering cost estimate for the recommended improvements is shown in Appendix A. Estimates of the construction costs for all improvements have been based on recent price quotations from manufacturers and suppliers, on the advice of construction contractors, based on industry-standard cost estimating manuals (i.e. - Means), and on previous prices for comparable construction. The estimated construction cost covers materials and equipment in place, and includes construction contractor's estimated profits and overhead.

Due to fluctuating interest rates and other various economic factors, it is extremely difficult to predict future construction costs. Therefore, all costs are Spring of 2001 costs and do not include and inflation allowance.

The estimated preliminary engineering construction cost for the recommended alternative is \$11,543,439 and the estimated total project cost is \$13,772,783.

## XI. Conclusions and Recommendations

It has been concluded, based on detailed evaluations and discussions with key staff members of the City of Versailles, that the projected water usage over a 20-year period warrants a water treatment plant capacity of 10.0 MGD for the City to be independent in the provision of potable water to its customers. It has been further concluded that the existing water treatment plant is not sufficient, in its current form, to meet current water usage, let alone the projected increase. Therefore, it is recommended that the City of Versailles initiate a program to expand its water treatment plant to 10.0 MGD based on the description of work contained in Section VII. hereinbefore.

# APPENDIX A

**COST COMPARISON ANALYSIS  
WATER TREATMENT PLANT EXPANSION  
VERSAILLES, KENTUCKY  
GRW PROJECT NO. 2710**

Description	Conventional Alternative No. 1 (New Floc/Sed. Basins)	Conventional Alternative No. 2 (Re-Use Exist. Floc./Sed. Basins)	Ballasted Flocculation Alternative	Superpulsator Alternative
Construction:				
Raw Water Pump Station and Transmission Main	\$2,279,349	\$2,279,349	\$2,279,349	\$2,279,349
Water Treatment Plant	\$8,267,540	\$8,057,740	\$7,404,340	\$7,543,740
High Service Transmission Main	\$1,859,750	\$1,859,750	\$1,859,750	\$1,859,750
Construction Sub-Total	\$12,406,639	\$12,196,839	\$11,543,439	\$11,682,839
Project Administrative Costs	\$10,000	\$10,000	\$10,000	\$10,000
Property & RW Acquisition	\$50,000	\$50,000	\$50,000	\$50,000
Engineering Design	\$660,000	\$650,000	\$615,000	\$620,000
Bidding Services	\$15,000	\$15,000	\$15,000	\$15,000
Construction Administration	\$150,000	\$150,000	\$150,000	\$150,000
Resident Project Representation	\$180,000	\$180,000	\$180,000	\$180,000
Geotechnical Engineering	\$25,000	\$25,000	\$25,000	\$25,000
Additional Engineering Services (O & M Manuals, Start-Up Services, etc.)	\$30,000	\$30,000	\$30,000	\$30,000
Contingencies (10% of Construction)	\$1,240,664	\$1,219,684	\$1,154,344	\$1,168,284
<b>TOTAL</b>	<b>\$14,767,303</b>	<b>\$14,526,523</b>	<b>\$13,772,783</b>	<b>\$13,931,123</b>





GRW Engineers, Inc.

**CONSTRUCTION COST ESTIMATE**

Project:	Water Treatment Plant Expansion		
Owner:	City of Versailles, Kentucky		
Project No.:	2710-01		
Date:	3-30-01	Dwg. No.:	N/A
Estimator:	DBM	Type:	Preliminary

Description	Number of Units	Units of Measure	Unit Cost	Total Cost
<b>Water Treatment Plant Expansion (Conventional Alternate 1)</b>				
Mobilization	1	LS	\$8,100.00	\$8,100.00
New Flash Mixers	2	EA	\$16,200.00	\$32,400.00
Flash Mix Basin	1	LS	\$27,000.00	\$27,000.00
Chemical Building Addition	1	LS	\$324,000.00	\$324,000.00
Caustic Soda Feed System (Bulk Storage Tank, 2 Day Tanks, 2 Metering Pumps and associated appurtenances)	1	LS	\$32,400.00	\$32,400.00
Liquid Alum Feed System (Bulk Storage Tank, 2 Day Tanks, 2 Metering Pumps and associated appurtenances)	1	LS	\$32,400.00	\$32,400.00
Carbon Feed System	1	EA	\$54,000.00	\$54,000.00
Polymer Feed System	1	EA	\$16,200.00	\$16,200.00
Chlorination Modifications	1	LS	\$91,800.00	\$91,800.00
Chlorine Scrubber	1	LS	\$162,000.00	\$162,000.00
Ammoniation Modifications	1	LS	\$91,800.00	\$91,800.00
Additional Ammonia Storage	1	LS	\$10,800.00	\$10,800.00
Cover for Ammonia Storage	1	LS	\$10,800.00	\$10,800.00
Fluoride Feed System	1	EA	\$18,900.00	\$18,900.00
Fluoride Feed Modifications (containment, eye wash, etc.)	1	LS	\$10,800.00	\$10,800.00
Corrosion Control Chem. Feed	1	LS	\$10,800.00	\$10,800.00
Plumbing Modifications for Chemical Feeds	1	LS	\$5,400.00	\$5,400.00
Repair Leak at Eye Wash	1	LS	\$2,700.00	\$2,700.00
Convert Existing New Flo Basins to Four, 3-stage Vertical Paddle Flocc Basins	1	LS	\$324,000.00	\$324,000.00
Construct a Single-Stage Vertical Paddle Flow Basin at Exist. Sed. Basin No. 3	1	LS	\$140,400.00	\$140,400.00
Flocculation Equipment	1	LS	\$162,000.00	\$162,000.00
Construct Four New Rectangular Sedimentation Basins	1	LS	\$1,188,000.00	\$1,188,000.00
New Weirs, Troughs, and Tube Settlers for Existing Sedimentation Basin No. 3	1	LS	\$54,000.00	\$54,000.00
Sedimentation Basin Equipment	1	LS	\$243,000.00	\$243,000.00
Structural Repairs to Existing Sed Basin No. 3	1	LS	\$10,800.00	\$10,800.00





GRW Engineers, Inc

**CONSTRUCTION COST ESTIMATE**

Project:	Water Treatment Plant Expansion		
Owner:	City of Versailles, Kentucky		
Project No.:	2710-01		
Date:	3-30-01	Dwg. No.:	N/A
Estimator:	DBM	Type:	Preliminary

Description	Number of Units	Units of Measure	Unit Cost	Total Cost
<b>Water Treatment Plant Expansion (Conventional Alternate 2)</b>				
Mobilization	1	LS	\$8,100.00	\$8,100.00
New Flash Mixers	2	EA	\$16,200.00	\$32,400.00
Flash Mix Basin	1	LS	\$27,000.00	\$27,000.00
Chemical Building Addition	1	LS	\$324,000.00	\$324,000.00
Caustic Soda Feed System (Bulk Storage Tank, 2 Day Tanks, 2 Metering Pumps and associated appurtenances)	1	LS	\$32,400.00	\$32,400.00
Liquid Alum Feed System (Bulk Storage Tank, 2 Day Tanks, 2 Metering Pumps and associated appurtenances)	1	LS	\$32,400.00	\$32,400.00
Carbon Feed System	1	EA	\$54,000.00	\$54,000.00
Polymer Feed System	1	EA	\$16,200.00	\$16,200.00
Chlorination Modifications	1	LS	\$91,800.00	\$91,800.00
Chlorine Scrubber	1	LS	\$162,000.00	\$162,000.00
Ammoniation Modifications	1	LS	\$91,800.00	\$91,800.00
Additional Ammonia Storage	1	LS	\$10,800.00	\$10,800.00
Cover for Ammonia Storage	1	LS	\$10,800.00	\$10,800.00
Fluoride Feed System	1	EA	\$18,900.00	\$18,900.00
Fluoride Feed Modifications (containment, eye wash, etc.)	1	LS	\$10,800.00	\$10,800.00
Corrosion Control Chem. Feed	1	LS	\$10,800.00	\$10,800.00
Plumbing Modifications for Chemical Feeds	1	LS	\$5,400.00	\$5,400.00
Repair Leak at Eye Wash	1	LS	\$2,700.00	\$2,700.00
Convert Existing New Floc Basins to Four, 3-Stage Vertical Paddle Floc Basins	1	LS	\$345,600.00	\$345,600.00
Modify/Upgrade Existing "Old" Vertical Paddle Flocculation Basin	1	LS	\$108,000.00	\$108,000.00
Flocculation Equipment	1	LS	\$189,000.00	\$189,000.00
Construct Four New Rect- angular Sed. Basins	1	LS	\$918,000.00	\$918,000.00
Modifications for Existing Sed. Basin No. 3	1	LS	\$64,800.00	\$64,800.00
Sedimentation Basin Equipment	1	LS	\$324,000.00	\$324,000.00
Filter Building Expansion				







GRW Engineers, Inc.

**CONSTRUCTION COST ESTIMATE**

Project:	Water Treatment Plant Expansion		
Owner:	City of Versailles, Kentucky		
Project No.:	2710-01		
Date:	4-2-01	Dwg. No.:	N/A
Estimator:	DBM	Type:	Preliminary

Description	Number of Units	Units of Measure	Unit Cost	Total Cost
<b>Water Treatment Plant Expansion (Actiflo Alternate)</b>				
Mobilization	1	LS	\$8,100.00	\$8,100.00
Chemical Building Addition	1	LS	\$324,000.00	\$324,000.00
Caustic Soda Feed System (Bulk Storage Tank, 2 Day Tanks, 2 Metering Pumps and associated appurtenances)	1	LS	\$32,400.00	\$32,400.00
Liquid Alum Storage System (Bulk Storage Tank, 2 Day Tanks and appurtenances)	1	LS	\$21,600.00	\$21,600.00
Carbon Feed System	1	EA	\$54,000.00	\$54,000.00
Chlorination Modifications	1	LS	\$91,800.00	\$91,800.00
Chlorine Scrubber	1	LS	\$162,000.00	\$162,000.00
Ammoniation Modifications	1	LS	\$91,800.00	\$91,800.00
Additional Ammonia Storage	1	LS	\$10,800.00	\$10,800.00
Cover for Ammonia Storage	1	LS	\$10,800.00	\$10,800.00
Fluoride Feed System	1	EA	\$18,900.00	\$18,900.00
Fluoride Feed Modifications (containment, eye wash, etc.)	1	LS	\$10,800.00	\$10,800.00
Corrosion Control Chem. Feed	1	LS	\$10,800.00	\$10,800.00
Plumbing Modifications for Chemical Feeds	1	LS	\$5,400.00	\$5,400.00
Repair Leak at Eye Wash	1	LS	\$2,700.00	\$2,700.00
Convert Existing Sed. Basin No. 3 to Actiflo	1	LS	\$135,000.00	\$135,000.00
Actiflo Equipment	1	LS	\$999,000.00	\$999,000.00
Renovate Exist. Floc. and Sed. Basins to 30 min. Td. Sed.	1	LS	\$86,400.00	\$86,400.00
Filter Building Expansion (incl. construction fo 6 New 1 MGD Filters)	1	LS	\$756,000.00	\$756,000.00
Filter Equipment	6	EA	\$48,600.00	\$291,600.00
Filter Consoles	6	EA	\$37,800.00	\$226,800.00
Filter Piping and Valves	1	LS	\$216,000.00	\$216,000.00
Replacement of Existing Filter Controls and Consoles	2	EA	\$54,000.00	\$108,000.00
Clearwell	1	LS	\$1,512,000.00	\$1,512,000.00
New High Service Pump Station to be Constructed on Exist "New" Clearwell	1	LS	\$432,000.00	\$400,000.00





GRW Engineers, Inc

**CONSTRUCTION COST ESTIMATE**

Project:	Water Treatment Plant Expansion		
Owner:	City of Versailles, Kentucky		
Project No.:	2710-01		
Date:	4-2-01	Dwg. No.:	N/A
Estimator:	DBM	Type:	Preliminary

Description	Number of Units	Units of Measure	Unit Cost	Total Cost
<b>Water Treatment Plant Expansion (Superpulsator Alternate)</b>				
Mobilization	1	LS	\$8,100.00	\$8,100.00
New Flash Mixers	2	EA	\$16,200.00	\$32,400.00
Flash Mix Basin	1	LS	\$27,000.00	\$27,000.00
Chemical Building Addition	1	LS	\$324,000.00	\$324,000.00
Caustic Soda Feed System (Bulk Storage Tank, 2 Day Tanks, 2 Metering Pumps and associated appurtenances)	1	LS	\$32,400.00	\$32,400.00
Liquid Alum Feed System (Bulk Storage Tank, 2 Day Tanks, 2 Metering Pumps and associated appurtenances)	1	LS	\$32,400.00	\$32,400.00
Carbon Feed System	1	EA	\$54,000.00	\$54,000.00
Polymer Feed System	1	EA	\$16,200.00	\$16,200.00
Chlorination Modifications	1	LS	\$91,800.00	\$91,800.00
Chlorine Scrubber	1	LS	\$162,000.00	\$162,000.00
Ammoniation Modifications	1	LS	\$91,800.00	\$91,800.00
Additional Ammonia Storage	1	LS	\$10,800.00	\$10,800.00
Cover for Ammonia Storage	1	LS	\$10,800.00	\$10,800.00
Fluoride Feed System	1	EA	\$18,900.00	\$18,900.00
Fluoride Feed Modifications (containment, eye wash, etc.)	1	LS	\$10,800.00	\$10,800.00
Corrosion Control Chem. Feed	1	LS	\$10,800.00	\$10,800.00
Plumbing Modifications for Chemical Feeds	1	LS	\$5,400.00	\$5,400.00
Repair Leak at Eye Wash	1	LS	\$2,700.00	\$2,700.00
Construct New Superpulsator Basin	1	LS	\$772,200.00	\$772,200.00
Superpulsator Equipment	1	LS	\$583,200.00	\$583,200.00
Renovate Exist. Floc. and Sed. Basins to 30 min. Td. Sed.	1	LS	\$108,000.00	\$80,000.00
Filter Building Expansion (incl. construction fo 6 New 1 MGD Filters)	1	LS	\$756,000.00	\$756,000.00
Filter Equipment	6	EA	\$48,600.00	\$291,600.00
Filter Consoles	6	EA	\$37,800.00	\$226,800.00
Filter Piping and Valves	1	LS	\$216,000.00	\$216,000.00
Replacement of Existing Filter Controls and Consoles	2	EA	\$54,000.00	\$108,000.00
Clearwell	1	LS	\$1,350,000.00	\$1,350,000.00

New High Service Pump				
Station to be Constructed				
on Exist "New" Clearwell	1	LS	\$432,000.00	\$400,000.00
High Service Pumps & Starters	2	EA	\$81,000.00	\$162,000.00
Instrumentation	1	LS	\$108,000.00	\$108,000.00
Site Grading	1	LS	\$54,000.00	\$54,000.00
Access Road Improvements	1	LS	\$21,600.00	\$21,600.00
Site Piping	1	LS	\$345,600.00	\$345,600.00
Office/Laboratory Modifications	1	LS	\$10,800.00	\$10,800.00
Painting	1	LS	\$21,600.00	\$21,600.00
Laboratory Equipment	1	LS	\$5,400.00	\$5,400.00
Filter Building Restroom				
Renovation	1	LS	\$5,400.00	\$5,400.00
Replacement Gas Unit Heaters	1	LS	\$2,700.00	\$2,700.00
Spare Parts	1	LS	\$5,400.00	\$5,400.00
Remove Dehumidifier in				
Pipe Gallery	1	LS	\$540.00	\$540.00
New Filter Building Roof	1	LS	\$5,400.00	\$5,400.00
Seal Filter Building Upper				
Level Floor Penetrations	1	LS	\$5,400.00	\$5,400.00
Electrical	1	LS	\$756,000.00	\$756,000.00
Plumbing Improvements	1	LS	\$5,400.00	\$5,400.00
HVAC	1	LS	\$27,000.00	\$27,000.00
New Residuals Lagoons	1	LS	\$216,000.00	\$216,000.00
Residuals Piping	1	LS	\$54,000.00	\$54,000.00
Residuals Lagoons Access				
Road Improvements	1	LS	\$5,400.00	\$5,400.00
<b>TOTAL</b>				<b>\$7,543,740.00</b>



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**GRW Engineers, Inc.**

*Engineers • Architects • Planners*  
 801 Corporate Drive • Lexington, Kentucky 40503  
 Phone: 859-223-3999 • Fax: 859-223-8917

*Engineering  
 Architecture  
 Planning  
 GIS  
 Digital Mapping  
 Environmental*

*Arlington, TX  
 Cincinnati, OH  
 Ft. Mitchell, KY  
 Indianapolis, IN  
 Louisville, KY  
 Nashville, TN*

## Fax Transmittal

No. of pages:	<u>12</u>	Date:	<u>July 26, 2001</u>
To:	<u>Bruce Southworth</u>	Time:	<u>1:54 PM</u>
Company:	<u>City of Versailles</u>	By:	<u></u>
Fax No.:	<u>873-5969</u>		
From:	<u>Brad Montgomery</u>		
Subject:	<u>Versailles Water Plant</u>		
Project No.:	<u>2710</u>		

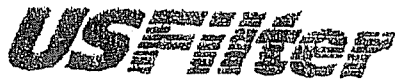
We received the attached preliminary proposal for Actiflo from Kruger this afternoon. Their total equipment price is \$950,000. For your information, I used \$999,000 in the Preliminary Engineering Report, which includes installation. A figure of \$49,000 for equipment installation would be in the order of magnitude to be expected.

Once you have had a chance to take a look at this, we will schedule a formal negotiation with Kruger which will take place in Versailles. They are expecting to have to lower their price. Your "trump card" is that you can always design around another system. Under no circumstances should they know that their original proposal is within your budget. If we can knock some money off of this, it will give us the flexibility to do a couple of things that will make the plant easier to keep in service during construction.

Let me know when you're ready to discuss. Take care!

*If you do not receive all the pages or if you have trouble, please call us at 859-223-3999.*





FAX

Kruger Products  
401 Harrison Oaks Blvd  
Ste. 100  
Cary, NC 27513

TELEPHONE 919-677-8310  
FACSIMILE 919-677-0082

TO Brad Montgomery COMPANY US Filter/Kruger  
FAX 1-859-223-8917 TEL 1-919-677-8370  
FROM Barry Hendley DATE 07/26/01 PAGE 1 OF 11

CC

SUBJECT ACTIFLO Preliminary Proposal For Versailles, KY

MESSAGE:

Here's a copy of our preliminary proposal  
a hard copy is also being sent to you  
by mail. Please feel free to call with  
any questions



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Kruger Products  
401 Harrison Oaks Blvd.  
Ste. 100  
Cary, NC 27513

Telephone: 919-677-8310  
Facsimile: 919-677-0082

July 25, 2001

Mr. Brad Montgomery  
GRW Engineers, Inc.  
801 Corporate Drive  
Lexington, KY 40503

Re: **ACTIFLO Preliminary Proposal**  
**Versailles, KY**  
**US Filter/Kruger Project No.: 179913**

Dear Mr. Montgomery:

Thank you for your interest in the US Filter/Kruger ACTIFLO<sup>®</sup> process for municipal water treatment. Attached please find our budget cost estimate; with a preliminary estimates of design summary, layout, and equipment scope of supply for a retrofit 2 X 5 MGD ACTIFLO<sup>®</sup> system.

Our budget price includes all of the components necessary for a completely functional ACTIFLO<sup>®</sup> system. The corresponding preliminary scope of supply is detailed in the following pages and summarized below:

- I. **ACTIFLO Specific Equipment** including:
  - All mechanical equipment related to the ACTIFLO system. All wetted equipment, 304 SS including the scraper mechanism.
  - Automatic dry polymer processing system
  - ACTIFLO system PLC based control panel
  
- II. **Required Support Equipment** including:
  - Chemical feed equipment including
    - Skid mounted polymer metering pumps
    - Wall mounted polymer metering pump control panel
    - Skid mounted coagulant metering pumps
    - Wall mounted coagulant metering pump control panel
  - Process Instrumentation
    - One (1) high range turbidimeter
    - Two (2) low range turbidimeter
    - Two (2) pH meters

Versailles, KY  
US Filter/Kruger Products Project: 179913

US Filter/Kruger Products  
July 25, 2001

Please note that the raw water entering ACTIFLO<sup>®</sup> should not contain particles greater than 6 mm in size. In addition, proper coagulant dispersion is needed in the raw water before entering the ACTIFLO<sup>®</sup> system.

Our budgetary prices for the 2 X 5 MGD design are:

	Equipment	Price
I	ACTIFLO <sup>®</sup> Specific Equipment	\$ 865,000
II	Required Support Equipment	\$ 85,000

These prices are valid for one year from date of this proposal, are exclusive of any sales or use taxes, and are subject to US Filter/Kruger Standard Terms and Conditions of Sale.

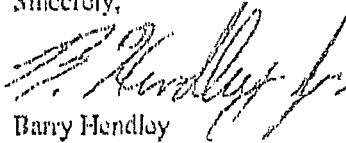
The above prices also include the following:

- Freight to the job site
- O&M manuals
- Support in process engineering
- Advice during construction and installation
- Start-up assistance
- Operator training
- One year warranty

Based on data from numerous ACTIFLO<sup>®</sup> plants in the US and Canada, the installation costs for the ACTIFLO<sup>®</sup> systems will be approximately 5 - 10% of the above equipment prices.

Accompanying the preliminary proposal is a CD ROM, which contains information on the ACTIFLO<sup>®</sup> process. We hope that you find all the enclosed information responsive to your needs. If you have any questions or require any additional information, please do not hesitate to call.

Sincerely,



Barry Hendley  
Process Engineer  
ACTIFLO<sup>®</sup> Systems

cc. Mike Gorshall, Philippe Topalian, Will Sullivan (US Filter/Kruger)  
Ed Matras (US Filter/RSM)  
Ken Matthews (H.M. Sarnco)

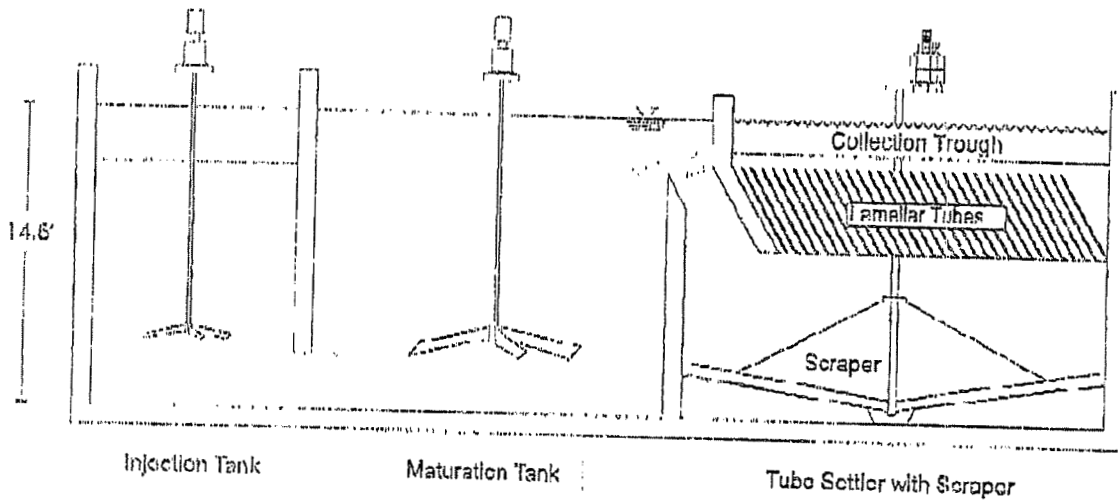
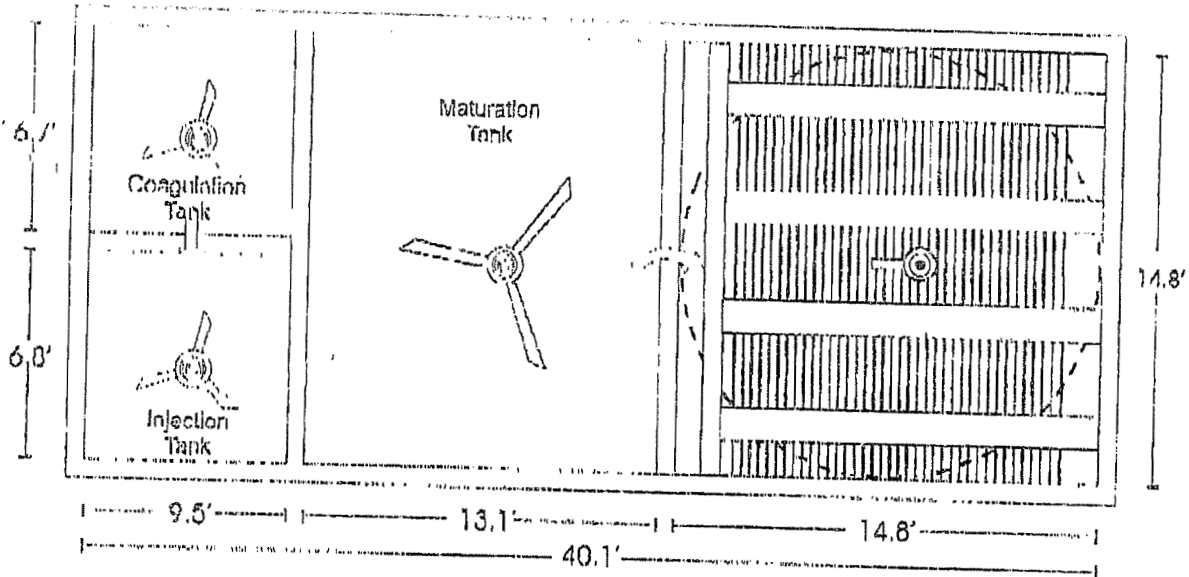
Versailles, KY  
 US Filter/Kriger Products Project 179913

US Filter/Kriger Products  
 July 25, 2001

**Preliminary Design Summary**

<b>2 X 5 MGD ACTIFLO Design</b>	
<b>Versailles, KY</b>	
<b>Design Capacity</b>	
Total Nominal Flow, MGD	10
No. of Trains	2
Capacity Per Train, MGD	5
<b>Coagulation Tank Design</b>	
HRT, min	2.0
No. of Tanks per Train	1
Length, ft	8.9
Width, ft	6.8
Side Water Depth, ft	14.5
<b>Injection Tank Design</b>	
HRT, min	2.0
No. of Tanks per Train	1
Length, ft	8.9
Width, ft	6.9
Side Water Depth, ft	14.5
<b>Maturation Tank Design</b>	
HRT, min	6.0
No. of Tanks per Train	1
Length, ft	12.9
Width, ft	15.0
Side Water Depth, ft	14.5
<b>Settling Tank Design</b>	
No. of Tanks per Train	1
Length, ft	15.0
Width, ft	15.0
Side Water Depth, ft	14.5
Rise Rate at Nominal Capacity, gpm/ft <sup>2</sup>	25

# Preliminary ACTIFLO Design Versailles, KY Total Capacity: 10.0 MGD No. of Trains: 2 x 5 MGD



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	Krüger, Inc.	Phone: (919) 877-6310	Scale: NTS
	401 Harrison Oaks Blvd Suite 110 Cary, NC 27513	Fax: (919) 877-0082	Drawn: EYD
Name: _____ Title: _____ Date: _____			Date: _____ Scale: _____

Versailles, KY  
US Filter/Kruger Products Project: 179913

US Filter/Kruger Products  
July 25, 2001

## I. Preliminary Scope of Supply

The following mechanical and electrical equipment is provided as standard equipment by US Filter/Kruger with the proposed ACTIFLO<sup>®</sup> design.

### A. Mechanical Equipment

#### Coagulation Tank(s)

- Coagulation tank top entering mixer(s), TEFC, 460/3/60 motor, complete with 304 SS shaft and impeller.

#### Injection Tank(s)

- Injection tank top entering mixer(s), TEFC, 460/3/60 motor, complete with 304 SS shaft and impeller.

#### Maturation Tank(s)

- Maturation tank top entering mixer(s), TEFC, 460/3/60 motor, complete with 304 SS shaft and impeller.
- Anti-vortex baffles

#### Settling Tank(s)

- Sludge scraper assembly, 304 SS, center drive, TEFC, 460/3/60 motor, speed reducer, complete with drive shafts, shaft protectors, rake arms and blades.
- Lamellar tube modules, UV protected black polystyrene.
- Lamellar supports, 304 SS
- Effluent collection troughs with supports, 304 SS.

#### Microsand Recirculation Circuit(s)

- Microsand pumps, centrifugal, with rubber-lined volute and impellers, stuffing box with packing, TEFC, 460/3/60 motor with V-belt and pulley drive.
- Pressure switches for microsand pumps with two set points complete with pressure gauges, isolation valves and diaphragm seals.
- All valves associated with microsand recirculation piping, microsand pump seal water station, and microsand pump flush water systems exclusive of all piping.
- Hydrocyclones for microsand/sludge separation.
- Pressure gauges for hydrocyclones complete with diaphragm seals and isolation ball valves.
- Hydrocyclone underflow/overflow collection boxes, 304 SS.

Versailles, KY  
US Filter/Kruger Products Project 179913

US Filter/Kruger Products  
July 25, 2001

## B. Chemical Feed Equipment

### Automatic Dry Polymer Processing Systems

Dry Polymer processing system(s), skid mounted packaged assembly, 115/1/60 motor, complete with feeder hopper, volumetric feeder, wetting chamber, transfer pump, mixing/aging tank, and level controls.

## C. Electrical Equipment

### PLC Based Control Panel

The ACTIFLO<sup>®</sup> Control Panel(s) will be completely assembled, tested and programmed for the specified functionality. The Control Panel will be supplied with Allen Bradley's Programmable Logic Controller. The ACTIFLO<sup>®</sup> Control Panel will include the input/output, I/O, capabilities as required for the ACTIFLO<sup>®</sup> system. All I/O will be wired to field terminations and include surge arrestion. Spare wired signals have also been included. The U.L. labeled Panel will be comprised of the following:

1. NEMA 12 Rated Freestanding Control Panel(s)
2. Programmable Control Processor and I/O (AB SLC 5/04)
3. Operator Interface Keypad/Display (A/B Panelview 600)
4. Power Supplies
5. Alarm Horn
6. Signal Isolators
7. Surge Protectors
8. Circuit Breakers
9. Terminal Strips
10. Misc. Wire and Panduit

#### Not included:

1. Motor starters
2. VFDs
3. Fiber optic transceivers or cable

Versailles, KY  
US Filter/Kruger Products Project: 179913

US Filter/Kruger Products  
July 25, 2001

## II. Required Support Equipment

The following chemical feed equipment, electrical equipment, and instrumentation is not standard equipment provided by US Filter/Kruger, but is required and can be provided by US Filter/Kruger.

### A. Chemical Feed Equipment

#### Polymer Metering Pumps and Secondary Dilution Water

- Volumetric metering pump(s), progressive cavity or diaphragm type, complete with pump bases, variable speed drives, back pressure valves, check valves, pressure switches, calibration columns, isolation ball valves, flush connections, in-line static mixers, electric motors, piping and fittings.
- Secondary dilution water system(s) for polymer dilution, PVC, including check valves, rotameters, flow regulators, solenoid valves, isolation ball valves and fittings.
- Control Panel, NEMA 4X, wall mounted complete with Drives, Digital Speed Display, Selector Switches, Status Lights, 120 VAC Surge Protector, Circuit Breakers, Terminal Strips, Misc. Wire and Panduit

#### Coagulant Metering Pumps

- Two (2) Volumetric metering pumps, diaphragm type, complete with pump bases, variable speed drives, pressure relief valves, back pressure valves, check valves, calibration columns, isolation ball valves, flush connections, strainers, rotameters, electric motors, piping and fittings (one duty + one stand-by)

### B. Electrical Equipment

#### Polymer Metering Pump Control Panel

- NEMA 4X, wall mounted complete with Drives, Digital Speed Display, Selector Switches, Status Lights, 120 VAC Surge Protector, Circuit Breakers, Terminal Strips, Misc. Wire and Panduit

#### Coagulant Metering Pump Control Panel

- NEMA 4X, wall mounted complete with Drives, Digital Speed Display, Selector Switches, Status Lights, 120 VAC Surge Protector, Circuit Breakers, Terminal Strips, Misc. Wire and Panduit

### C. Instrumentation

#### Process Instrumentation

- Raw water high range surface scatter turbidimeter
- Settled water low range surface scatter turbidimeter(s)
- Raw water pH meter, before coagulant addition
- Coagulated water pH meter, after coagulant addition



Versailles, KY  
US Filter/Kruger Products Project: 179913

US Filter/Kruger Products  
July 25, 2001

### III. Optional Equipment

US Filter/Kruger can optionally supply the following equipment for the proposed design.

#### SCADA System

- US Filter/Kruger is capable of providing full-service integration including Supervisory Control And Data Acquisition (SCADA) system, Remote Telemetry Units (RTUs), and custom integration of existing control systems. SCADA systems are custom designed and built based on engineer and owner/operator input to include control and monitoring of any and all new and existing operations for a given plant.

#### pH Metering Pumps

- Chemical metering pumps for pH adjustment.

Versailles, KY  
US Filter/Kruger Products Project: 179913

US Filter/Kruger Products  
July 25, 2001

## ATTACHMENT I

### General Terms and Conditions of Sale

U.S. Filter/I. Kruger, Inc. General Terms and Conditions of Sale

1. Equipment Sale. U.S. Filter/I. Kruger, Inc. ("USF") offers to sell to Customer the equipment, including and without limitation startup services, if any, described in USF's Proposal...

2. Payment. Customer shall pay to USF the full purchase price for the Equipment in the amount and subject to the payment terms set forth in USF's Proposal. All payments referred to herein are denominated and shall be paid in U.S. Dollars.

3. Security Interest. Customer grants USF a security interest in Customer's interest (if any) in the Equipment for any attachment, addition or improvement and proceeds to secure Customer's payment obligations hereunder, wherever arising.

4. Taxes, Customs and Charges Unless Otherwise Stipulated in USF's Proposal. Customer shall pay for all sales, use, value added and other taxes, license duties and license permit or license fees or other governmental charges relating to or incurred in connection with USF's performance hereunder or imposed on the manufacture, storage, sale, transportation, receipt, export, delivery, use or consumption of the Equipment.

5. Shipment and Delivery. Delivery of the Equipment shall be made in material compliance with the schedule set forth in USF's Proposal. Unless otherwise specified in USF's Proposal, USF shall pack, crate, label and ship the Equipment in accordance with its customary methods.

6. Ownership of Design Materials. All materials including but not limited to, drawings, specifications, designs, plans, computer programs and other documents, information or data prepared by USF in connection with its performance hereunder, and all related intellectual property rights, shall be USF's property.

7. Changes in the Scope of the Work. No change in the scope of the work set forth in USF's Proposal shall be implemented unless Customer and USF agree in a writing signed by both parties to the nature of the change and to price and schedule impact.

8. Waiver of Claims. Notwithstanding anything to the contrary, USF and Customer waive all claims against each other and against each other's affiliates, past or present, vendors, employees, agents and representatives for loss or damage to any of their respective property.

9. Warranty. (a) USF warrants to Customer that the Equipment will conform to the specifications or description set forth in USF's Proposal and will be free from defects in material and workmanship for a period of twelve (12) months after installation or eighteen (18) months after final shipment, whichever is shorter (the "Warranty Period").

(b) Within a reasonable period after receipt of timely notice of a breach of the foregoing warranty, USF shall, at its sole option either (i) repair or replace such defective equipment or (ii) refund the amount paid for the defective Equipment for which it is liable for any such amount.

(c) This warranty. Without exception, USF will not be responsible for any malfunction unless a written request is submitted to and approved in writing by USF prior to work being performed or any work being repaired.

11. Indemnification. (a) To the extent permitted by applicable law, USF shall defend, indemnify and hold Customer harmless from and against any liability, claim or cause of action incurred by Customer as a result of third party claims for personal injury or damage to tangible property, if caused solely by the negligence of USF or any of its employees, subcontractors or suppliers in the performance of USF's obligations hereunder.

(b) USF shall release, hold harmless, indemnify and defend Customer from and against all judgments, damages and other amounts resulting from any appropriate claims of U.S. persons based on the use of the Equipment, provided such judgments, damages and other amounts are not caused by the negligence of USF or any of its employees, subcontractors or suppliers in the performance of USF's obligations hereunder.

(c) Customer shall release, hold harmless, indemnify and defend USF from and against any liability, claim or cause of action resulting from (i) the design of the Equipment or any component in which it is shipped, to the extent made pursuant to Customer's design or specifications, (ii) the environmental and

other conditions of Customer's premises or (iii) Customer's negligence or breach of its obligations hereunder.

(d) Any claim for indemnification under this Section 11 shall be subject to the following: (i) claimant shall file a claim within thirty (30) days after the end of the Warranty Period (ii) the claimant must provide reasonable cooperation in the defense thereof; and (iii) the indemnifying party shall have sole authority for the direction of the defense and the negotiation or any compromise or settlement provided that the claimant may monitor such matters through counsel of its choice at its own expense.

12. Force Majeure. A "Force Majeure Event" shall mean any event, condition or circumstance which is beyond USF's reasonable control, including without limitation, acts of God, epidemics, pestilence, civil disturbances, war, riots, sabotage, accidents, thefts, changes in law or other acts of governmental authorities, strikes, or other labor shortages or disturbances, unavailability of excessive cost of materials, discovery of any concealed or unknown physical condition or substance at Customer's facility or acts or omissions of Customer or its subcontractors, contractors, or other persons for whom Customer may be liable.

13. Dispute Resolution. USF and Customer shall negotiate in good faith to resolve any dispute arising hereunder. Failing such efforts, the dispute shall be finally settled by binding arbitration in North Carolina pursuant to the Commercial Arbitration Rules of the American Arbitration Association.

14. Special Terms. Attachment I contains special terms, if any, which are hereby incorporated into this agreement.

15. Confidential Treatment of Information. All information contained in USF's Proposal regarding the Equipment, process design and the price thereof is submitted without cost to Customer but with the understanding that such information is for the sole use of Customer and that Customer will not disclose it to anyone outside its own organization and will use its best efforts to see that no one to whom such information is so disclosed shall disclose the same to anyone outside Customer's organization.

16. Cancellation. In the event of cancellation, Customer shall compensate USF for a percentage complete basis for all work performed up to the date of cancellation, unless cancellation is due in default by USF.

17. Limitation of Liability. (a) Notwithstanding anything to the contrary herein, the aggregate liability of USF, including without limitation for or with respect to USF's obligations hereunder, employees, agents or representatives, arising out of or in connection with this agreement or the sale or use of the Equipment, including without limitation claims for indemnification, and whether based on contract, strict liability, negligence or other tort, pollution, direct or otherwise, shall not exceed an amount equal to the contract price.

(b) Notwithstanding anything to the contrary herein, in no event shall USF be liable for consequential, incidental, punitive, special, exemplary or multiple damages of any kind, including without limitation for loss of profits, income or production, or loss of use of any property (whether by destruction, operation or loss of use thereof or otherwise), regardless of whether any of the foregoing damages arise directly or indirectly through an intermediate or consequential obligation and whether arising out of breach of contract or warranty, tort, product liability, strict liability or any other legal theory.

18. Notices. All notices required hereunder shall be in writing and shall be deemed properly served if delivered in person or if sent by registered or certified mail, with postage prepaid and return receipt requested to the following addresses: If to USF: I. Kruger, Inc., 401 Harrison Oaks Blvd., Cary, NC 27513; If to Customer: [redacted]. All notices shall be deemed received on the date of delivery or attempted delivery, if delivered in person, or if mailed, on the date which is two (2) days after the date such notice is deposited in the mail.

19. Severability. In case any provision hereof is held to be invalid, illegal or unenforceable, (i) such provision shall be limited or excluded only to the extent necessary to make it valid, legal and enforceable and (ii) the validity, legality and enforceability of the remaining provisions shall not be affected.

20. Entire Agreement. This agreement constituted herein may not be cancelled or amended except by mutual written agreement of USF and Customer. No course of dealing or failure to strictly enforce any term shall be construed as a waiver thereof. Waiver of any term shall not constitute a waiver of any other term or a continuing waiver. This agreement shall be binding on the parties' respective successors and assigns provided that Customer may not assign, delegate or permit any other transfer of this agreement without USF's prior written consent. This agreement shall be governed by and construed in accordance with the laws of the State of North Carolina, without regard to its conflict of laws provisions.

9-J



801 Corporate Drive  
Lexington, KY 40503  
Tel 859 / 223-3999  
Fax 859 / 223-8917

Engineering  
Architecture  
Planning  
GIS  
Aviation Consultants

Arlington, TX  
Cincinnati, OH  
Indianapolis, IN  
Louisville, KY  
Nashville, TN

GRW Engineers, Inc.

August 30, 2001

Mr. Bruce Southworth  
Utilities Director  
City of Versailles  
City Hall  
196 South Main Street  
Versailles, KY 40383

Re: Water Treatment Plant Expansion  
City of Versailles, Kentucky  
GRW Project No. 2710

Dear Mr. Southworth:

Enclosed for your review is a draft copy of the Minutes of Negotiation between US Filter/Kruger and the City of Versailles for the ACTIFLO process associated with the referenced project. Please review these minutes for accuracy and notify me if there are any questions, concerns or corrections.

If the memorandum and attached proposal (from US Filter/Kruger) are acceptable, please let me know if writing so that we can notify US Filter/Kruger. If you have any questions or comments, please feel free to contact me.

Very truly yours,

A handwritten signature in black ink that reads "Brad Montgomery". The signature is written in a cursive, flowing style with a large, prominent 'M' and 'G'.

Brad Montgomery, P.E.  
Project Manager

cc: Mr. Bart Miller w/enclosures  
Mr. Jason Walton w/enclosures

DBM

Enclosures

**Water Treatment Plant Expansion  
City of Versailles, Kentucky**

**US Filter/Kruger ACTIFLO Negotiation  
August 20, 2001**

**Memorandum of Negotiations**

On August 20, 2001, a meeting was held at the offices of GRW Engineers, Inc. in Lexington, Kentucky for the purpose of a negotiation between the City of Versailles, Kentucky and US Filter/Kruger. The following individuals attended the meeting:

Bruce Southworth	City of Versailles, Kentucky
Jason Walton	City of Versailles, Kentucky
Phillippe Topalian	US Filter/Kruger
Ken Matthews	H. M. Samco
Alan Bryan	GRW Engineers, Inc.
Brad Montgomery	GRW Engineers, Inc.

The following is a brief summary of the items discussed is as follows:

1. As a result of the completion of a Preliminary Engineering Report for the expansion of the Versailles Water Treatment Plant, it has been determined that it is necessary for the City of Versailles to pursue an expansion of the facility to 10 million gallons per day. The alternative evaluation in the report led to the further conclusion that the proprietary ACTIFLO system is the most technically beneficial and cost effective treatment system for the mixing, coagulation, flocculation and sedimentation processes in the treatment plant.
2. Since the ACTIFLO is a proprietary system and will require a sole source purchase of equipment and services, the purpose of the meeting was to establish the specific requirements for a final proposal to be submitted by US Filter/Kruger for such a purchase.
3. Mr. Topalian gave a brief overview of the preliminary proposal, which had previously been submitted and distributed to all parties. Mr. Topalian discussed the scope of the equipment and services included in the proposal and discussed the basis for pricing.
4. Since ACTIFLO is a process and not just equipment, it is the preference of US Filter/Kruger that all process-critical equipment be provided under the US Filter/Kruger "package". This includes that following:

1. All mechanical equipment related to the ACTIFLO system.
2. Automatic dry polymer preparation system.
3. Polymer metering pumps and control panel.
4. Coagulant metering pumps and control panel.
5. ACTIFLO system based PLC control panel.
6. Process instrumentation.

Mr. Montgomery indicated that, as a result of several phone call interview with other consultants who have designed ACTIFLO systems, it is typical and preferable for US Filter/Kruger to provide this equipment. Mr. Montgomery further indicated that it is the “track record” of Kruger to provide quality equipment. Upon discussion, following is a list of typical equipment manufacturers for the equipment not manufactured by US Filter/Kruger:

1. Mixers - Philadelphia or Lightnin’
2. Chemical Feed Pumps - Prominent or Wallace & Tiernan
3. PLC’s - Allen Bradley
4. Polymer Feed System - Stranco or Accrison

Mr. Topalian then added that US Filter/Kruger would match other treatment plant equipment, where applicable, and/or provide equipment preferred by the consultant and/or owner unless there was considerable financial impact.

5. Mr. Walton indicated that the City of Versailles wishes to place an emphasis in this project on the provision of spare parts. Mr. Topalian indicated that U.S. Filter/Kruger could provide a list of recommended spare parts. However, the cost of spare parts was not included in the original preliminary proposal.
6. There was a discussion of the Versailles raw water quality. Mr. Topalian indicated that, at an alkalinity of approximately 100 mg/l or greater (which is typical of the water in the Kentucky River), a means of pH/alkalinity adjustment should be included in the design to enhance the performance of the system, particularly as related to TOC removal. Mr. Topalian further indicated that the cost of chemical (acid) feed equipment was not included in the original preliminary proposal.
7. The next item for discussion revolved around the price for the proposed equipment and services. The price for the basic scope of services as described above (and contained in more detail in the preliminary proposal) was \$950,000. There was then discussion regarding a comparison between the cost and scope for two similarly sized Kentucky treatment plants (Bardstown and Morehead) which have incorporated ACTIFLO. As a result of this and the subsequent discussion, Mr. Topalian agreed that US Filter/Kruger will provide the originally proposed equipment and services,

as well as the recommended spare parts and pH adjustment (acid) feed equipment, for the originally proposed price of \$950,000. City representatives accepted the proposal. Both parties acknowledged that decisions made during the final design could additionally impact cost, however, this proposal shall remain in effect throughout the design period for the proposed scope of equipment and services.

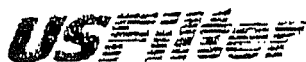
8. Mr. Topalian indicated that US Filter/Kruger will submit a revised proposal. A copy of that revised proposal is attached.
9. Mr. Topalian indicated that, upon receipt of written acceptance of this proposal, a Project Manager from US Filter/Kruger would be assigned to the project and that the final design would proceed. US Filter/Kruger will submit design drawings and specifications in digital format.
10. Mr. Topalian requested that GRW send a letter to US Filter/Kruger indicating the acceptance of the proposal by the City of Versailles.

The meeting then adjourned.

Please note that this memorandum is not intended to provide an exhaustive account of all items discussed in the negotiation. It is intended to provide a summary of the meeting and the agreements reached therein.

Enclosure





KRUGER PRODUCTS  
401 HARRISON OAKS BOULEVARD, SUITE 100  
CARY, NORTH CAROLINA 27513

TELEPHONE 919-677-8310  
FACSIMILE 919-677-0082

August 28, 2001

Mr. Brad Montgomery  
GRW Engineers, Inc.  
801 Corporate Drive  
Lexington, KY 40503  
Tel: 859-223-3999  
Fax: 859-223-8917

**Re: ACTIFLO Preliminary Proposal**  
**Versailles, KY**  
**US Filter/Kruger Project No.: 179913**

Dear Mr. Montgomery:

Thank you for your continued interest in the US Filter/Kruger ACTIFLO<sup>®</sup> process for municipal water treatment. Enclosed is our updated budget cost estimate; with revised estimates of design summary, layout, and equipment scope of supply for a retrofit 2 X 5 MGD ACTIFLO<sup>®</sup> system.

Please note that the raw water entering ACTIFLO<sup>®</sup> can not contain particles greater than 6 mm in size. In addition, proper coagulant dispersion is needed in the raw water before entering the ACTIFLO<sup>®</sup> system.

Our budget price includes all of the components necessary for a completely functional ACTIFLO<sup>®</sup> system. The corresponding preliminary scope of supply is detailed in the following pages and summarized below:

- All mechanical equipment related to the ACTIFLO<sup>®</sup> system. All wetted equipment, 304 SS.
- Automatic dry polymer preparation system
- Polymer metering pumps and control panel
- Coagulant metering pumps and control panel
- pH metering pumps and control panel
- ACTIFLO<sup>®</sup> system based PLC control panel
- Process instrumentation
- Spare parts

Our budgetary price for the 2 X 5 MGD design is \$950,000. This price is valid for one year from date of this proposal, is exclusive of any sales or use taxes, and is subject to US Filter/Kruger Standard Terms and Conditions of Sale.



KRUGER PRODUCTS  
4011 HARRISON OAKS BOULEVARD, SUITE 100  
CARY, NORTH CAROLINA 27513

TELEPHONE: 919-677-8310  
FACSIMILE: 919-677-0082

The above prices also include the following:

- Freight to the job site
- O&M manuals
- Support in process engineering
- Advice during construction and installation
- Start-up assistance
- Operator training
- One year warranty

These prices are FOB shipping points, with freight allowed to the job site. In addition, this price is valid for 90 days from the date of issue and is subject to negotiation.

The terms of payment are 10% on submittal of shop drawings, 80% on the delivery of equipment to the site and the final 10% on start-up of the system not to exceed six months from delivery of equipment.

Payment shall not be contingent upon receipt of funds by the Contractor from the Owner. All other terms per our standard conditions of sale are attached. Payment terms are net 30 days from the aforementioned benchmarks.

Based on data from numerous ACTIFLO® plants in the US and Canada, the installation costs for the ACTIFLO® equipment will be approximately 7 - 10 % of the above equipment prices. Civil costs represent a low cost factor in the overall project due to the very small footprint of the ACTIFLO® system.

The schedule of delivery shall be as follows:

- Shop drawings will be submitted within 6-8 weeks of receipt of an executed contract.
- All equipment will be delivered within 16-18 weeks after receipt of approved shop drawings.
- Installation manuals will be furnished upon delivery of the equipment.
- Operation and Maintenance Manuals will be submitted within 90 days after receipt of approved shop drawings

Sincerely,

Christopher M. Dalton  
Process Engineer  
ACTIFLO® Systems

cc. Mike Gutshall, Philippe Topalian, Will Sullivan (US Filter/Kruger)  
John Berrigan (US Filter/RSM)  
Ken Matthews (H.M. Samco)

**ACTIFLO<sup>®</sup>**  
**Proposal for**  
**Water Treatment**

**Versailles, KY**



*Prepared By:*

**US Filter Kruger Products**  
401 Harrison Oaks Blvd., Suite 100  
Cary, NC 27513  
Tel: (919) 677-8310  
Fax: (919) 677-0082

**Kruger Project: 179913**

August 28, 2001



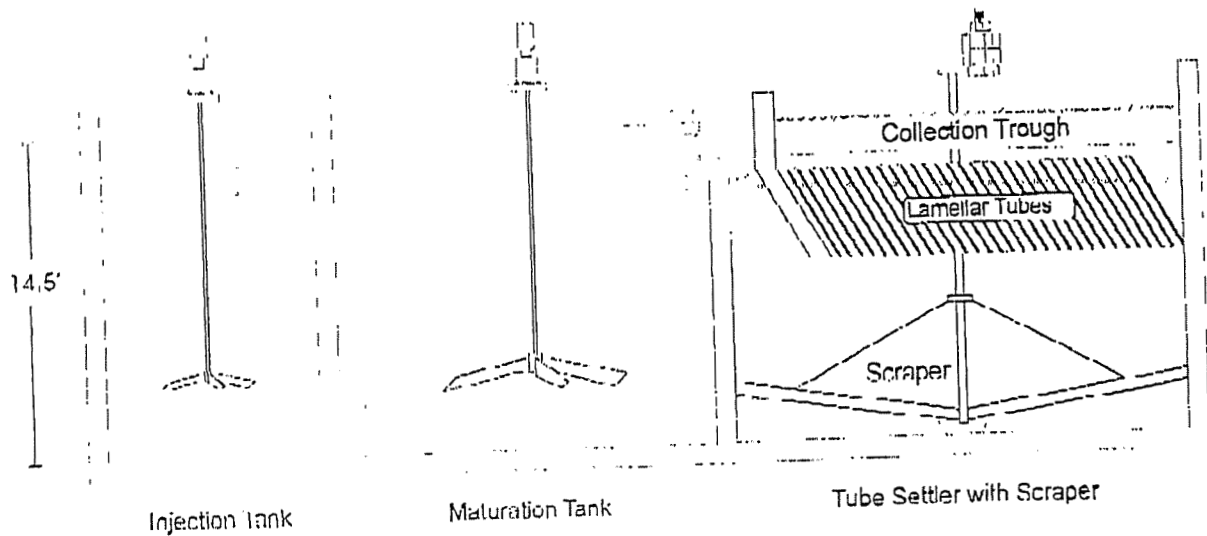
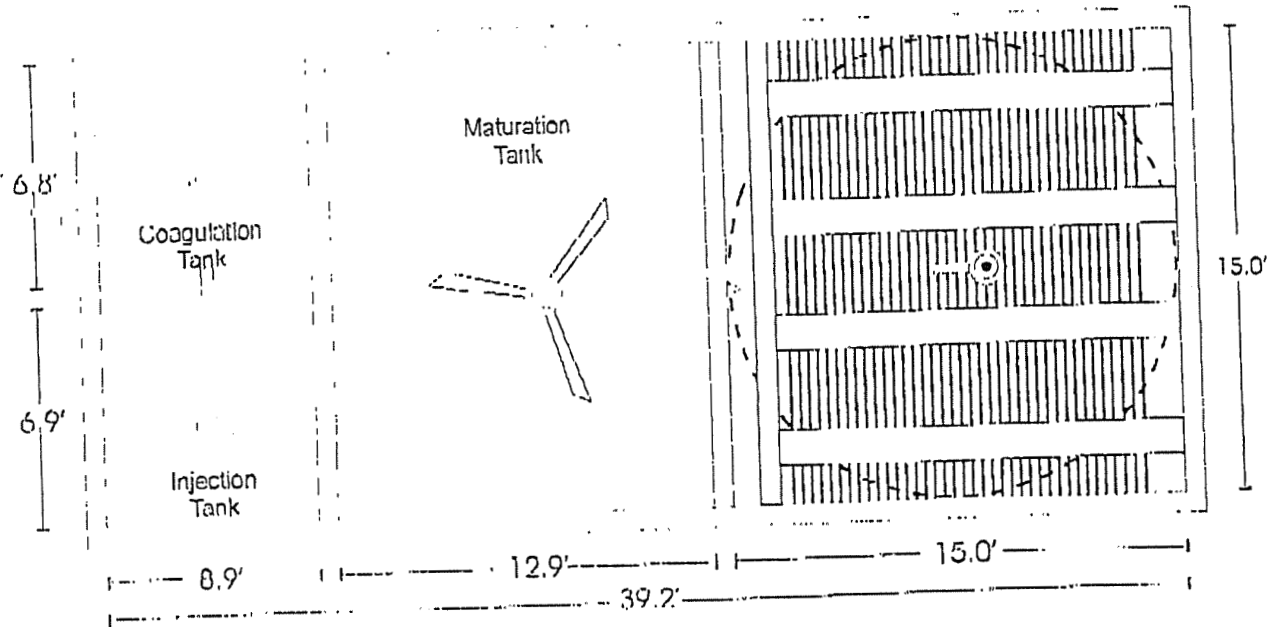
### Preliminary Design Summary

<b>2 X 5 MGD ACTIFLO Design Versailles, KY</b>	
<b>Design Capacity</b>	
Total Nominal Flow, MGD	10
No. of Trains	2
Capacity Per Train, MGD	5
<b>Coagulation Tank Design</b>	
HRT, min	2.0
No. of Tanks per Train	1
Length, ft	8.9
Width, ft	6.8
Side Water Depth, ft	14.5
<b>Injection Tank Design</b>	
HRT, min	2.0
No. of Tanks per Train	1
Length, ft	8.9
Width, ft	6.9
Side Water Depth, ft	14.5
<b>Maturation Tank Design</b>	
HRT, min	6.0
No. of Tanks per Train	1
Length, ft	12.9
Width, ft	15.0
Side Water Depth, ft	14.5
<b>Settling Tank Design</b>	
No. of Tanks per Train	1
Length, ft	15.0
Width, ft	15.0
Side Water Depth, ft	14.5
Rise Rate at Nominal Capacity, gpm/ft <sup>2</sup>	25

# Preliminary Single-Train ACTIFLO Design

## Versailles, KY

Total Design Capacity: 10.0 MGD  
No. of Trains: 2 x 5 MGD



## Preliminary Scope of Supply

The following mechanical and electrical equipment is provided as standard equipment by US Filter/Kruger with the proposed ACTIFLO<sup>®</sup> design.

### A. Mechanical Equipment

#### Coagulation Tank(s)

- Coagulation tank top entering mixer(s), TEFC, 460/3/60 motor, complete with 304 SS shaft and impeller.

#### Injection Tank(s)

- Injection tank top entering mixer(s), TEFC, 460/3/60 motor, complete with 304 SS shaft and impeller.

#### Maturation Tank(s)

- Maturation tank top entering mixer(s), TEFC, 460/3/60 motor, complete with 304 SS shaft and impeller.
- Anti-vortex baffles

#### Settling Tank(s)

- Sludge scraper assembly, 304 SS, center drive, TEFC, 460/3/60 motor, speed reducer, complete with drive shafts, shaft protectors, rake arms and blades.
- Lamellar tube modules, UV protected black polystyrene.
- Lamellar supports, 304 SS
- Effluent collection troughs with supports, 304 SS.

#### Microsand Recirculation Circuit(s)

- Microsand pumps, centrifugal, with rubber-lined volute and impellers, stuffing box with packing, TEFC, 460/3/60 motor with V-belt and pulley drive.
- Pressure switches for microsand pumps with two set points complete with pressure gauges, isolation valves and diaphragm seals.
- All valves associated with microsand recirculation piping, microsand pump seal water station, and microsand pump flush water systems exclusive of all piping.
- Hydrocyclones for microsand/sludge separation.
- Pressure gauges for hydrocyclones complete with diaphragm seals and isolation ball valves.
- Hydrocyclone underflow/overflow collection boxes, 304 SS.

## B. Chemical Feed Equipment

### Automatic Dry Polymer Processing Systems

- Dry Polymer processing system(s), skid mounted packaged assembly, 115/1/60 motor, complete with feeder hopper, volumetric feeder, wetting chamber, transfer pump, mixing/aging tank, and level controls.

### Polymer Metering Pumps and Secondary Dilution Water

- Volumetric metering pump(s), progressive cavity or diaphragm type, complete with pump bases, variable speed drives, back pressure valves, check valves, pressure switches, calibration columns, isolation ball valves, flush connections, in-line static mixers, electric motors, piping and fittings.
- Secondary dilution water system(s) for polymer dilution, PVC, including check valves, rotameters, flow regulators, solenoid valves, isolation ball valves and fittings.
- Control Panel, NEMA 4X, wall mounted complete with Drives, Digital Speed Display, Selector Switches, Status Lights, 120 VAC Surge Protector, Circuit Breakers, Terminal Strips, Misc. Wire and Panduit

### Coagulant Metering Pumps

- Two (2) Volumetric metering pumps, diaphragm type, complete with pump bases, variable speed drives, pressure relief valves, back pressure valves, check valves, calibration columns, isolation ball valves, flush connections, strainers, rotameters, electric motors, piping and fittings (one duty + one stand-by)

### pH Metering Pumps

- Volumetric metering pumps, diaphragm type, complete with pump bases, variable speed drives, pressure relief valves, back pressure valves, check valves, calibration columns, isolation ball valves, flush connections, strainers, rotameters, electric motors, piping and fittings

## C. Electrical Equipment

### PLC Based Control Panel

The ACTIFLO<sup>®</sup> Control Panel(s) will be completely assembled, tested and programmed for the specified functionality. The Control Panel will be supplied with Allen Bradley's Programmable Logic Controller. The ACTIFLO<sup>®</sup> Control Panel will include the input/output, I/O, capabilities as required for the ACTIFLO<sup>®</sup> system. All I/O will be wired to field terminations and include surge arrestion. Spare wired signals have also been included. The U.I. labeled Panel will be comprised of the following:

1. NEMA 12 Rated Freestanding Control Panel(s)
2. Programmable Control Processor and I/O (AB SLC 5/04)
3. Operator Interface Keypad/Display (A/B Panelview 600)
4. Power Supplies

5. Alarm Horn
6. Signal Isolators
7. Surge Protectors
8. Circuit Breakers
9. Terminal Strips
10. Misc. Wire and Panduit

Not included:

1. Motor starters
2. VFDs
3. Fiber optic transceivers or cable

Polymer Metering Pump Control Panel

- NEMA 4X, wall mounted complete with Drives, Digital Speed Display, Selector Switches, Status Lights, 120 VAC Surge Protector, Circuit Breakers, Terminal Strips, Misc. Wire and Panduit

Coagulant Metering Pump Control Panel

- NEMA 4X, wall mounted complete with Drives, Digital Speed Display, Selector Switches, Status Lights, 120 VAC Surge Protector, Circuit Breakers, Terminal Strips, Misc. Wire and Panduit

**D. Instrumentation**

Process Instrumentation

- Raw water high range surface scatter turbidimeter
- Settled water low range surface scatter turbidimeter(s)
- Raw water pH meter, before coagulant addition
- Coagulated water pH meter, after coagulant addition

**E. Spare Parts**

- |   |       |
|---|-------|
| • Coagulation/Injection tank bearings and seals | 1 set |
| • Maturation tank bearings and seals            | 1 set |
| • Apexes (one per duty hydrocyclone)            | 1     |
| • V-belts (one per duty pump)                   | 1     |
| • Microsand pump mechanical seal                | 1     |



## Optional Equipment

USFilter/Kruger can optionally supply the following equipment for the proposed design.

### SCADA System

- USFilter/Kruger is capable of providing full-service integration including Supervisory Control And Data Acquisition (SCADA) system, Remote Telemetry Units (RDUs), and custom integration of existing control systems. SCADA systems are custom designed and built based on engineer and owner/operator input to include control and monitoring of any and all new and existing operations for a given plant.

**ATTACHMENT I**

**General Terms and Conditions of Sale**

**U.S. Filter/I. Kruger, Inc.**  
**General Terms and Conditions of Sale**

1. **Equipment Sale.** U.S. Filter/I. Kruger, Inc. ("USF") offers to sell to Customer the equipment, including installation and/or startup services, if any, described in USF's Proposal (collectively, the "Equipment"), subject to the terms and conditions set forth herein. This offer is conditioned upon Customer's assent to the exclusive applicability of these terms and conditions. No additional, different or inconsistent terms set forth in any purchase order or other document of Customer shall be binding on USF, unless otherwise expressly agreed to in a writing signed by USF.

2. **Payment.** Customer shall pay to USF the full purchase price for the Equipment in the amount and subject to the payment terms set forth in USF's Proposal. All amounts referred to herein are denominated and shall be paid in U.S. Dollars. Unless otherwise stated in USF's Proposal, prices are F.O.B. shipping point and payment terms are net thirty (30) days from date of USF's invoice. Payments received after the due date shall bear interest at the rate of 1-1/2% (or the highest rate permitted by law, if less) for each month or portion of a month until paid. Customer shall reimburse USF for all costs, including reasonable attorneys' fees, incurred by USF to enforce Customer's payment obligations.

3. **Security Interest.** Customer grants USF a security interest in Customer's Interest (if any) in the Equipment (and any attachments, additions or improvements and proceeds) to secure Customer's payment obligations hereunder, whenever arising. Customer shall execute financing statements and take all other acts requested by USF to perfect, maintain and evidence such security interest.

4. **Taxes, Customs and Charges Unless Otherwise Specified in USF's Proposal.** Customer shall pay for all sales, use, value-added and other taxes, levies, duties and tariffs, permit or license fees or other governmental charges relating to or incurred in connection with USF's performance hereunder or imposed on the manufacture, storage, sale, transportation, import, export, delivery, use or consumption of the Equipment. Despite the foregoing if USF is required, due to Customer's failure or otherwise, to make any such payments, Customer shall immediately reimburse USF therefor.

5. **Shipment and Delivery.** Delivery of the Equipment shall be made in material compliance with the schedule set forth in USF's Proposal. Unless otherwise specified in USF's Proposal, USF shall pack, crate, label and ship the Equipment in accordance with its customary methods. Delivery of each item of equipment included in the Equipment shall be complete upon tender of the Equipment to the carrier, F.O.B. shipping point, whereupon title and risk of loss of the Equipment shall pass to Customer. Unless specified otherwise in USF's Proposal, Customer shall be solely responsible for unloading, storing, assembling and installing the Equipment.

6. **Ownership of Design Materials.** All manufacturing devices, drawings, specifications, designs, plans, computer programs and other documents, information or data prepared by USF in connection with its performance hereunder, and all related intellectual property rights, shall be USF's property. USF hereby grants to Customer a non-exclusive, non-transferable license for Customer to use any such information for Customer's use, maintenance or repair of the Equipment. In no case shall Customer provide such information to third parties without USF's prior written consent.

7. **Changes in the Scope of the Work.** No change in the scope of the work set forth in USF's Proposal shall be implemented unless Customer and USF agree in a writing signed by both parties as to the nature of the change and its price and schedule impact.

8. **Waiver of Claims.** Notwithstanding anything else herein, USF and Customer waive all claims against each other (and against each other's affiliates, (sub) contractors, vendors, employees, agents and representatives) for loss or damage to any of their respective property.

9. **Warranty.** (a) USF warrants to Customer that the Equipment will conform to the specifications or description set forth in USF's Proposal and will be free from defects in material and workmanship for a period of twelve (12) months after installation or eighteen (18) months after final shipment, whichever is shorter (the "Warranty Period"). The foregoing warranties are conditioned upon Customer's (a) giving USF notice of the defect within thirty (30) days after Customer discovers or should have discovered such defect and, in any event, within thirty (30) days after the end of the Warranty Period, and (b) keeping adequate records to establish it has operated and maintained the Equipment in accordance with USF's instructions and has not undertaken any repair or alteration of the Equipment without USF's consent, and (c) not being in default of any payment obligation to USF. The foregoing warranties shall not apply to normal wear and tear, decomposition by chemical action, wear caused by the presence of abrasive materials or damages caused in transit or by misuse, neglect, accident, improper installation, negligence or abuse or by abnormal conditions of temperature, moisture or dirt. THE WARRANTIES SET FORTH IN THIS SECTION ARE USF'S SOLE AND EXCLUSIVE WARRANTIES. USF MAKES NO OTHER WARRANTIES OF ANY KIND WHATSOEVER, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION ANY WARRANTY OF MERCHANTABILITY

OR FITNESS FOR A PARTICULAR PURPOSE OR WARRANTIES ARISING BY CUSTOM, TRADE USAGE, PROMISE, EXAMPLE OR DESCRIPTION.

(b) Within a reasonable period after receipt of timely notice of a breach of the foregoing warranty, USF shall, at its sole option, either (i) repair or replace such defective Equipment or (ii) refund the amount paid for the defective Equipment (or issue a credit for any such unpaid amount). The foregoing shall be Customer's sole remedy for breach of warranty. If USF determines any claimed defect is not covered by the foregoing warranty, Customer shall pay USF the customary charges of USF then in effect for any repair or replacement effected by USF.

**10. Backcharges.** Without exception, USF will not be responsible for any backcharges unless a written request is submitted to, and approved in writing by, USF prior to work being performed or any cost being incurred. Any such request must be submitted at least three (3) working days before such approval is required to permit USF to conduct a site visit or such other investigation as it may deem appropriate.

**11. Indemnification.** (a) USF shall release, hold harmless, indemnify and defend Customer from and against any liability, claim or cause of action incurred by Customer as a result of third party claims for personal injury or damage to tangible property, if caused solely by the negligence of USF or any of its employees, subcontractors or suppliers in the performance of USF's obligations hereunder.

(b) USF shall release, hold harmless, indemnify and defend Customer from and against all judgments, decrees and reasonable costs resulting from any apparatus claims of U.S. patents issued at the time of this offer, provided such infringement is based exclusively on products designed and manufactured by USF. In satisfaction of such obligation, USF may, at its option and expense, (i) modify or replace all of the infringing part of the Equipment so that it is no longer infringing, (ii) procure for the Customer the right to continue using the Equipment, or (iii) remove the Equipment and refund the purchase price to the Customer.

(c) Customer shall release, hold harmless, indemnify and defend USF from and against any liability, claim or cause of action relating to (i) the design of the Equipment or any containers in which it is shipped, to the extent made pursuant to Customer's design or specifications, (ii) the environmental and other conditions of Customer's premises, or (iii) Customer's negligence or breach of its obligations hereunder.

(d) Any claim for indemnification under this Section 11 shall be subject to the following: (i) claim therefor must be made within thirty (30) days after the end of the Warranty Period; (ii) the claimant must provide reasonable cooperation in the defense thereof; and (iii) the indemnifying party shall have sole authority for the direction of the defense and the negotiation of any compromise or settlement; provided that the claimant may monitor such matters through counsel of its choice at its own expense. The provisions of this Section 11 shall survive termination of this agreement.

**12. Force Majeure.** A "Force Majeure Event" shall mean any event, condition or circumstance which is beyond USF's reasonable control, including without limitation, acts of God, casualties, epidemics, civil disturbances, war, riots, sabotage, accidents, thefts, changes in law or other acts of governmental authorities, strikes, or other labor shortages or disturbances, unavailability or excessive cost of materials, discovery of any concealed or unknown physical condition or substance at Customer's facility or acts or omissions of Customer or its employees, (sub)contractors, or other person for whom Customer may be liable. USF shall be entitled to a schedule adjustment upon the occurrence of a Force Majeure Event. USF shall be entitled to a purchase price adjustment upon the occurrence of a Force Majeure Event only if its direct costs are increased as a result of such Force Majeure Event, and USF is able to document such increase.

**13. Dispute Resolution.** USF and Customer shall negotiate in good faith to resolve any dispute relating hereto. Failing such efforts, the dispute shall be finally settled by binding arbitration in North Carolina pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The arbitration panel shall consist of three individuals experienced in the discipline that is the subject of the dispute and shall be jointly selected by USF and Customer. If the parties are unable to agree upon the arbitrators within twenty (20) days, then each party shall select one arbitrator and those arbitrators shall select a third arbitrator. The decision of a majority of the arbitrators shall be the decision of the panel. Judgment may be entered upon the arbitrators' decision in any court of competent jurisdiction. The prevailing party in any arbitration shall be reimbursed by the other party for all costs, expenses and charges, including without limitation reasonable attorneys' fees, incurred by the prevailing party in connection with the arbitration.

**14. Special Terms.** Attachment I contains special terms, if any, which are hereby incorporated into this agreement.

**15. Confidential Treatment of Information.** All information contained in USF's Proposal regarding the Equipment, process design and the price thereof is submitted without cost to Customer but with the understanding that such

information is for the sole use of Customer and that Customer will not disclose it to anyone outside its own organization and will use its best efforts to see that no one to whom such information is so disclosed shall disclose the same to anyone outside Customer's organization.

16. **Cancellation.** In the event of cancellation, Customer shall compensate USF on a percentage completion basis for all work performed up to the date of cancellation, unless cancellation is due to default by USF.

17. **Limitation of Liability.** (a) Notwithstanding anything to the contrary herein, the aggregate liability of USF, including without limitation for or with respect to USF's affiliates, contractors, suppliers, employees, agents or representatives, arising out of or in connection with this agreement or the sale or use of the Equipment, including without limitation claims for indemnification, and whether based on contract, strict liability, negligence or other tort, pollution, disease or otherwise, shall not exceed an amount equal to the contract price.

(b) Notwithstanding anything to the contrary herein, in no event shall USF be liable for consequential, incidental, indirect, special, exemplary or punitive damages of any kind, including without limitation for loss of profits, revenues or product, or loss of use of any property (whether by shutdown, operation at less than capacity or otherwise), regardless of whether any of the foregoing damages arise directly or indirectly through an indemnification or contribution obligation and whether arising out of breach of contract or warranty, tort, product liability, strict liability or any other legal theory.

18. **Notice.** All notices required hereunder shall be in writing and shall be deemed properly served if delivered in person or if sent by registered or certified mail, with postage prepaid and return receipt requested, to the following addresses: If to USF/ I. Kruger, Inc.: 401 Harrison Oaks Blvd, Cary, NC 27513; If to \_\_\_\_\_ Customer: \_\_\_\_\_. All notices shall be deemed received on the date of delivery, or attempted delivery. If delivered in person, or if mailed, on the date which is two (2) days after the date such notice is deposited in the mail.

19. **Severability.** In case any provision hereof is held to be invalid, illegal or unenforceable, (a) such provision shall be limited or excluded only to the extent necessary to make it valid, legal and enforceable, and (b) the validity, legality and enforceability of the remaining provisions shall not be affected.

20. **General Provisions.** The agreement contained herein may not be cancelled or amended except by mutual written agreement of USF and Customer. No course of dealing or failure to strictly enforce any term shall be construed as a waiver thereof. Waiver of any term shall not constitute a waiver of any other term or a continuing waiver. This agreement shall be binding on the parties' respective successors and assigns; provided that Customer may not assign, delegate or permit any other transfer of this agreement without USF's prior written consent. This agreement shall be governed by and construed in accordance with the laws of the State of North Carolina, without regard to its conflict of laws provisions. This agreement, including Attachment I, represents the entire agreement between the parties with respect to the subject matter hereof, and supercedes all previous oral and written negotiations, representations, agreements or other communications.

9-K



801 Corporate Drive  
Lexington, KY 40503  
Tel 859 / 223-3999  
Fax 859 / 223-8917

Engineering  
Architecture  
Planning  
GIS  
Aviation Consultants

Arlington, TX  
Cincinnati, OH  
Indianapolis, IN  
Louisville, KY  
Nashville, TN

GRW Engineers, Inc.

September 24, 2001

Mr. Phillippe Topalian, PhD.  
Product Manager, Actiflo Systems  
U.S. Filter/Kruger  
401 Harrison Oaks Boulevard  
Suite 100  
Cary, NC 27513

Re: Water Treatment Plant Expansion  
City of Versailles, Kentucky  
GRW Project No. 2710

Dear Mr. Topalian:

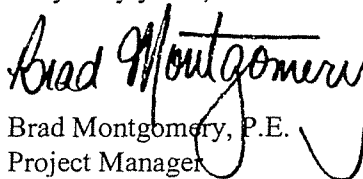
The purpose of this correspondence is to notify you that, by their correspondence dated September 20, 2001, the City of Versailles, KY has, in general principle, accepted the proposal, dated August 28, 2001, of U.S. Filter/Kruger for the provision of the Actiflo process for coagulation, flocculation and sedimentation for their water treatment plant expansion. Please note that this acceptance is subject to the City's compliance with all applicable procurement codes for sole source purchases. It is also subject to modifications being made to the original proposal during the final design of the project. It is our intention that these details will be addressed as the project proceeds.

Therefore, we hereby request that U.S. Filter/Kruger immediately begin the preparation of detailed design information for the project as necessary to provide the necessary drawings, specifications, etc. for the development of the contract plans and specifications. Your expedience in the preparation of this information will be greatly appreciated.

By preparing this correspondence, GRW Engineers, Inc. is acting, in good faith, as an agent of the City of Versailles for the design of this project. We have no legal authorization to make purchases or commit funds on behalf of the City.

We look forward to working with U.S. Filter/Kruger on this very exciting project. Should you have any questions or comments, please do not hesitate to contact me.

Very truly yours,

  
Brad Montgomery, P.E.  
Project Manager

DBM

cc: Mr. Bart Miller  
Mr. Bruce Southworth  
Mr. Jason Walton





## RESPONSE #10

### REQUEST

Provide a copy of Versailles' annual audit reports for the fiscal years:

- a. 2000;
- b. 2001;
- c. 2005;
- d. 2006;
- e. 2010; and
- f. 2011

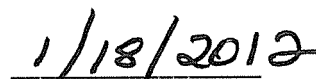
### RESPONSE

Copies of each fiscal year-end June 30 audit follows as attachments.

It is hereby certified that the foregoing response was prepared by Allison White, Versailles City Clerk, and that the response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

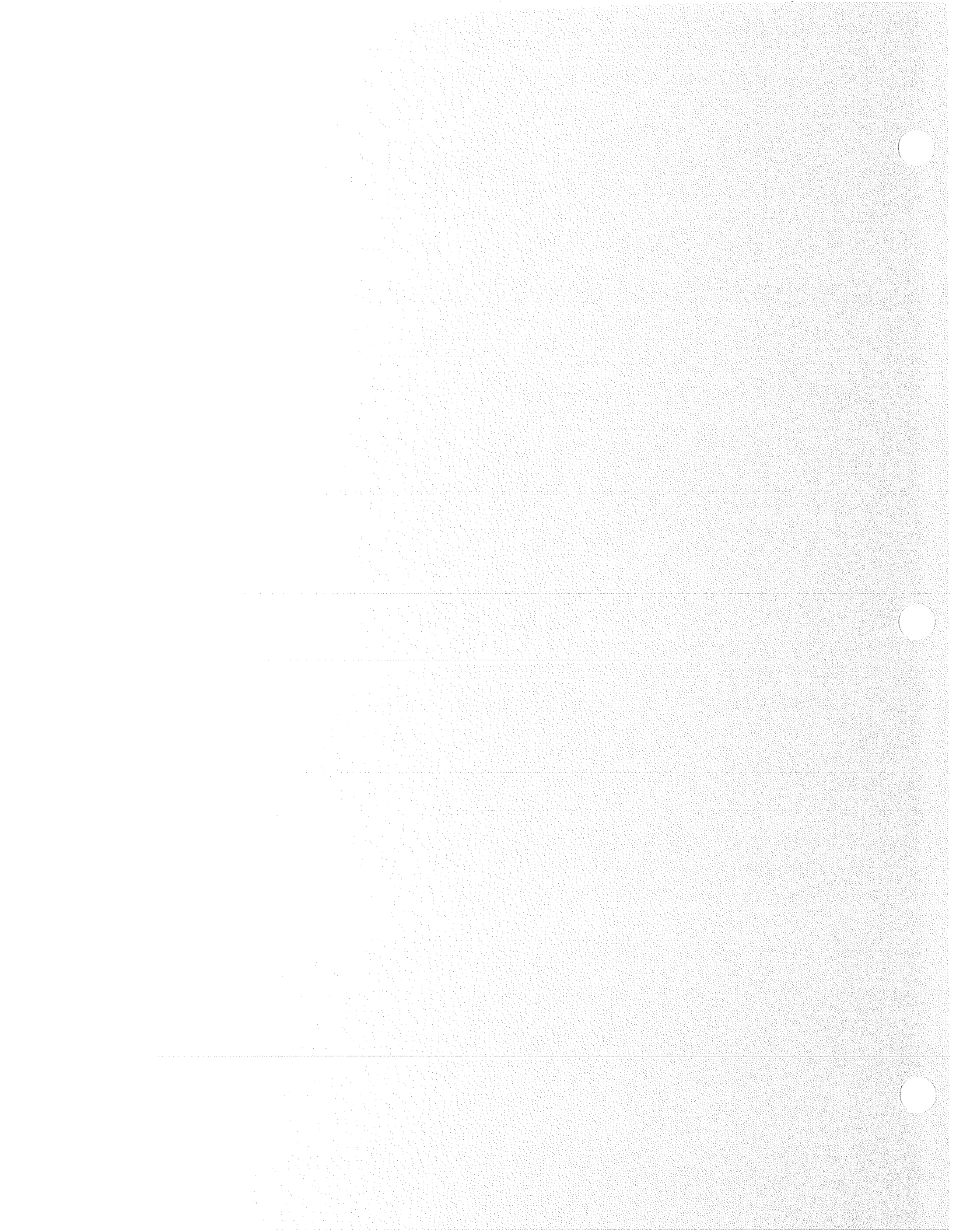


Allison White  
Versailles City Clerk



Date





**LONG & FISHER, P.S.C.**  
*Certified Public Accountants  
Consultants & Information Professionals*  
109 Fifth Street  
Richmond, Kentucky 40475-1337

G. Alan Long, CPA

Myron D. Fisher, CPA

INDEPENDENT AUDITORS' REPORT

To The Honorable Mayor and City Council  
City of Versailles, Kentucky

We have audited the accompanying general purpose financial statements of the City of Versailles, Kentucky, as of and for the year ended June 30, 2000. These general purpose financial statements are the responsibility of the City of Versailles, Kentucky's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred above present fairly, in all material respects, the financial position of the City of Versailles, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Versailles, Kentucky. Such information has been subject to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and account groups taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 6, 2000 on our consideration of the City of Versailles, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with this *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Long + Fisher, P.S.C.*

Long & Fisher, P.S.C.  
December 6, 2000



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals
Enterprise Fund	Expendable Trust Fund	General Fixed Assets	General Long-Term Debt	(Memorandum Only) June 30, 2000
\$ 116,415	\$ -	\$ -	\$ -	\$ 303,883
760,000	422,534	-	-	4,435,053
431,409	-	-	-	447,728
-	-	-	-	5,877
-	-	-	-	2,158,987
6,897	-	-	-	6,897
-	-	-	-	-
997,957	-	-	-	997,957
14,504	-	-	-	14,504
8,367,307	-	-	-	8,367,307
(2,924,787)	-	-	-	(2,924,787)
9,079,581	-	-	-	9,079,581
(2,724,561)	-	-	-	(2,724,561)
399,652	-	-	-	399,652
(216,362)	-	-	-	(216,362)
388,569	-	-	-	388,569
(50,785)	-	-	-	(50,785)
-	-	3,094,647	-	3,094,647
236,309	-	-	-	236,309
72,266	-	-	-	72,266
-	-	-	106.302	106,302
<u>\$ 14,954,371</u>	<u>\$ 422,534</u>	<u>\$ 3,094,647</u>	<u>\$ 106,302</u>	<u>\$ 24,199,024</u>



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals
Enterprise Fund	Expendable Trust Fund	General Fixed Assets	General Long-Term Debt	(Memorandum Only) June 30, 2000
\$ 41,765	\$ -	\$ -	\$ -	\$ 41,765
39,864	-	-	-	236,911
7,664	-	-	-	32,706
43,589	-	-	46,302	125,540
3,775	-	-	-	3,775
238,821	-	-	-	238,821
90,778	-	-	-	90,778
2,158,987	-	-	-	2,158,987
2,502,192	-	-	-	2,502,192
-	-	-	-	10,872
-	-	-	60,000	60,000
<u>5,127,435</u>	<u>-</u>	<u>-</u>	<u>106,302</u>	<u>5,502,347</u>
566,193	-	-	-	566,193
9,260,743	-	-	-	9,260,743
-	422,534	-	-	5,775,094
-	-	3,094,647	-	3,094,647
<u>9,826,936</u>	<u>422,534</u>	<u>3,094,647</u>	<u>-</u>	<u>18,696,677</u>
<u>\$ 14,954,371</u>	<u>\$ 422,534</u>	<u>\$ 3,094,647</u>	<u>\$ 106,302</u>	<u>\$ 24,199,024</u>



CITY OF VERSAILLES, KENTUCKY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES  
 AND EXPENDABLE TRUST FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Governmental Fund Types		Fiduciary Fund Type	Totals
	General	Special Revenue	Expensible Trust Fund	(Memorandum Only) June 30, 2000
Revenues:				
Taxes	\$ 215,950	\$ -	\$ -	\$ 215,950
Licenses and permits	3,351,002	-	-	3,351,002
Intergovernmental revenues	117,911	119,986	-	237,897
Charges for services	3,474	-	-	3,474
Interest income	206,087	13,313	40,854	260,254
Miscellaneous revenue	10,401	-	18,000	28,401
Sale of assets	2,816	-	(14,396)	(11,580)
Rental income	4,600	-	-	4,600
<b>Total Revenues</b>	<b>3,912,241</b>	<b>133,299</b>	<b>44,458</b>	<b>4,089,998</b>
Expenditures:				
General government	1,930,699	-	113	1,930,812
Public safety	2,142,532	-	-	2,142,532
Public service	1,334,377	-	376	1,334,753
Paving & concrete	-	176,694	-	176,694
Program expenses	-	10,683	-	10,683
Interest & fiscal charges	-	-	4,143	4,143
<b>Total Expenditures</b>	<b>5,407,608</b>	<b>187,377</b>	<b>4,632</b>	<b>5,599,617</b>
Excess of Revenues Over (Under) Expenditures	(1,495,367)	(54,078)	39,826	(1,509,619)
Other Sources:				
Operating transfers in	455,738	-	-	455,738
Operating transfers out	-	-	(455,738)	(455,738)
Other financing	60,000	-	-	60,000
<b>Total Other Sources</b>	<b>515,738</b>	<b>-</b>	<b>(455,738)</b>	<b>60,000</b>
Excess of Revenues and Other Sources Over (Under) Expenditures	(979,629)	(54,078)	(415,912)	(1,449,619)
Fund Balances – July 1, 1999	6,031,489	308,476	838,446	7,178,411
Prior Period Adjustment	46,302	-	-	46,302
Fund Balances – June 30, 2000	\$ 5,098,162	\$ 254,398	\$ 422,534	\$ 5,775,094

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



Special Revenue Fund			Totals (Memorandum Only)		
Budget	Actual	Variance-Favorable (unfavorable)	Budget	Actual	Variance-Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 197,000	\$ 215,950	\$ 18,950
-	-	-	3,040,000	3,351,002	311,002
90,000	119,986	29,986	209,800	237,897	28,097
-	-	-	12,500	3,474	(9,026)
8,000	13,313	5,313	233,000	219,400	(13,600)
-	-	-	-	10,401	10,401
-	-	-	-	4,600	4,600
-	-	-	-	2,816	2,816
<u>98,000</u>	<u>133,299</u>	<u>35,299</u>	<u>3,692,300</u>	<u>4,045,540</u>	<u>353,240</u>
-	-	-	1,959,680	1,930,699	28,981
-	-	-	2,140,760	2,142,532	(1,772)
-	-	-	1,289,500	1,334,377	(44,877)
175,000	176,694	(1,694)	175,000	176,694	(1,694)
-	10,683	(10,683)	-	10,683	(10,683)
<u>175,000</u>	<u>187,377</u>	<u>(12,377)</u>	<u>5,564,940</u>	<u>5,594,985</u>	<u>(30,045)</u>
<u>(77,000)</u>	<u>(54,078)</u>	<u>22,922</u>	<u>(1,872,640)</u>	<u>(1,549,445)</u>	<u>323,195</u>
-	-	-	-	515,738	515,738
-	-	-	-	60,000	60,000
<u>(77,000)</u>	<u>(54,078)</u>	<u>22,922</u>	<u>(1,872,640)</u>	<u>(1,033,707)</u>	<u>838,933</u>
308,476	308,476	-	6,339,965	6,339,965	-
-	-	-	-	46,302	46,302
<u>\$ 231,476</u>	<u>\$ 254,398</u>	<u>\$ 22,922</u>	<u>\$ 4,467,325</u>	<u>\$ 5,352,560</u>	<u>\$ 885,235</u>

CITY OF VERSAILLES, KENTUCKY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
RETAINED EARNINGS – BUDGET AND ACTUAL – ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Budget	Actual	Variance – Favorable (Unfavorable)
Operating Revenues:			
Charges for services	\$ 2,804,200	\$ 2,772,470	\$ (31,730)
Operating Expenses:			
Salaries	765,000	679,994	85,006
Payroll taxes	59,000	47,408	11,592
Employee benefits	115,500	97,580	17,920
Advertising and printing	4,800	3,754	1,046
Professional and technical	68,000	73,818	(5,818)
Repairs and maintenance	143,800	145,851	(2,051)
Utilities	248,300	201,099	47,201
Telephone and postage	14,300	17,731	(3,431)
Insurance	86,000	74,470	11,530
Chemicals	71,000	62,279	8,721
Technical supplies	3,400	5,505	(2,105)
Uniforms	4,000	3,995	5
Motor fuel	17,500	24,317	(6,817)
Office supplies	900	8,320	(7,420)
Other materials	22,400	46,507	(24,107)
Purchase of water	120,000	150,372	(30,372)
Collection expense	10,500	10,859	(359)
Landfill expense	127,000	129,859	(2,859)
Withdrawal fee	40,000	40,864	(864)
Depreciation and amortization	392,500	433,138	(40,638)
Sludge removal	10,000	8,558	1,442
Lab analysis	-	1,129	(1,129)
201 Study	40,000	20,800	19,200
Total Operating Expenses	2,363,900	2,288,207	75,693
Operating income (loss)	440,300	484,263	43,963
Nonoperating Revenues (Expenses):			
Interest revenue	32,500	120,661	88,161
Miscellaneous revenue	1,500	20,721	19,221
Interest expense	(174,200)	(204,551)	(30,351)
Bond issue costs	-	(7,393)	(7,393)
Loss on disposal of assets	-	(28,028)	(28,028)
Excess of Nonoperating Revenues Over (Under) Expenses	(140,200)	(98,590)	41,610
Net Income	300,100	385,673	85,573
Retained Earnings, July 1, 1999	8,991,849	8,991,849	-
Prior Period Adjustment	-	449,414	449,414
Retained Earnings, June 30, 2000	\$ 9,291,949	\$ 9,826,936	\$ 534,987

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

CITY OF VERSAILLES, KENTUCKY  
 COMBINED STATEMENT OF CASH FLOWS – ENTERPRISE FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Cash Flows from Operating Activities:

Net Income	\$	385,673
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization expense		476,183
Loss on disposal of assets		28,028
(Increase) Decrease in:		
Accounts receivable		(56,233)
Accrued interest		1,528
Increase (Decrease) in:		
Accounts payable		(85,018)
Accrued liabilities		(1,415)
Compensated absences		(4,299)
Deposits		<u>3,050</u>
Net cash provided by operating activities		<u>747,497</u>

Cash Flows From Capital and Related Financing Activities:

Payment of bond principle		(228,159)
Payment on loan from general fund		(200,000)
Increase in construction in progress		<u>(236,309)</u>
Net cash used by capital and related financing activities		<u>(664,468)</u>

Cash Flows From Investing Activities:

Proceeds from sale of certificates of deposits		379,512
Purchase of property and equipment		<u>(890,752)</u>
Net cash used by investing activities		<u>(511,240)</u>
Net decrease in cash		(428,211)

Cash at Beginning of Year		<u>1,500,818</u>
Cash at End of Year	\$	<u><u>1,072,607</u></u>

Supplemental Disclosure		
Interest paid	\$	<u>204,551</u>

Reconciliation of Cash at End of Year:

Cash and cash equivalents		116,415
Restricted cash and cash equivalents		997,957
Cash overdraft		<u>(41,765)</u>

Total	\$	<u><u>1,072,607</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City operates under a council form of government and has budgetary authority over the following functional areas: public safety, public service, water and sewer, and 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.

A review of other agencies was performed in order to determine if they met the criteria as discussed above for inclusion in the City's financial statements. City management determines that no other agencies should be in the City's financial statements.

Fund Accounting

The City maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts which stands separate from the activities reported in other funds. A description along with the restrictions associated with each class of funds are as follows:

1. Governmental Fund Types

- A. The General Fund is the primary operating fund of the City. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use.
- B. The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.

2. Proprietary Fund Types

The Enterprise Fund is used to account for water, sewer, sanitation and rental activities. The Proprietary Funds apply all statements of the Financial Accounting Standards Board issued after November 30, 1989 as they relate to business enterprises unless they contradict existing Governmental Accounting Standards Board pronouncements.

3. Fiduciary Fund Type

- A. The Expendable Trust Fund is used to account for the permanent cemetery trust established by ordinance, for the purpose of funding future operation and management of the cemetery.

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

- A. General Fixed Assets Account Group
- B. General Long-Term Obligations Account Group

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

Basis of Accounting

The records of the City are maintained on the modified accrual basis of accounting. This practice is the accounting method prescribed by the Governmental Accounting Standards Board.

For financial purposes, the accounting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in retained earnings.

The governmental fund types are presented on the modified accrual basis of accounting. Using this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified basis of accounting when the related fund liability is incurred and is normally expected to be liquidated with expendable available financial resources. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid. Also, all payments made on behalf of the City by other entities are not recognized as revenues and expenditures of the City. The Proprietary Fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

Budget Basis of Accounting

The budget basis of accounting is consistent with generally accepted accounting principles. The type of budget is an appropriated budget and said budget is adopted by ordinance by the City Council. The budget is adopted on an annual basis.

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.

Fixed Assets

Fixed assets utilized in the Enterprise Fund activities are recorded at cost and depreciated over their estimated useful lives using the straight-line method.

General fixed assets are recorded as expenditures in the General Fund at the time of purchase. In the past, the City did not maintain a General Fixed Assets group of accounts. Beginning with the fiscal year, July 1, 1985-June 30, 1986, a General Fixed Assets Group was established in order to comply with generally accepted accounting principles.

Investments in fixed assets, prior to June 30, 1986, are shown as one lump sum. Valuations of fixed assets required before July 1, 1985 are based on estimated cost. General fixed assets acquired on or after July 1, 1985 are recorded at actual cost.

Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized along with other general fixed assets.

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

Accounts Receivable - Enterprise Fund

The Water and Sewer accounts receivable are for services to customers. If a customer fails to pay within 25 days after the prior month's bill, their service is terminated and their deposit is applied to the unpaid bill. Any unpaid balance after applying the deposit is fully reserved and carried on the books for a period of five years.

Total Columns

Total columns on the financial statements are indicated as "Memorandum Only", as data in these columns do not present financial positions, results of operations, or changes in fund balance in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 – ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general-purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 – CASH AND INVESTMENTS

The City maintains their cash and investments with various local banks and Kentucky Trust Company. Federal Depository Insurance covers all of the account balances at the local banks. Investments are in accordance with KRS 66.480(1).

Cash and cash equivalents consist of direct deposit accounts and money market mutual funds. At June 30, 2000 the carrying amount of cash and cash equivalents was \$1,260,075 and the bank balance was \$1,327,686. The money market fund invests solely in obligations of the United States and its agencies and instrumentalities.

Investments consist of certificate of deposits. The certificate of deposits were covered by Federal Depository Insurance. The carrying amount of the investments at June 30, 2000 was \$4,449,557 and the market value of the investments at June 30, 2000 was \$4,449,557.

At June 30, 2000 the City's cash balances and deposits were fully insured and collateralized.

NOTE 4 – GENERAL LONG-TERM DEBT

During the year ended June 30, 2000 the City incurred \$60,000 of debt related to the purchase of Rose Crest Cemetery. The debt will be paid in two installments of \$30,000 each at June 30, 2001 and 2002. The City will owe interest at a rate of 7% per annum.



CITY OF VERSAILLES, KENTUCKY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 5 - BONDS PAYABLE

At June 30, 2000, the Enterprise Fund had the following bonds payable outstanding:

<u>Description</u>	<u>Series</u>	<u>Amount</u>
Revenue bonds	1996	\$ 595,000
Revenue bonds	1999	2,495,000
Kentucky Pollution Abatement Authority	1973	<u>43,723</u>
Total payable at par		3,133,723
Less: unamortized defeasance costs		<u>(392,711)</u>
		2,741,012
Less: current portion payable from restricted assets		<u>(238,821)</u>
Total long-term portion		<u>\$ 2,502,191</u>

A schedule of the required principal payments on the aforementioned bonds payable follows:

<u>Year Ended</u> <u>June 30</u>	
2001	\$ 238,821
2002	249,551
2003	260,351
2004	255,000
2005	270,000
Thereafter	<u>1,860,000</u>
Total	<u>\$ 3,133,723</u>

Principal payments on all of the outstanding Water and Sewer Revenue Bonds, 1996 and 1999 are payable on December 1 of each year and interest is payable on December 1 and June 1. The KPAA Bond interest is payable December 1 and June 1, with the annual principal payment due June 1.

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-fifth of the next interest payment and one-tenth of the next principal payment.

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.

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 nonrestricted. 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.

All the above requirements were satisfied for the year ended June 30, 2000.

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 5 – BONDS PAYABLE (CONTINUED)

Water and Sewer Depreciation Account

Monthly deposits of not less than 10% of the fund 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.

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.

NOTE 6 - DEFINED BENEFIT PENSION PLAN

The City of Versailles full-time employees participate in the County Employee Retirement System ("System"), a multiple employer public employer retirement system. All City full-time employees are eligible to participate in the System. As of August 31, 1989, all City employees were classified under non-hazardous positions. Effective September 1, 1989, the City police officers were reclassified for retirement benefits under hazardous positions. Contribution rates and retirement benefits are different under each position. The City's required contributions (both withholding and match) for pension obligation to the system for fiscal years end June 30, 2000, 1999, and 1998 were \$428,691, \$358,589 and \$319,905, respectively.

Benefits for Members in Non-Hazardous Positions:

Employees who retire at or after age 65 with 4 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 2.0% of final compensation for each year of credited service. Final compensation is the average of the five fiscal years during which the member had the highest average monthly salary. Benefits fully vest on reaching 5 years of service. A member may elect early retirement at any time with no decrease in benefits if the member has 30 years of service credit. At least 15 years of service must be current service.

A member may choose early retirement and receive reduced benefits if he or she is age 55 or older and at least 60 months of service credit.

A member may also choose early retirement if he or she is under age 55, if he or she has at least 25 years of service, 15 of which are current service. The benefits are calculated the same as for normal retirement and are reduced 5% for each year of service credit under 30. The System also provides death and disability benefits. Benefits are established by State statute.

Covered employees are required by State statute to contribute 5.0% of their salary to the plan. The City contributed 7.28% of creditable compensation during the fiscal year ended June 30, 2000.

Benefits for Members in Hazardous Positions:

Employees who retire at or after age 55 with 5 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 2.50% of final compensation for each year of credited service. Final compensation is the average of the five fiscal years during which the member had the highest monthly salary.

CITY OF VERSAILLES, KENTUCKY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 6 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

A member may choose early retirement at any age with no decrease in benefits if the member has at least 20 years of service credit. At least 15 of the years of service must be current service.

A member may also choose early retirement if he or she is age 50 and has 15 years of service credit. The benefits are calculated the same as under normal retirement, except that the benefits are reduced depending on the member's age or years of service. The System also provides death and disability benefits. Benefits are established by State statute.

Covered employees are required by State statute to contribute 7.00% of their salary to the plan. The City contributed 17.55% of creditable compensation during the fiscal year ended June 30, 2000.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

On February 1, 2000, the City entered into an interlocal cooperation agreement with the County of Woodford, Kentucky ("County"). The City and the County have agreed to share on an equal basis the costs of construction, acquisition, installation, maintenance, operation and financing of a community recreation and fine arts complex to be situated in the City, within the County. The agreement cannot be terminated by either party so long as debt and/or interest thereon, remains outstanding and unpaid.

A possible claim exists against the City related to a street closure. The City anticipates an award against the City in the range of \$50,000 to \$100,000 if a claim is initiated. The City is attempting to negotiate a settlement before a claim is filed.

NOTE 8 - PROPERTY TAX CALENDAR

Property taxes are a significant portion of the General Fund revenues. The property tax calendar is as follows:

Levy Date	- January 1
Collection Date	- October 1
Due Date	- October 31
Lien Date	- January 1 of year following Levy Date

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

Interfund Receivables and Payables as of June 30, 2000 are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 2,158,987	\$ -
Enterprise Fund	<u>-</u>	<u>2,158,987</u>
	<u>\$ 2,158,987</u>	<u>\$ 2,158,987</u>

NOTE 10 - SUMMARY OF FIXED ASSETS

General Fixed Assets

Land	\$ 1,257,188
Buildings	1,795,616
Vehicles	1,395,781
Equipment	1,000,805
Less - Accumulated Depreciation	<u>(2,354,743)</u>
Net General Fixed Assets	<u>\$ 3,094,647</u>

CITY OF VERSAILLES, KENTUCKY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 10 - SUMMARY OF FIXED ASSETS (CONTINUED)

<u>Proprietary Fund Fixed Assets</u>	<u>Enterprise Fund</u>
Land and improvements	\$ 188,142
Water and sewer system	16,047,072
Buildings	1,088,026
Equipment	911,870
Less - Accumulated Depreciation	<u>(5,916,496)</u>
Net Property, Plant and Equipment	<u>\$ 12,318,614</u>

NOTE 11 – 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.

NOTE 12 – PRIOR PERIOD ADJUSTMENTS

General Fund

The beginning fund balance of the General Fund was increased due to an adjustment related to compensated absences.

Enterprise Fund

The beginning fund balance of the Enterprise Fund was increased due to an adjustment related to unamortized bond defeasance costs.

NOTE 13 – CONCENTRATIONS

The City has a concentration of revenue for occupational tax, water charges and sewer charges. Six industrial companies generated approximately sixty-five percent of the City's occupational tax revenue. Approximately, five users paid forty-three percent of the City's water revenue. Approximately, three users paid twenty-seven percent of the City's sewer. This information was for the year ended June 30, 2000.

CITY OF VERSAILLES, KENTUCKY  
 COMBINING BALANCE SHEET  
 ENTERPRISE FUND COMPONENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Water, Sewer and Sanitation	Rental	Total Enterprise Fund Components
<u>ASSETS</u>			
Cash and cash equivalents	\$ -	\$ 116,415	\$ 116,415
Investments, at cost	760,000	-	760,000
Accounts receivable	431,409	-	431,409
Inventory	6,897	-	6,897
Restricted assets:			
Cash and cash equivalents	997,957	-	997,957
Investments, at cost	14,504	-	14,504
Property and equipment	17,846,540	388,569	18,235,109
Accumulated depreciation	(5,865,710)	(50,785)	(5,916,495)
Construction in progress	236,309	-	236,309
Bond issue costs, net	72,266	-	72,266
	<u>14,500,172</u>	<u>454,199</u>	<u>14,954,371</u>
Total Assets	<u>\$ 14,500,172</u>	<u>\$ 454,199</u>	<u>\$ 14,954,371</u>
<u>LIABILITIES AND RETAINED EARNINGS</u>			
<u>LIABILITIES</u>			
Cash overdraft	\$ 41,765	\$ -	\$ 41,765
Accounts payable	39,467	397	39,864
Accrued liabilities	7,664	-	7,664
Compensated absences	43,589	-	43,589
Payable from restricted assets:			
Fiscal agent	3,775	-	3,775
Bonds payable	238,821	-	238,821
Deposits	90,778	-	90,778
Due to other funds	1,770,418	388,569	2,158,987
Revenue bonds payable	2,502,192	-	2,502,192
	<u>4,738,469</u>	<u>388,966</u>	<u>5,127,435</u>
Total Liabilities	<u>4,738,469</u>	<u>388,966</u>	<u>5,127,435</u>
<u>RETAINED EARNINGS</u>			
Retained earnings:			
Reserved for revenue bond retirement	566,193	-	566,193
Unreserved	9,195,510	65,233	9,260,743
	<u>9,761,703</u>	<u>65,233</u>	<u>9,826,936</u>
Total Retained Earnings	<u>9,761,703</u>	<u>65,233</u>	<u>9,826,936</u>
Total Liabilities and Retained Earnings	<u>\$ 14,500,172</u>	<u>\$ 454,199</u>	<u>\$ 14,954,371</u>

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

CITY OF VERSAILLES, KENTUCKY  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
 RETAINED EARNINGS – ENTERPRISE FUND COMPONENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<u>Water, Sewer and Sanitation</u>	<u>Rental</u>	<u>Total Enterprise Fund Components</u>
Operating Revenues:			
Charges for services	\$ 2,731,770	\$ 40,700	\$ 2,772,470
Operating Expenses:			
Salaries	679,994	-	679,994
Payroll taxes	47,408	-	47,408
Employee benefits	97,580	-	97,580
Advertising and printing	3,754	-	3,754
Professional and technical	73,818	-	73,818
Repairs and maintenance	137,466	8,385	145,851
Utilities	198,100	2,999	201,099
Telephone and postage	17,731	-	17,731
Insurance	73,943	527	74,470
Chemicals	62,279	-	62,279
Technical supplies	5,505	-	5,505
Uniforms	3,995	-	3,995
Motor fuel	24,317	-	24,317
Office supplies	8,320	-	8,320
Other materials	46,413	94	46,507
Purchase of water	150,372	-	150,372
Collection expense	10,859	-	10,859
Landfill expense	129,859	-	129,859
Withdrawal fee	40,864	-	40,864
Sludge removal	8,558	-	8,558
Depreciation and amortization	421,852	11,286	433,138
Lab analysis	1,129	-	1,129
201 study	20,800	-	20,800
Total Operating Expenses	<u>2,264,916</u>	<u>23,291</u>	<u>2,288,207</u>
Operating income (loss)	<u>466,854</u>	<u>17,409</u>	<u>484,263</u>
Nonoperating Revenues (Expenses):			
Interest revenue	116,278	4,383	120,661
Miscellaneous revenue	20,721	-	20,721
Interest expense	(204,551)	-	(204,551)
Bond issue costs	(7,393)	-	(7,393)
Loss on disposal of assets	<u>(28,028)</u>	<u>-</u>	<u>(28,028)</u>
Excess of Nonoperating Revenues Over (Under) Expenses	<u>(102,973)</u>	<u>4,383</u>	<u>(98,590)</u>
Net Income	<u>363,881</u>	<u>21,792</u>	<u>385,673</u>
Retained Earnings, July 1, 1999	8,948,408	43,441	8,991,849
Prior Period Adjustment	<u>449,414</u>	<u>-</u>	<u>449,414</u>
Retained Earnings, June 30, 2000	<u>\$ 9,761,703</u>	<u>\$ 65,233</u>	<u>\$ 9,826,936</u>

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

CITY OF VERSAILLES, KENTUCKY  
 COMBINING BALANCE SHEET  
 SPECIAL REVENUE COMPONENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<u>Road Account</u>	<u>Federal Grant</u>	<u>Total Special Revenue Components</u>
<u>Assets</u>			
Cash	\$ 104,161	\$ 237	\$ 104,398
Investments, at cost	<u>150,000</u>	<u>-</u>	<u>150,000</u>
 Total Assets	 <u>\$ 254,161</u>	 <u>\$ 237</u>	 <u>\$ 254,398</u>
<u>Fund Equity</u>			
Fund Balances: Unreserved	 <u>\$ 254,161</u>	 <u>\$ 237</u>	 <u>\$ 254,398</u>
 Total fund equity	 <u>\$ 254,161</u>	 <u>\$ 237</u>	 <u>\$ 254,398</u>

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

CITY OF VERSAILLES, KENTUCKY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 SPECIAL REVENUE COMPONENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<u>Road Account</u>	<u>Federal Grant</u>	<u>Total Special Revenue Components</u>
Revenues:			
Intergovernmental revenues	\$ 118,944	\$ 1,042	\$ 119,986
Interest income	<u>13,181</u>	<u>132</u>	<u>13,313</u>
Total revenues	<u>132,125</u>	<u>1,174</u>	<u>133,299</u>
Expenditures:			
Paving & concrete	176,694	-	176,694
Program expenses	<u>-</u>	<u>10,683</u>	<u>10,683</u>
Total expenditures	<u>176,694</u>	<u>10,683</u>	<u>187,377</u>
Excess of revenues over (under) expenditures	(44,569)	(9,509)	(54,078)
Fund Balances -- July 1, 1999	<u>298,730</u>	<u>9,746</u>	<u>308,476</u>
Fund Balances -- June 30, 2000	<u>\$ 254,161</u>	<u>\$ 237</u>	<u>\$ 254,398</u>

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



CITY OF VERSAILLES, KENTUCKY  
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Balance – July 1, 1999	\$ 2,481,272
Current year additions	950,169
Current year deletions (net of depreciation)	(43,842)
Current year depreciation	<u>(292,952)</u>
Balance -- June 30, 2000	<u>\$ 3,094,647</u>

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

CITY OF VERSAILLES, KENTUCKY  
 STATEMENT OF CHANGES IN GENERAL LONG-TERM DEBT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<u>Balance</u> <u>July 1, 1999</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2000</u>
Compensated absences	\$ -	\$ 46,302	\$ -	\$ 46,302
Note payable-Roscrest Cemetery	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>60,000</u>
Total general long-term debt	<u>\$ -</u>	<u>\$ 106,302</u>	<u>\$ -</u>	<u>\$ 106,302</u>

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

CITY OF VERSAILLES, KENTUCKY  
GENERAL FUND  
SCHEDULE OF REVENUES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Budget	Actual	Variance - Favorable (Unfavorable)
Taxes			
Property and bank shares taxes	\$ 193,000	\$ 215,230	\$ 22,230
Franchise taxes	4,000	720	(3,280)
	197,000	215,950	18,950
Licenses and permits			
Payroll taxes	2,000,000	2,103,631	103,631
Net profits license fees	200,000	231,668	31,668
Occupational license fee	15,000	20,433	5,433
Insurance license fees	700,000	870,249	170,249
Utility franchise fees	125,000	125,021	21
	3,040,000	3,351,002	311,002
Intergovernmental revenues:			
Net court revenue	17,700	17,736	36
Reimbursement for radio operator	13,600	13,600	-
Fire department state grant	7,500	7,500	-
Local economic assistance account	-	1,285	1,285
Other	81,000	77,790	(3,210)
	119,800	117,911	(1,889)
Charges for services:			
Cemetery interments	10,500	524	(9,976)
Cemetery foundation installation	2,000	2,051	51
Parking revenue	-	899	899
	12,500	3,474	(9,026)
Other receipts:			
Rent income	-	4,600	4,600
Interest income	225,000	206,087	(18,913)
Miscellaneous	-	10,401	10,401
Surplus equipment	-	2,816	2,816
	225,000	223,904	(1,096)
Total General Fund Revenue	\$ 3,594,300	\$ 3,912,241	\$ 317,941

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

CITY OF VERSAILLES, KENTUCKY  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
General Government			
City Council:			
Council salaries	\$ 55,795	\$ 55,795	\$ -
Council Insurance	9,500	8,000	1,500
Publications, advertising, etc.	4,500	4,860	(360)
Professional and technical fees	75,000	64,538	10,462
Repairs and maintenance – general	10,000	9,688	312
Insurance	32,000	40,058	(8,058)
Zoning	45,855	45,855	-
Civil Defense	28,025	12,709	15,316
Recreation Board	221,000	223,499	(2,499)
Ambulance Service	25,000	25,000	-
Senior Citizens	56,000	56,000	-
Municipal Housing	1,500	825	675
W.C. Assoc. for Retarded Citizens	7,000	7,000	-
Senior Citizens Day Care Center	8,000	8,000	-
Tourism-Chamber of Commerce	12,000	12,000	-
Literacy Council	5,500	5,500	-
14 <sup>th</sup> Judicial Public Defender	4,000	4,000	-
W.C. Theatrical Arts Assn.	20,000	20,000	-
Woodford County Health Department	60,000	60,000	-
W.C. Comprehensive Care	6,500	-	6,500
Historical Society	13,870	13,870	-
Humane Society	20,000	20,000	-
Fireworks	7,500	18,300	(10,800)
Recreation – Special Projects	60,000	60,000	-
Woodford County Community Education	20,000	20,000	-
Woodford County Extension Council	5,000	5,000	-
YWCA – Spouse Abuse Center	2,000	2,000	-
Bluegrass Area Development District	1,950	1,950	-
GUS	1,250	1,250	-
Bluegrass Recycling	1,000	1,000	-
Recycling	50,000	36,432	13,568
Human Rights Commission	1,500	1,500	-
Nursing Home Ombudsman	2,200	2,200	-
Adult Learning Center	11,500	11,500	-
Payroll Taxes	4,300	3,887	413
LGEA	-	4,101	(4,101)
Recycling/Building	40,000	40,000	-
Recycling/Conveyor	20,000	20,000	-
Recycling/Mad-Vac	2,250	2,250	-
EPC Building-Radio Computer	30,000	33,590	(3,590)
911 Equipment	35,000	11,065	23,935
Community Recreation Facility	333,000	251,072	81,928
Woodford County Hospital District	135,000	135,000	-
Recycling Salaries	88,000	88,000	-
Woodford County Adult Education	3,000	3,000	-
Woodford County Youth Football	20,000	-	20,000
CAPP	3,000	3,000	-
Woodford County Task Force	100,000	70,063	29,937
	<u>1,698,495</u>	<u>1,523,357</u>	<u>175,138</u>

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

CITY OF VERSAILLES, KENTUCKY  
GENERAL FUND  
SCHEDULE OF EXPENDITURES (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

General Government (Continued)	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
City Hall:			
Mayor's salary	26,685	26,684	1
Office expense	2,000	2,473	(473)
Retirement	2,000	1,961	39
Insurance	2,500	2,739	(239)
Janitor's salary	6,600	6,600	-
Payroll taxes	<u>2,050</u>	<u>1,934</u>	<u>116</u>
	<u>41,835</u>	<u>42,391</u>	<u>(556)</u>
City Clerk:			
Salaries – clerk's office	\$ 130,000	\$ 134,486	\$ (4,486)
City attorney's salary	8,250	8,349	(99)
Payroll taxes	9,300	10,227	(927)
Retirement	7,000	7,702	(702)
Employee insurance	7,600	7,747	(147)
Printing, duplicating and computer service	3,700	3,420	280
Professional and technical fees	500	5,253	(4,753)
Repairs and maintenance	8,000	8,524	(524)
Telephone and postage	10,500	10,749	(249)
Insurance and bonds	1,500	1,428	72
Office supplies	5,000	19,067	(14,067)
Due and subscriptions	1,500	1,265	235
Utilities	6,000	5,904	96
Training	<u>2,000</u>	<u>2,700</u>	<u>(700)</u>
	<u>200,850</u>	<u>226,821</u>	<u>(25,971)</u>
Subtotal General Government	<u>1,941,180</u>	<u>1,792,569</u>	<u>148,611</u>
Capital Improvements:			
Office equipment	1,000	-	1,000
Computer	17,000	18,355	(1,355)
Fax machine	500	-	500
Rose Crest Cemetery	<u>-</u>	<u>119,775</u>	<u>(119,775)</u>
	<u>18,500</u>	<u>138,130</u>	<u>(119,630)</u>
Total General Government	<u>\$ 1,959,680</u>	<u>\$ 1,930,699</u>	<u>\$ 28,981</u>

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

CITY OF VERSAILLES, KENTUCKY  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
General Government			
City Council:			
Council salaries	\$ 55,795	\$ 55,795	\$ -
Council Insurance	9,500	8,000	1,500
Publications, advertising, etc.	4,500	4,860	(360)
Professional and technical fees	75,000	64,538	10,462
Repairs and maintenance – general	10,000	9,688	312
Insurance	32,000	40,058	(8,058)
Zoning	45,855	45,855	-
Civil Defense	28,025	12,709	15,316
Recreation Board	221,000	223,499	(2,499)
Ambulance Service	25,000	25,000	-
Senior Citizens	56,000	56,000	-
Municipal Housing	1,500	825	675
W.C. Assoc. for Retarded Citizens	7,000	7,000	-
Senior Citizens Day Care Center	8,000	8,000	-
Tourism-Chamber of Commerce	12,000	12,000	-
Literacy Council	5,500	5,500	-
14 <sup>th</sup> Judicial Public Defender	4,000	4,000	-
W.C. Theatrical Arts Assn.	20,000	20,000	-
Woodford County Health Department	60,000	60,000	-
W.C. Comprehensive Care	6,500	-	6,500
Historical Society	13,870	13,870	-
Humane Society	20,000	20,000	-
Fireworks	7,500	18,300	(10,800)
Recreation – Special Projects	60,000	60,000	-
Woodford County Community Education	20,000	20,000	-
Woodford County Extension Council	5,000	5,000	-
YWCA – Spouse Abuse Center	2,000	2,000	-
Bluegrass Area Development District	1,950	1,950	-
GUS	1,250	1,250	-
Bluegrass Recycling	1,000	1,000	-
Recycling	50,000	36,432	13,568
Human Rights Commission	1,500	1,500	-
Nursing Home Ombudsman	2,200	2,200	-
Adult Learning Center	11,500	11,500	-
WYSA	-	119,775	(119,775)
Payroll Taxes	4,300	3,887	413
LGEA	-	4,101	(4,101)
Recycling/Building	40,000	40,000	-
Recycling/Conveyor	20,000	20,000	-
Recycling/Mad-Vac	2,250	2,250	-
EPC Building-Radio Computer	30,000	33,590	(3,590)
911 Equipment	35,000	11,065	23,935
Community Recreation Facility	333,000	251,072	81,928
Woodford County Hospital District	135,000	135,000	-
Recycling Salaries	88,000	88,000	-
Woodford County Adult Education	3,000	3,000	-
Woodford County Youth Football	20,000	-	20,000
CAPP	3,000	3,000	-
Woodford County Task Force	100,000	70,063	29,937
	<u>1,698,495</u>	<u>1,643,132</u>	<u>55,363</u>

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

CITY OF VERSAILLES, KENTUCKY  
GENERAL FUND  
SCHEDULE OF EXPENDITURES (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

General Government (Continued)	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
City Hall:			
Mayor's salary	26,685	26,684	1
Office expense	2,000	2,473	(473)
Retirement	2,000	1,961	39
Insurance	2,500	2,739	(239)
Janitor's salary	6,600	6,600	-
Payroll taxes	<u>2,050</u>	<u>1,934</u>	<u>116</u>
	<u>41,835</u>	<u>42,391</u>	<u>(556)</u>
City Clerk:			
Salaries – clerk's office	\$ 130,000	\$ 134,486	\$ (4,486)
City attorney's salary	8,250	8,349	(99)
Payroll taxes	9,300	10,227	(927)
Retirement	7,000	7,702	(702)
Employee insurance	7,600	7,747	(147)
Printing, duplicating and computer service	3,700	3,420	280
Professional and technical fees	500	5,253	(4,753)
Repairs and maintenance	8,000	8,524	(524)
Telephone and postage	10,500	10,749	(249)
Insurance and bonds	1,500	1,428	72
Office supplies	5,000	19,067	(14,067)
Due and subscriptions	1,500	1,265	235
Utilities	6,000	5,904	96
Training	<u>2,000</u>	<u>2,700</u>	<u>(700)</u>
	<u>200,850</u>	<u>226,821</u>	<u>(25,971)</u>
Subtotal General Government	<u>1,941,180</u>	<u>1,912,344</u>	<u>28,836</u>
Capital Improvements:			
Office equipment	1,000	-	1,000
Computer	17,000	18,355	(1,355)
Fax machine	<u>500</u>	<u>-</u>	<u>500</u>
	<u>18,500</u>	<u>18,355</u>	<u>145</u>
Total General Government	<u>\$ 1,959,680</u>	<u>\$ 1,930,699</u>	<u>\$ 28,981</u>

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

CITY OF VERSAILLES, KENTUCKY  
GENERAL FUND  
SCHEDULE OF EXPENDITURES (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Public Safety			
Police Department:			
Police salaries	\$ 994,500	\$ 1,001,040	\$ (6,540)
Payroll taxes	76,100	73,054	3,046
Hazardous duty retirement	138,000	126,054	11,946
Retirement	16,500	15,185	1,315
Employee insurance	73,100	65,158	7,942
Printing and duplicating	700	897	(197)
Repairs and maintenance – general	20,000	25,748	(5,748)
Professional and technical fees	3,500	19,460	(15,960)
Repairs and maintenance – vehicles	14,000	17,920	(3,920)
Telephone, postage and radios	14,000	25,031	(11,031)
Travel expense	5,000	8,508	(3,508)
Insurance	70,000	51,668	18,332
Uniforms	12,000	11,858	142
Motor fuels	13,000	17,648	(4,648)
Office supplies	4,500	9,217	(4,717)
Technical supplies	2,000	1,058	942
Other materials and supplies	10,500	47,142	(36,642)
Utilities	11,000	9,514	1,486
Training/schools	6,000	9,086	(3,086)
Drug enforcement	1,500	-	1,500
Small equipment	7,500	890	6,610
Great program	2,500	1,916	584
Equipment maintenance contracts	-	1,941	(1,941)
Citizens Police Academy Program	-	150	(150)
	<u>1,495,900</u>	<u>1,540,143</u>	<u>(44,243)</u>
Fire Department:			
Salaries	243,500	209,967	33,533
Firemen, part-time salaries	50,000	52,758	(2,758)
Payroll taxes	22,500	19,764	2,736
Employee insurance	27,560	18,558	9,002
Retirement	1,000	830	170
Hazardous Retirement	44,200	27,545	16,655
Advertising	-	2,786	(2,786)
Repairs and maintenance – general	8,000	9,251	(1,251)
Repairs and maintenance – vehicles	8,000	9,013	(1,013)
Telephone, postage and radios	10,200	13,945	(3,745)
Insurance	13,900	15,046	(1,146)
Uniforms	6,000	6,139	(139)
Motor fuel and lubricants	3,000	5,082	(2,082)
Other material and supplies	5,000	6,025	(1,025)
Dues and subscriptions	2,000	1,017	983
Utilities	10,000	10,240	(240)
Training	6,500	7,630	(1,130)
Small equipment	8,000	10,089	(2,089)
	<u>469,360</u>	<u>425,685</u>	<u>43,675</u>
Subtotal Public Safety Operations	<u>1,965,260</u>	<u>1,965,828</u>	<u>(568)</u>

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



CITY OF VERSAILLES, KENTUCKY  
GENERAL FUND  
SCHEDULE OF EXPENDITURES (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Public Safety (Continued)			
Capital Improvements:			
Police cruisers	\$ 49,500	\$ 43,670	\$ 5,830
Computers	68,000	82,288	(14,288)
Building repairs	13,000	11,252	1,748
Video camera	22,000	16,200	5,800
Copier	8,000	7,993	7
Portable radios	4,000	4,309	(309)
Fire equipment	3,000	7,497	(4,497)
Building – Fire department	<u>8,000</u>	<u>3,495</u>	<u>4,505</u>
	<u>175,500</u>	<u>176,704</u>	<u>(1,204)</u>
Total Public Safety	<u>2,140,760</u>	<u>2,142,532</u>	<u>(1,772)</u>
Public Service			
Street Department:			
Salaries	307,000	288,887	18,113
Payroll taxes	23,500	20,735	2,765
Retirement	22,500	16,262	6,238
Employee insurance	32,000	26,557	5,443
Repairs and maintenance – general	15,000	6,828	8,172
Repairs and maintenance – vehicles	15,000	14,206	794
Technical supplies	12,000	5,774	6,226
Insurance	16,000	19,872	(3,872)
Uniforms and clothing	2,000	2,230	(230)
Motor fuels and lubricants	4,500	6,093	(1,593)
Other materials and supplies	4,000	3,414	586
Construction materials	20,000	15,754	4,246
Utilities	60,000	52,778	7,222
Street cleaning contractor	<u>22,000</u>	<u>21,600</u>	<u>400</u>
	<u>555,500</u>	<u>500,990</u>	<u>54,510</u>
Cemetery Department:			
Salaries	135,000	147,725	(12,725)
Payroll taxes	10,500	11,215	(715)
Retirement	10,000	9,116	884
Employee insurance	12,500	11,682	818
Repairs and maintenance – general	5,000	8,018	(3,018)
Repairs and maintenance – vehicles	4,000	1,593	2,407
Telephone and postage	500	671	(171)
Insurance	6,000	5,183	817
Uniforms and clothing	1,000	1,094	(94)
Motor fuel and lubricants	400	323	77
Other materials and supplies	2,400	3,487	(1,087)
Utilities	<u>1,700</u>	<u>1,534</u>	<u>166</u>
	<u>189,000</u>	<u>201,641</u>	<u>(12,641)</u>
Subtotal Public Service	<u>744,500</u>	<u>702,631</u>	<u>41,869</u>

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

CITY OF VERSAILLES, KENTUCKY  
GENERAL FUND  
SCHEDULE OF EXPENDITURES (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Public Service (Continued)			
Capital Improvements:			
Truck	\$ 22,000	\$ 21,865	\$ 135
Storm drainage repair	450,000	170,721	279,279
Property purchases	-	379,688	(379,688)
Trash cans	7,000	4,955	2,045
Stripe and stop bars contract	10,000	8,200	1,800
Christmas lights	10,000	7,767	2,233
Renovation – cemetery house	35,000	26,328	8,672
Mowers & trimmers	6,000	6,947	(947)
Computer	2,000	1,692	308
Office furniture	3,000	1,589	1,411
Landscaping	-	1,994	(1,994)
	<u>545,000</u>	<u>631,746</u>	<u>(86,746)</u>
Total Public Service	<u>1,289,500</u>	<u>1,334,377</u>	<u>(44,877)</u>
Total General Fund Expenditures	<u>\$ 5,389,940</u>	<u>\$ 5,407,608</u>	<u>\$ (17,668)</u>

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

CITY OF VERSAILLES, KENTUCKY  
 ENTERPRISE FUND – WATER, SEWER AND SANITATION  
 DETAIL OF OPERATING REVENUES – BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable Unfavorable)</u>
Penalties	\$ 15,000	\$ 15,122	\$ 122
Water services	1,463,500	1,481,539	18,039
Water sales from meter	7,000	5,422	(1,578)
Sewer charges	630,000	683,242	53,242
Sewer charges – Stonegate	93,000	95,790	2,790
Sewer sludge dumping	35,000	46,459	11,459
Turn on fees	6,000	8,940	2,940
Tap on fees	300,000	171,432	(128,568)
Garbage revenue	<u>210,000</u>	<u>223,824</u>	<u>13,824</u>
	<u>\$ 2,759,500</u>	<u>\$ 2,731,770</u>	<u>\$ (27,730)</u>

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

CITY OF VERSAILLES, KENTUCKY  
ENTERPRISE FUND – WATER, SEWER AND SANITATION  
DETAIL OF DEPARTMENTAL OPERATING EXPENSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Salaries	\$ 423,573	\$ 117,119	\$ 139,302	\$ 679,994
Payroll taxes	29,101	8,302	10,005	47,408
Employee benefits	59,686	15,387	22,507	97,580
Advertising and printing	3,754	-	-	3,754
Professional and technical fees	47,219	26,599	-	73,818
Repairs and maintenance	82,620	31,990	22,856	137,466
Utilities	137,881	56,450	3,769	198,100
Telephone and postage	16,906	633	192	17,731
Insurance	34,095	11,668	28,180	73,943
Chemicals	56,561	5,718	-	62,279
Technical supplies	4,755	750	-	5,505
Uniforms	2,117	688	1,190	3,995
Motor fuel	4,850	5,631	13,836	24,317
Office supplies	2,738	5,582	-	8,320
Other materials	45,778	-	635	46,413
Purchase of water	150,372	-	-	150,372
Collection expense	10,859	-	-	10,859
Landfill expense	-	-	129,859	129,859
Withdrawal fee	40,864	-	-	40,864
Sludge removal	8,558	-	-	8,558
Depreciation and amortization	186,386	195,936	39,530	421,852
Lab analysis	326	803	-	1,129
201 Study	-	20,800	-	20,800
Total Operating Expenses	<u>\$ 1,348,999</u>	<u>\$ 504,056</u>	<u>\$ 411,861</u>	<u>\$ 2,264,916</u>

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

CITY OF VERSAILLES, KENTUCKY  
 ENTERPRISE FUND  
 WATER AND SEWER REVENUE BOND AMORTIZATION SCHEDULE  
 SERIES OF 1996

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Payable June 1</u>	<u>Payable December 1</u>	<u>Total Principal And Interest</u>
12/1/00	4.50 %	30,000.00	-	13,857.50	43,857.50
12/1/01	4.50 %	35,000.00	13,182.50	13,182.50	61,365.00
12/1/02	4.50 %	65,000.00	12,395.00	12,395.00	89,790.00
12/1/03	4.60 %	150,000.00	10,932.50	10,932.50	171,865.00
12/1/04	4.70 %	155,000.00	7,482.50	7,482.50	169,965.00
12/1/05	4.80 %	<u>160,000.00</u>	<u>3,840.00</u>	<u>3,840.00</u>	<u>167,680.00</u>
		<u>\$595,000.00</u>	<u>\$ 47,832.50</u>	<u>\$ 61,690.00</u>	<u>\$704,522.50</u>

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

CITY OF VERSAILLES, KENTUCKY  
ENTERPRISE FUND  
WATER AND SEWER REVENUE BOND SCHEDULE  
SERIES OF 1999

<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>
2000-2001	3.500 %	195,000.00	49,258.75	45,846.25	290,105.00
2001-2002	3.600 %	200,000.00	45,846.25	42,246.25	288,092.50
2002-2003	3.700 %	180,000.00	42,246.25	38,916.25	261,162.50
2003-2004	3.800 %	105,000.00	38,916.25	36,921.25	180,837.50
2004-2005	3.900 %	115,000.00	36,921.25	34,678.75	186,600.00
2005-2006	3.950 %	120,000.00	34,678.75	32,308.75	186,987.50
2006-2007	4.000 %	290,000.00	32,308.75	26,508.75	348,817.50
2007-2008	4.000 %	300,000.00	26,508.75	20,508.75	347,017.50
2008-2009	4.100 %	315,000.00	20,508.75	14,051.25	349,560.00
2009-2010	4.125 %	330,000.00	14,051.25	7,245.00	351,296.25
2010-2011	4.200 %	345,000.00	7,245.00	-	352,245.00
		<u>\$2,495,000.00</u>	<u>\$ 348,490.00</u>	<u>\$ 299,231.25</u>	<u>\$ 3,142,721.25</u>

The accompanying notes are an integral part of these financial statements

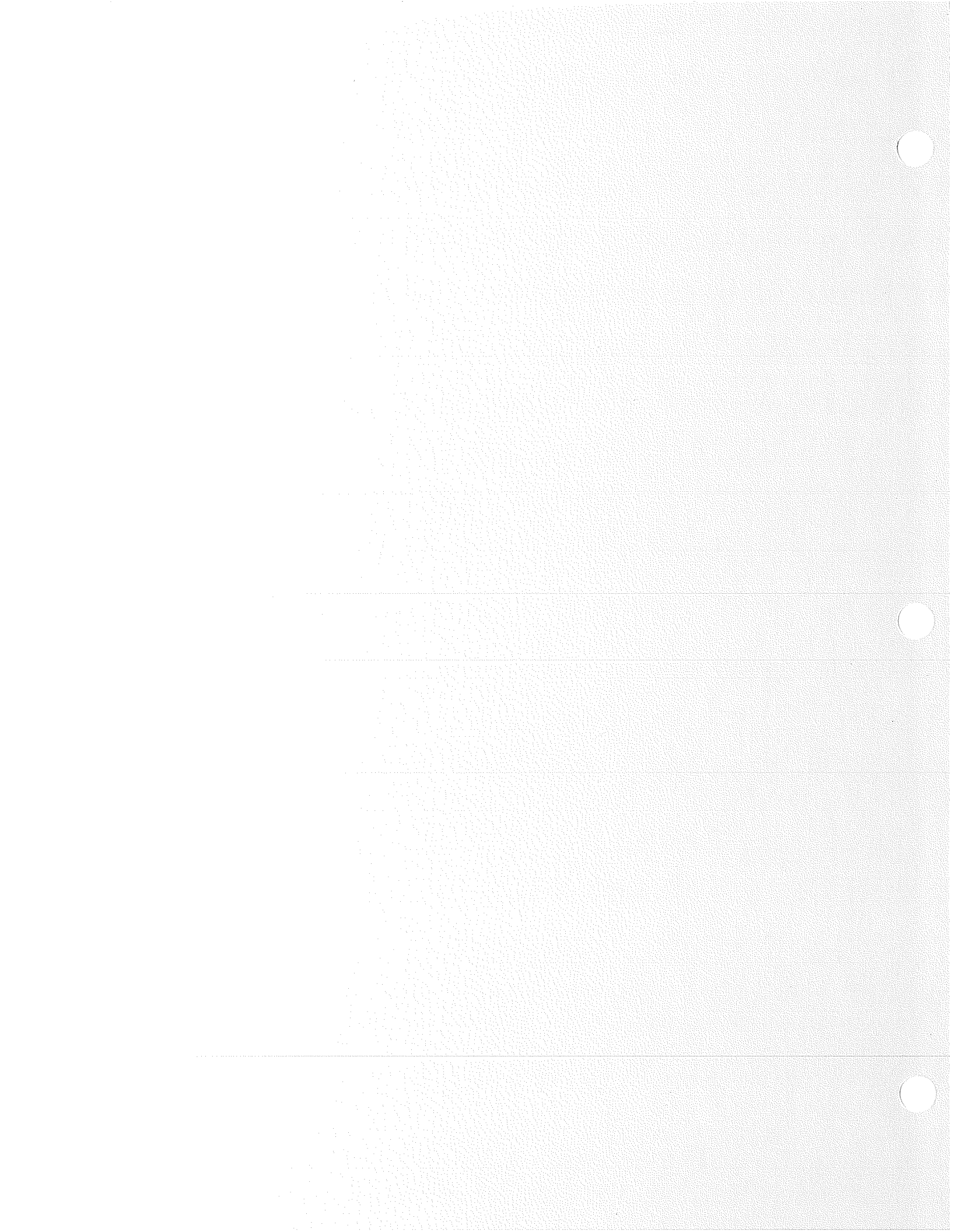
CITY OF VERSAILLES, KENTUCKY  
ENTERPRISE FUND  
KPAA BOND AMORTIZATION SCHEDULE

<u>Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest Payable by June 1</u>	<u>Interest Payable by December 1</u>	<u>Total Principal And Interest</u>
6/1/00	5.00 %	-	-	1,137.57	1,137.57
6/1/01	5.10 %	13,820.58	1,137.57	785.14	15,743.29
6/1/02	5.20 %	14,550.84	785.14	406.82	15,742.80
6/1/03	5.30 %	<u>15,351.70</u>	<u>406.82</u>	-	<u>15,758.52</u>
		<u>\$ 43,723.12</u>	<u>\$ 2,329.53</u>	<u>\$ 2,329.53</u>	<u>\$ 48,382.18</u>

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







# LONG & FISHER, P.S.C.

*Certified Public Accountants*

*Consultants & Information Professionals*

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council  
City of Versailles, Kentucky

We have audited the general purpose financial statements of the City of Versailles, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated January 18, 2002. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the City of Versailles, Kentucky's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Versailles, Kentucky's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Versailles, Kentucky, in a separate letter dated January 18, 2002.

This report is intended solely for the information and use of the City Council, management and other governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Long & Fisher, P.S.C.*

Long & Fisher, P.S.C.  
January 18, 2002

CITY OF VERSAILLES, KENTUCKY  
 ENTERPRISE FUND  
 BOND ANTICIPATION AMORTIZATION SCHEDULE  
 SERIES OF 2000

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest Payable by October 1</u>	<u>Interest Payable by April 1</u>	<u>Total Principal and Interest</u>
2001-02	4.625%	-	99,668.75	99,668.75	199,337.50
2002-03	4.625%	-	99,668.75	99,668.75	199,337.50
2003-04	4.625%	4,310,000.00	99,668.75	-	4,409,668.75
		<u>\$ 4,310,000.00</u>	<u>\$ 299,006.25</u>	<u>\$ 199,337.50</u>	<u>\$ 4,808,343.75</u>

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

CITY OF VERSAILLES, KENTUCKY  
ENTERPRISE FUND  
KPAA BOND AMORTIZATION SCHEDULE

<u>Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest Payable by June 1</u>	<u>Interest Payable by December 1</u>	<u>Total Principal and Interest</u>
6/1/2001	5.10%	-	-	785.14	785.14
6/1/2002	5.20%	14,550.84	785.14	406.82	15,742.80
6/1/2003	5.30%	15,351.70	406.82	-	15,758.52
		<u>\$ 29,902.54</u>	<u>\$ 1,191.96</u>	<u>\$ 1,191.96</u>	<u>\$ 32,286.46</u>

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

CITY OF VERSAILLES, KENTUCKY  
ENTERPRISE FUND  
WATER AND SEWER REVENUE BOND AMORTIZATION SCHEDULE  
SERIES OF 1999

Fiscal Year	Interest Rate	Principal	Interest Payable by December 1	Interest Payable by June 1	Total Principal and Interest
2001-2002	3.600%	200,000.00	45,846.25	42,246.25	288,092.50
2002-2003	3.700%	180,000.00	42,246.25	38,916.25	261,162.50
2003-2004	3.800%	105,000.00	38,916.25	36,921.25	180,837.50
2004-2005	3.900%	115,000.00	36,921.25	34,678.75	186,600.00
2005-2006	3.950%	120,000.00	34,678.75	32,308.75	186,987.50
2006-2007	4.000%	290,000.00	32,308.75	26,508.75	348,817.50
2007-2008	4.000%	300,000.00	26,508.75	20,508.75	347,017.50
2008-2009	4.100%	315,000.00	20,508.75	14,051.25	349,560.00
2009-2010	4.125%	330,000.00	14,051.25	7,245.00	351,296.25
2010-2011	4.200%	345,000.00	7,245.00	-	352,245.00
		<u>\$ 2,300,000.00</u>	<u>\$ 299,231.25</u>	<u>\$ 253,385.00</u>	<u>\$ 2,852,616.25</u>

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

CITY OF VERSAILLES, KENTUCKY  
ENTERPRISE FUND  
WATER AND SEWER REVENUE BOND AMORTIZATION SCHEDULE  
SERIES OF 1996

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Payable June 1</u>	<u>Payable December 1</u>	<u>Total Principal and Interest</u>
12/1/2001	4.50%	35,000.00	-	13,182.50	48,182.50
12/1/2002	4.50%	65,000.00	12,395.00	12,395.00	89,790.00
12/1/2003	4.60%	150,000.00	10,932.50	10,932.50	171,865.00
12/1/2004	4.70%	155,000.00	7,482.50	7,482.50	169,965.00
12/1/2005	4.80%	160,000.00	3,840.00	3,840.00	167,680.00
		<u>\$ 565,000.00</u>	<u>\$ 34,650.00</u>	<u>\$ 47,832.50</u>	<u>\$ 647,482.50</u>

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

CITY OF VERSAILLES, KENTUCKY  
ENTERPRISE FUND - WATER, SEWER AND SANITATION  
DETAIL OF DEPARTMENTAL OPERATING EXPENSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Salaries	\$ 434,257	\$ 121,511	\$ 140,395	\$ 696,163
Payroll taxes	29,880	8,895	9,774	48,549
Employee benefits	61,708	17,338	24,145	103,191
Advertising and printing	2,292	-	-	2,292
Professional and technical fees	50,608	17,463	-	68,071
Repairs and maintenance	68,920	62,304	18,950	150,174
Utilities	162,985	81,307	5,122	249,414
Telephone and postage	18,252	2,221	355	20,828
Insurance	15,823	16,278	18,431	50,532
Chemicals	54,871	4,102	-	58,973
Technical supplies	1,936	301	-	2,237
Uniforms	2,568	592	1,183	4,343
Motor fuel	7,839	7,724	14,846	30,409
Office supplies	3,079	-	-	3,079
Other materials	15,696	9,484	695	25,875
Purchase of water	109,386	-	-	109,386
Collection expense	8,954	-	-	8,954
Landfill expense	-	-	127,448	127,448
Withdrawal fee	40,462	-	-	40,462
Sludge removal	-	122,101	-	122,101
Depreciation and amortization	204,285	200,335	39,006	443,626
Training/Travel	4,549	1,471	-	6,020
Lab analysis	13,687	18,838	-	32,525
Purchase of water meters	152,579	-	-	152,579
Dumpster collection	-	2,154	-	2,154
201 study	-	11,200	-	11,200
Total Operating Expenses	<u>\$ 1,464,616</u>	<u>\$ 705,619</u>	<u>\$ 400,350</u>	<u>\$ 2,570,585</u>

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

CITY OF VERSAILLES, KENTUCKY  
 STATEMENT OF CHANGES IN GENERAL LONG-TERM DEBT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>Balance July 1, 2000</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2001</u>
Compensated absences	\$ 46,302	\$ 15,796	\$ -	\$ 62,098
Note payable-Rosecrest Cemetery	<u>60,000</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>
Total general long-term debt	<u>\$ 106,302</u>	<u>\$ 15,796</u>	<u>\$ 30,000</u>	<u>\$ 92,098</u>



CITY OF VERSAILLES, KENTUCKY  
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

Balance - July 1, 2000	\$ 3,094,647
Current year additions	505,607
Current year deletions (net of depreciation)	-
Current year depreciation	<u>(320,345)</u>
Balance - June 30, 2001	<u><u>\$ 3,279,909</u></u>

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

CITY OF VERSAILLES, KENTUCKY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 FIDUCIARY FUND COMPONENTS  
 FOR THE YEAR ENDED JUNE 30, 2001

	Payroll Account	Expendable Cemetery Trust	Totals
REVENUES			
Interest income	\$ -	\$ 5,200	\$ 5,200
Miscellaneous revenue	-	2,115	2,115
	-	7,315	7,315
Total Revenues	-	7,315	7,315
EXPENDITURES			
Professional fees	-	500	500
Other expenses	-	353	353
	-	853	853
Total Expenditures	-	853	853
Excess of revenues over (under) expenditures	-	6,462	6,462
OTHER SOURCES(USES):			
Operating transfers out	-	(16,177)	(16,177)
Unrealized loss on investments	-	(1,530)	(1,530)
	-	(17,707)	(17,707)
Total Other Sources(Uses)	-	(17,707)	(17,707)
Excess of Revenues and Other Sources(Uses) Over (Under) Expenditures	-	(11,245)	(11,245)
Fund Balance--July 1, 2000	(2,849)	92,940	90,091
Fund Balance--June 30, 2001	\$ (2,849)	\$ 81,695	\$ 78,846

CITY OF VERSAILLES, KENTUCKY  
 COMBINING BALANCE SHEET  
 FIDUCIARY FUND COMPONENTS  
 JUNE 30,2001

	Payroll Account	Expendable Cemetery Trust	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 226,159	\$ 8,638	\$ 234,797
Investments	-	73,057	73,057
<b>TOTAL ASSETS</b>	<b>\$ 226,159</b>	<b>\$ 81,695</b>	<b>\$ 307,854</b>
 <b>LIABILITIES</b>			
Payroll liabilities	\$ 88,140	\$ -	\$ 88,140
Due to other funds	140,868	-	140,868
Total Liabilities	229,008	-	229,008
 <b>FUND EQUITY</b>			
Fund balances:			
Unreserved	(2,849)	\$ 81,695	\$ 78,846
Total Fund Equity	(2,849)	81,695	\$ 78,846
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 226,159</b>	<b>\$ 81,695</b>	<b>\$ 307,854</b>

CITY OF VERSAILLES, KENTUCKY  
 COMBINING STATEMENT OF CASH FLOWS  
 ENTERPRISE FUND COMPONENTS  
 FOR THE YEAR ENDED JUNE 30, 2001

	Water, Sewer and Sanitation	Rental	Nonexpendable Cemetery Trust Fund	Total Enterprise Fund Components
<b>Cash Flows from Operating Activities:</b>				
Net Income	\$ 510,007	\$ 67,737	\$ 63,907	\$ 641,651
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation and amortization expense	443,626	10,345	-	453,971
Bond issue costs	16,344			16,344
Bond defeasance amortization	35,701			35,701
Gain on disposal of assets	-	(78,426)	(854)	(79,280)
Loss on disposal of assets	4,364	-	1,263	5,627
Unrealized gain on investments	-	-	(5,442)	(5,442)
(Increase) Decrease in:				
Accounts receivable	13,945	-	-	13,945
Accrued interest	(61,304)	-	-	(61,304)
Inventory	(111,815)	-	-	(111,815)
Increase (Decrease) in:				
Accounts payable	282,665	(397)	-	282,268
Accrued liabilities	29,648	-	-	29,648
Accrued interest	62,800	-	-	62,800
Compensated absences	533	-	-	533
Deposits	4,725	-	-	4,725
Net cash provided by operating activities	<u>1,231,239</u>	<u>(741)</u>	<u>58,874</u>	<u>1,289,372</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Payment of bond principle	(395,343)	-	-	(395,343)
Proceeds from bond issue	5,809,213	-	-	5,809,213
Loan from general fund	285,000	-	-	285,000
Payment on loan from general fund	(190,000)	(365,242)	-	(555,242)
Loan to payroll fund	(33,513)	-	-	(33,513)
Net cash provided by capital and related financing activities	<u>5,475,357</u>	<u>(365,242)</u>	<u>-</u>	<u>5,110,115</u>
<b>Cash Flows from Investing Activities:</b>				
Proceeds from sale of investments	-	-	175,624	175,624
Purchase of investments	(4,369,761)	-	-232,590	(4,602,351)
Proceeds from sale of property and equipment	-	406,658	-	406,658
Purchase of property and equipment	(1,053,379)	-	-	(1,053,379)
Net cash used in investing activities	<u>(5,423,140)</u>	<u>406,658</u>	<u>(56,966)</u>	<u>(5,073,448)</u>
Net Increase in Cash and Cash Equivalents	<u>1,283,456</u>	<u>40,675</u>	<u>1,908</u>	<u>1,326,039</u>
Cash and Cash Equivalents at Beginning of Year	<u>956,192</u>	<u>116,415</u>	<u>12,021</u>	<u>1,084,628</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,239,648</u>	<u>\$ 157,090</u>	<u>\$ 13,929</u>	<u>\$ 2,410,667</u>
Supplemental Disclosure				
Interest Paid	<u>\$ 344,315</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 344,315</u>
Reconciliation of cash-end of year:				
Cash and cash equivalents	250,237	157,090	13,929	421,256
Restricted cash and cash equivalents	2,156,530	-	-	2,156,530
Cash overdraft	(167,119)	-	-	(167,119)
Total	<u>\$ 2,239,648</u>	<u>\$ 157,090</u>	<u>\$ 13,929</u>	<u>\$ 2,410,667</u>

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

CITY OF VERSAILLES, KENTUCKY  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES  
 IN RETAINED EARNINGS-ENTERPRISE FUND COMPONENTS  
 FOR THE YEAR ENDED JUNE 30, 2001

	Water, Sewer and Sanitation	Rental	Nonexpendable Cemetery Trust Fund	Total Enterprise Fund Components
<b>OPERATING REVENUES</b>				
Charges for services	\$ 3,128,555	\$ 23,507	\$ 4,155	\$ 3,156,217
<b>OPERATING EXPENSES</b>				
Salaries	696,163	-	-	696,163
Payroll taxes	48,549	-	-	48,549
Employee benefits	103,191	-	-	103,191
Advertising and printing	2,292	1,552	-	3,844
Professional and technical	68,071	1,055	1,942	71,068
Repairs and maintenance	150,174	21,685	-	171,859
Utilities	249,414	4,239	-	253,653
Telephone and postage	20,828	-	-	20,828
Insurance	50,532	792	-	51,324
Chemicals	58,973	-	-	58,973
Technical supplies	2,237	-	-	2,237
Uniforms	4,343	-	-	4,343
Motor fuel	30,409	-	-	30,409
Office supplies	3,079	-	-	3,079
Other materials	25,875	373	-	26,248
Purchase of water	109,386	-	-	109,386
Collection expense	8,954	-	-	8,954
Landfill expense	127,448	-	-	127,448
Withdrawal fee	40,462	-	-	40,462
Sludge removal	122,101	-	-	122,101
Depreciation and amortization	443,626	10,345	-	453,971
Training/Travel	6,020	-	-	6,020
Lab analysis	32,525	-	-	32,525
Purchase of water meters	152,579	-	-	152,579
Dumpster collection	2,154	-	-	2,154
201 study	11,200	-	-	11,200
<b>Total Operating Expenses</b>	<b>2,570,585</b>	<b>40,041</b>	<b>1,942</b>	<b>2,612,568</b>
<b>Operating Income (Loss)</b>	<b>557,970</b>	<b>(16,534)</b>	<b>2,213</b>	<b>543,649</b>
<b>NON-OPERATING REVENUE (EXPENSES)</b>				
Interest income	298,357	5,845	19,682	323,884
Miscellaneous revenue	18,703	-	5,189	23,892
Trust contributions	-	-	54,553	54,553
Net unrealized gain on investments	-	-	5,442	5,442
Interest expense	(344,315)	-	-	(344,315)
Bond issue costs	(16,344)	-	-	(16,344)
Interfund transfers	-	-	(22,763)	(22,763)
Gain on disposal of assets	-	78,426	854	79,280
Loss on disposal of assets	(4,364)	-	(1,263)	(5,627)
<b>Excess of Nonoperating Revenues Over (Under) Expenses</b>	<b>(47,963)</b>	<b>84,271</b>	<b>61,694</b>	<b>98,002</b>
<b>Net Income</b>	<b>510,007</b>	<b>67,737</b>	<b>63,907</b>	<b>641,651</b>
Retained Earnings, July 1, 2000	9,761,703	65,233	329,595	10,156,531
Prior period adjustment, note 14	(4,960)	-	-	(4,960)
Beginning retained earnings, as restated	9,756,743	65,233	329,595	10,151,571
<b>Retained Earnings, June 30, 2001</b>	<b>\$ 10,266,750</b>	<b>\$ 132,970</b>	<b>\$ 393,502</b>	<b>\$ 10,793,222</b>

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

CITY OF VERSAILLES, KENTUCKY  
 COMBINING BALANCE SHEET  
 ENTERPRISE FUND COMPONENTS  
 JUNE 30, 2001

	Water, Sewer and Sanitation	Rental	Nonexpendable Cemetery Trust Fund	Total Enterprise Fund Components
<b>ASSETS</b>				
Cash and cash equivalents	\$ 250,237	\$ 157,090	\$ 13,929	\$ 421,256
Investments	760,000	-	379,573	1,139,573
Accounts receivable	417,464	-	-	417,464
Accrued interest	61,304	-	-	61,304
Due from other funds	33,513	-	-	33,513
Inventory	118,712	-	-	118,712
Restricted assets:				
Cash and cash equivalents	2,156,530	-	-	2,156,530
Investments	4,384,261	-	-	4,384,261
Property and equipment	18,930,584	-	-	18,930,584
Accumulated depreciation	(6,111,267)	-	-	(6,111,267)
Bond issue costs, net	126,818	-	-	126,818
	<b>\$ 21,128,156</b>	<b>\$ 157,090</b>	<b>\$ 393,502</b>	<b>\$ 21,678,748</b>
<b>LIABILITIES AND RETAINED EARNINGS</b>				
<b>LIABILITIES</b>				
Cash overdraft	\$ 167,119	\$ -	\$ -	\$ 167,119
Accounts payable	322,529	-	-	322,529
Accrued liabilities	37,312	-	-	37,312
Accrued interest	62,800	-	-	62,800
Compensated absences	44,122	-	-	44,122
Payable from restricted assets:				
Fiscal agent	3,731	-	-	3,731
Bonds payable	574,467	-	-	574,467
Deposits	95,503	-	-	95,503
Due to other funds	1,865,417	24,120	-	1,889,537
Revenue bonds payable	7,688,406	-	-	7,688,406
	<b>10,861,406</b>	<b>24,120</b>	<b>-</b>	<b>10,885,526</b>
<b>RETAINED EARNINGS</b>				
Retained earnings:				
Reserved for revenue bond retirement	543,684	-	-	543,684
Unreserved	9,723,066	132,970	393,502	10,249,538
	<b>10,266,750</b>	<b>132,970</b>	<b>393,502</b>	<b>10,793,222</b>
<b>Total Liabilities and Retained Earnings</b>	<b>\$ 21,128,156</b>	<b>\$ 157,090</b>	<b>\$ 393,502</b>	<b>\$ 21,678,748</b>

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

CITY OF VERSAILLES, KENTUCKY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 SPECIAL REVENUE COMPONENTS  
 FOR THE YEAR ENDED JUNE 30, 2001

	<u>Road Account</u>	<u>Federal Grant</u>	<u>Totals</u>
<b>REVENUES</b>			
Intergovernmental revenues	\$ 112,917	\$ 18,676	\$ 131,593
Interest income	3,344	533	3,877
	<u>116,261</u>	<u>19,209</u>	<u>135,470</u>
<b>EXPENDITURES</b>			
Street maintenance	278,730	-	278,730
Program expenses	-	9,913	9,913
	<u>278,730</u>	<u>9,913</u>	<u>288,643</u>
Excess of revenues over (under) expenditures	<u>(162,469)</u>	<u>9,296</u>	<u>(153,173)</u>
Fund Balance-July 1, 2000	<u>254,161</u>	<u>237</u>	<u>254,398</u>
Fund Balance--June 30, 2001	<u>\$ 91,692</u>	<u>\$ 9,533</u>	<u>\$ 101,225</u>

CITY OF VERSAILLES, KENTUCKY  
 COMBINING BALANCE SHEET  
 SPECIAL REVENUE COMPONENTS  
 JUNE 30, 2001

	<u>Road Account</u>	<u>Federal Grant</u>	<u>Totals</u>
ASSETS			
Cash	\$ 49,920	\$ 9,533	\$ 59,453
Due from other funds	<u>41,772</u>	<u>-</u>	<u>41,772</u>
TOTAL ASSETS	<u>\$ 91,692</u>	<u>\$ 9,533</u>	<u>\$ 101,225</u>
FUND EQUITY			
Fund balances:			
Unreserved	<u>\$ 91,692</u>	<u>\$ 9,533</u>	<u>\$ 101,225</u>
TOTAL FUND EQUITY	<u>\$ 91,692</u>	<u>\$ 9,533</u>	<u>\$ 101,225</u>



CITY OF VERSAILLES, KENTUCKY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2001

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The CERS covers substantially all regular full-time employees of each county and school board, and any additional local agencies electing to participate. The plan provides for retirement, disability and death benefits. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the CERS, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky 40601-6124.

Participating employees in non-hazardous positions contribute 5.00% of creditable compensation. The City contributed 7.17% of creditable compensation during the fiscal year ended June 30, 2001. Participating employees in hazardous positions contribute 8.00% of creditable compensation. The City contributed 16.78% of creditable compensation during the fiscal year ended June 30, 2001. The City's required contributions (both withholding and match ) for pension obligation to the system for fiscal years ended June 30, 2001, 2000 and 1999 were \$471,070, \$428,691 and \$358,859, respectively.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

On February 1, 2000, the City entered into an interlocal cooperation agreement with the County of Woodford, Kentucky ("County"). The City and the County have agreed to share on an equal basis the costs of construction, acquisition, installation, maintenance, operation and financing of a community recreation and fine arts complex to be situated in the City, within the County. The agreement cannot be terminated by either party so long as debt and/or interest thereon, remains outstanding and unpaid.

NOTE 10 - PROPERTY TAX CALENDAR

Property taxes are a significant portion of the General Fund revenues. The property tax calendar is as follows:

Levy Date	- January 1
Collection Date	- October 1
Due Date	- October 31
Lien Date	- January 1 of year following Levy Date

NOTE 11 - INTERFUND RECEIVABLES AND PAYABLES

Interfund Receivables and Payables as of June 30, 2001 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Special Revenue Fund	\$ 41,772	\$ -
Expendable Trust Fund	-	140,868
General Fund	1,996,892	41,772
Enterprise Fund	<u>33,513</u>	<u>1,889,537</u>
	<u>\$ 2,072,177</u>	<u>\$ 2,072,177</u>

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2001

NOTE 6 – BONDS PAYABLE (CONTINUED)

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.

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 nonrestricted. 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.

All the above requirements were satisfied for the year ended June 30, 2001.

Water and Sewer Depreciation Account

Monthly deposits of not less than 10% of the fund 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.

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.

NOTE 7 – LEASE COMMITMENTS

The City entered into an assigned lease agreement in April 2001 for office space. The lease is currently renewable in five-year increments at the option of the City. The current five-year term expired on July 31, 2001. The City intends to renew the lease. Currently, the lessor does not agree that the lease could be assigned to the City. It is the City's position that the assignment was proper. The City's future minimum rental payments for the next five years are an annual amount of \$11,255. The lease expense for the current year totaled \$101,886. This amount included the assignment purchase price of \$100,000.

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Employee who work on average of 80 hours per month over their contract participate in the County Employees Retirement System (CERS), which is a cost sharing, multiple-employer public employees retirement system created by and operating under Kentucky law.

CITY OF VERSAILLES, KENTUCKY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2001

NOTE 5 – GENERAL LONG-TERM DEBT

During the year ended June 30, 2000 the City incurred \$60,000 of debt related to the purchase of Rose Crest Cemetery. The debt will be paid in two installments of \$30,000 each at June 30, 2001 and 2002. The City will owe interest at a rate of 7% per annum.

NOTE 6 - BONDS PAYABLE

At June 30, 2001, the Enterprise Fund had the following bonds payable outstanding:

<u>Description</u>	<u>Series</u>	<u>Amount</u>
Revenue bonds	1996	\$ 565,000
Revenue bonds	1999	2,300,000
Kentucky Pollution Abatement Authority	1973	29,902
Revenue Bonds	2000	4,310,000
Pooled Lease Financing	2000	<u>1,414,980</u>
Total payable at par		8,619,882
Less: unamortized defeasance costs		<u>(357,010)</u>
		8,262,872
Less: current portion payable from restricted assets		<u>(574,467)</u>
Total long-term portion		<u>\$ 7,688,405</u>

A schedule of the required principal payments on the aforementioned bonds payable follows:

<u>Year Ended</u> <u>June 30</u>	
2002	\$ 574,476
2003	605,095
2004	4,928,029
2005	652,292
2006	280,000
Thereafter	<u>1,579,999</u>
Total	<u>\$ 8,619,882</u>

Principal payments on the outstanding Water and Sewer Revenue Bonds, 1996 and 1999 are payable on December 1 of each year and interest is payable on December 1 and June 1. The KPAA Bond interest is payable December 1 and June 1, with the annual principal payment due June 1. Interest only payments are due each October 1 and April 1 on the 2000 Bond Anticipation Notes. The entire principal payment is due on October 1, 2003.

The pooled lease financing bonds have a variable interest rate based on a Money Market Municipal Rate. Principal and interest payments are due each June 15 and December 15. The final payment is due June 15, 2005

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-fifth of the next interest payment and one-tenth of the next principal payment.

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized along with other general fixed assets.

Accounts Receivable - Enterprise Fund

The Water and Sewer accounts receivable are for services to customers. If a customer fails to pay within 25 days after the prior month's bill, their service is terminated and their deposit is applied to the unpaid bill. Any unpaid balance after applying the deposit is fully reserved and carried on the books for a period of five years.

Total Columns

Total columns on the financial statements are indicated as "Memorandum Only", as data in these columns do not present financial positions, results of operations, or changes in fund balance in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 – ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general-purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 – 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.

NOTE 4 – CASH AND INVESTMENTS

The City maintains their cash and investments with various local banks and Kentucky Trust Company. Federal Depository Insurance covers all of the account balances at the local banks. Investments at banks are in accordance with KRS 66.480(1). Investments at Kentucky Trust Company are related to cemetery trust funds and are not subject to the City's investment policy.

Cash and cash equivalents consist of direct deposit accounts and money market mutual funds. At June 30, 2001 the carrying amount of cash and cash equivalents was \$2,983,899 and the bank balance was \$3,090,709. The bank balance was insured or collateralized in the amount of \$2,810,709. Approximately, \$289,000 was uncollateralized. The money market fund invests solely in obligations of the United States and its agencies and instrumentalities.

Investments consist of certificate of deposits, mutual funds, debt securities and equity securities. The carrying amount of the investments at June 30, 2001 was \$7,880,145 and the market value of the investments at June 30, 2001 was \$7,880,145.

The City's investments in certificates of deposits were entirely insured and collateralized. The amount of this type of investment was \$7,427,515. The City's investments in mutual funds, debt securities and equity securities were uninsured and unregistered held by a trust company in the City's name. The amount of this type of investment was \$452,630.

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

Basis of Accounting

The records of the City are maintained on the modified accrual basis of accounting. This practice is the accounting method prescribed by the Governmental Accounting Standards Board.

For financial purposes, the accounting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in retained earnings.

The governmental fund types are presented on the modified accrual basis of accounting. Using this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified basis of accounting when the related fund liability is incurred and is normally expected to be liquidated with expendable available financial resources. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid. Also, all payments made on behalf of the City by other entities are not recognized as revenues and expenditures of the City. The Proprietary Fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

Budget Basis of Accounting

The budget basis of accounting is consistent with generally accepted accounting principles. The type of budget is an appropriated budget and said budget is adopted by ordinance by the City Council. The budget is adopted on an annual basis. The budget presented for the General Fund was amended during the year and adopted by ordinance by the City Council.

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.

Inventory

Inventory consists water and sewer chemical supplies and also an inventory of water meters. Inventory amounts are stated at cost.

Fixed Assets

Fixed assets utilized in the Enterprise Fund activities are recorded at cost and depreciated over their estimated useful lives using the straight-line method.

General fixed assets are recorded as expenditures in the General Fund at the time of purchase. In the past, the City did not maintain a General Fixed Assets group of accounts. Beginning with the fiscal year, July 1, 1985-June 30, 1986, a General Fixed Assets Group was established in order to comply with generally accepted accounting principles.

Investments in fixed assets, prior to June 30, 1986, are shown as one lump sum. Valuations of fixed assets required before July 1, 1985 are based on estimated cost. General fixed assets acquired on or after July 1, 1985 are recorded at actual cost.

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City operates under a council form of government and has budgetary authority over the following functional areas: public safety, public service, water and sewer, and 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.

A review of other agencies was performed in order to determine if they met the criteria as discussed above for inclusion in the City's financial statements. City management determines that no other agencies should be in the City's financial statements.

Fund Accounting

The City maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts which stands separate from the activities reported in other funds. A description along with the restrictions associated with each class of funds are as follows:

1. Governmental Fund Types

- A. The General Fund is the primary operating fund of the City. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use.
- B. The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.

2. Proprietary Fund Types

The Enterprise Fund is used to account for water, sewer, sanitation and rental activities. The Enterprise Funds also present the non-expendable trust funds related to the permanent cemetery trust funds. The Proprietary Funds apply all statements of the Financial Accounting Standards Board issued after November 30, 1989 as they relate to business enterprises unless they contradict existing Governmental Accounting Standards Board pronouncements.

3. Fiduciary Fund Type

- A. The Expendable Trust Fund is used to account for payroll fund and expendable cemetery trust fund.

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

- A. General Fixed Assets Account Group
- B. General Long-Term Obligations Account Group

CITY OF VERSAILLES, KENTUCKY  
 COMBINED STATEMENT OF CASH FLOWS  
 ENTERPRISE FUND  
 FOR THE YEAR ENDED JUNE 30, 2001

Cash Flows from Operating Activities:	
Net Income	\$ 641,651
Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation and amortization expense	453,971
Bond issue costs	16,344
Bond defeasance amortization	35,701
Gain on disposal of assets	(79,280)
Loss on disposal of assets	5,627
Unrealized gain on investments	(5,442)
(Increase) Decrease in:	
Accounts receivable	13,945
Accrued interest	(61,304)
Inventory	(111,815)
Increase (Decrease) in:	
Accounts payable	282,268
Accrued liabilities	29,648
Accrued interest	62,800
Compensated absences	533
Deposits	4,725
	<u>1,289,372</u>
Net cash provided by operating activities	
Cash Flows from Capital and Related Financing Activities:	
Payment of bond principle	(395,343)
Proceeds from bond issue	5,809,213
Loan from general fund	285,000
Payment on loan from general fund	(555,242)
Loan to payroll fund	(33,513)
	<u>5,110,115</u>
Net cash provided by capital and related financing activities	
Cash Flows from Investing Activities:	
Proceeds from sale of investments	175,624
Purchase of investments	(4,602,351)
Proceeds from sale of property and equipment	406,658
Purchase of property and equipment	(1,053,379)
	<u>(5,073,448)</u>
Net cash used in investing activities	
Net Increase in Cash and Cash Equivalents	<u>1,326,039</u>
Cash and Cash Equivalents at Beginning of Year	<u>1,084,628</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,410,667</u>
Supplemental Disclosure	
Interest Paid	<u>\$ 344,315</u>
Reconciliation of cash-end of year:	
Cash and cash equivalents	421,256
Restricted cash and cash equivalents	2,156,530
Cash overdraft	(167,119)
	<u>\$ 2,410,667</u>
Total	

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

CITY OF VERSAILLES, KENTUCKY  
 COMBINED STATEMENT OF REVENUE, EXPENSES AND CHANGES  
 IN RETAINED EARNINGS-ENTERPRISE FUND  
 FOR THE YEAR ENDED JUNE 30, 2001

OPERATING REVENUES	
Charges for services	<u>\$ 3,156,217</u>
OPERATING EXPENSES	
Salaries	696,163
Payroll taxes	48,549
Employee benefits	103,191
Advertising and printing	3,844
Professional and technical	71,068
Repairs and maintenance	171,859
Utilities	253,653
Telephone and postage	20,828
Insurance	51,324
Chemicals	58,973
Technical supplies	2,237
Uniforms	4,343
Motor fuel	30,409
Office supplies	3,079
Other materials	26,248
Purchase of water	109,386
Collection expense	8,954
Landfill expense	127,448
Withdrawal fee	40,462
Sludge removal	122,101
Depreciation and amortization	453,971
Training/Travel	6,020
Lab analysis	32,525
Purchase of water meters	152,579
Dumpster collection	2,154
201 study	<u>11,200</u>
Total Operating Expenses	<u>2,612,568</u>
Operating Income (Loss)	<u>543,649</u>
NON-OPERATING REVENUE (EXPENSES)	
Interest revenue	323,884
Miscellaneous revenue	23,892
Trust contributions	54,553
Net unrealized gain on investments	5,442
Interest expense	(344,315)
Bond issue costs	(16,344)
Interfund transfers	(22,763)
Gain on disposal of assets	79,280
Loss on disposal of assets	<u>(5,627)</u>
Excess of Nonoperating Revenues Over (Under) Expenses	<u>98,002</u>
Net Income	<u>\$ 641,651</u>
Retained Earnings, July 1, 2000	10,156,531
Prior period adjustment, note 14	<u>(4,960)</u>
Beginning retained earnings, as restated	10,151,571
Retained Earnings, June 30, 2001	<u>\$ 10,793,222</u>

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



Special Revenue Funds			Totals (Memo Only) Reporting Entity		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 209,500	\$ 226,029	\$ 16,529
-	-	-	3,150,000	3,219,147	69,147
107,000	131,593	24,593	323,200	298,487	(24,713)
-	-	-	45,400	47,521	2,121
-	3,877	3,877	200,000	187,366	(12,634)
-	-	-	-	84,956	84,956
-	-	-	-	7,987	7,987
<u>107,000</u>	<u>135,470</u>	<u>28,470</u>	<u>3,928,100</u>	<u>4,071,493</u>	<u>143,393</u>
-	-	-	1,461,891	1,503,200	(41,309)
-	-	-	1,727,910	1,619,786	108,124
-	-	-	530,450	518,832	11,618
-	-	-	542,700	466,308	76,392
-	-	-	233,300	225,092	8,208
283,175	288,643	(5,468)	283,175	288,643	(5,468)
-	-	-	720,125	449,320	270,805
<u>283,175</u>	<u>288,643</u>	<u>(5,468)</u>	<u>5,499,551</u>	<u>5,071,181</u>	<u>428,370</u>
<u>(176,175)</u>	<u>(153,173)</u>	<u>23,002</u>	<u>(1,571,451)</u>	<u>(999,688)</u>	<u>571,763</u>
-	-	-	-	38,940	38,940
-	-	-	-	-	-
-	-	-	-	38,940	38,940
<u>(176,175)</u>	<u>(153,173)</u>	<u>\$ 23,002</u>	<u>(1,571,451)</u>	<u>(960,748)</u>	<u>\$ 610,703</u>
221,730	254,398		4,457,579	5,355,412	
-	-		-	(69,882)	
<u>221,730</u>	<u>254,398</u>		<u>4,457,579</u>	<u>5,285,530</u>	
<u>\$ 45,555</u>	<u>\$ 101,225</u>		<u>\$ 2,886,128</u>	<u>\$ 4,324,782</u>	

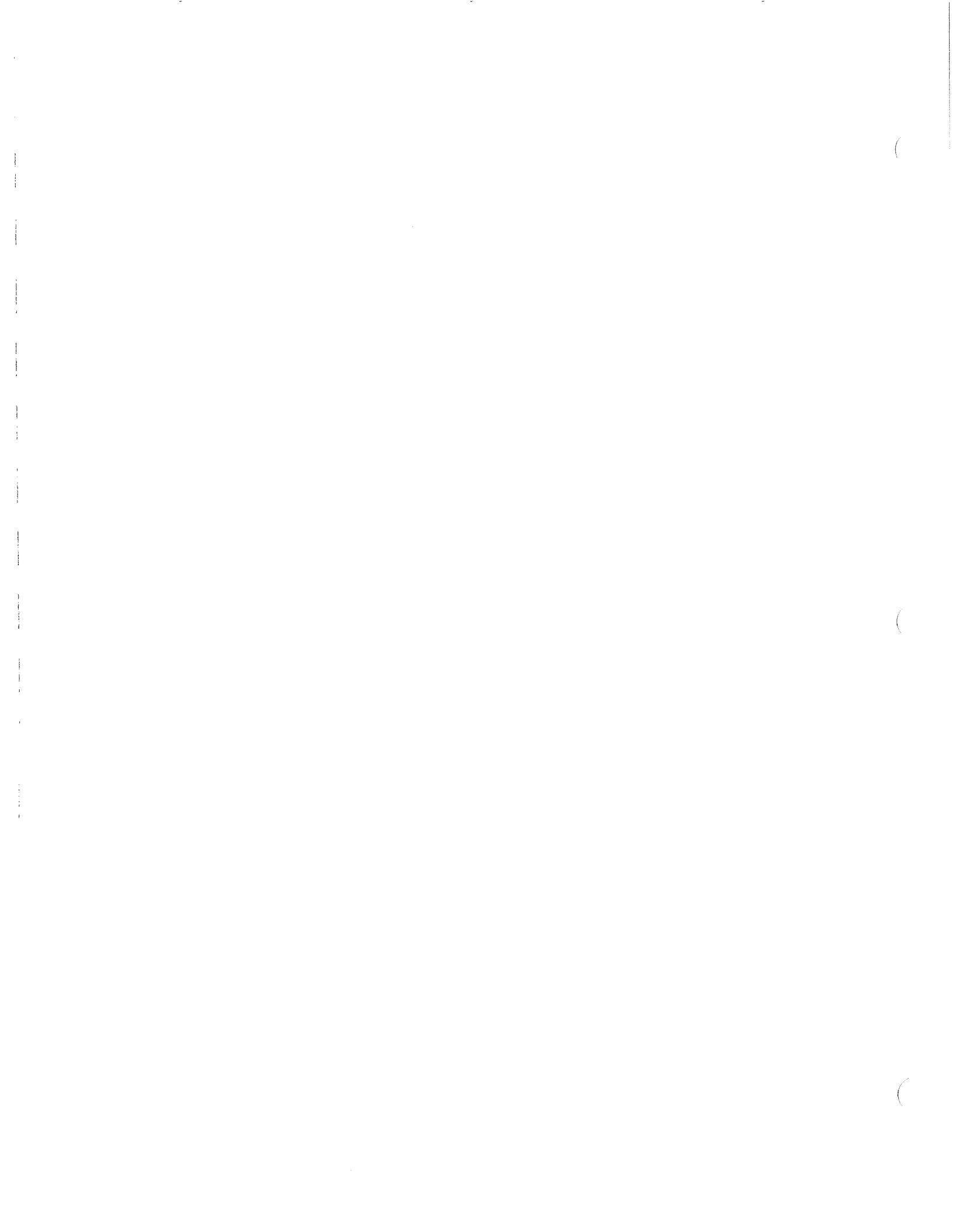


CITY OF VERSAILLES, KENTUCKY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES  
 AND EXPENDABLE TRUST FUND  
 FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types		Fiduciary Fund Type	Totals (Memo Only)
	General	Special Revenue	Expendable Trust Fund	Reporting Entity
<b>REVENUES</b>				
Taxes	\$ 226,029	\$ -	\$ -	\$ 226,029
Licenses and permits	3,219,147	-	-	3,219,147
Intergovernmental revenues	166,894	131,593	-	298,487
Charges for services	47,521	-	-	47,521
Interest income	183,489	3,877	5,200	192,566
Miscellaneous revenue	84,956	-	2,115	87,071
Sale of assets	7,987	-	-	7,987
<b>Total Revenues</b>	<u>3,936,023</u>	<u>135,470</u>	<u>7,315</u>	<u>4,078,808</u>
<b>EXPENDITURES</b>				
General government	1,503,200	-	853	1,504,053
Police department	1,619,786	-	-	1,619,786
Fire department	518,832	-	-	518,832
Street department	466,308	-	-	466,308
Cemetery department	225,092	-	-	225,092
Program expenses	-	288,643	-	288,643
Capital outlay	449,320	-	-	449,320
<b>Total Expenditures</b>	<u>4,782,538</u>	<u>288,643</u>	<u>853</u>	<u>5,072,034</u>
Excess of Revenues Over (Under) Expenditures	<u>(846,515)</u>	<u>(153,173)</u>	<u>6,462</u>	<u>(993,226)</u>
Other Sources:				
Operating transfers in	38,940	-	-	38,940
Operating transfers out	-	-	(16,177)	(16,177)
Unrealized loss on investments	-	-	(1,530)	(1,530)
<b>Total Other Financing Sources</b>	<u>38,940</u>	<u>-</u>	<u>(17,707)</u>	<u>21,233</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>(807,575)</u>	<u>(153,173)</u>	<u>(11,245)</u>	<u>(971,993)</u>
Fund Balance-July 1, 2000	<u>5,101,014</u>	<u>254,398</u>	<u>90,091</u>	<u>5,445,503</u>
Prior period adjustment, note 14	<u>(69,882)</u>	<u>-</u>	<u>-</u>	<u>(69,882)</u>
Beginning fund balance, as restated	5,031,132	254,398	90,091	5,375,621
<b>Fund Balance--June 30, 2001</b>	<u>\$ 4,223,557</u>	<u>\$ 101,225</u>	<u>\$ 78,846</u>	<u>\$ 4,403,628</u>

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals Memo Only Reporting Entity
		General Fixed Assets	General Long-term Debt	
Enterprise	Expendable Trust Funds			
\$ 167,119	\$ -	\$ -	\$ -	\$ 167,119
322,529	-	-	-	358,570
37,312	88,140	-	-	376,283
62,800	-	-	-	62,800
44,122	-	-	62,098	137,519
3,731	-	-	-	3,731
574,467	-	-	-	574,467
95,503	-	-	-	95,503
1,889,537	140,868	-	-	2,072,177
7,688,406	-	-	-	7,688,406
-	-	-	30,000	30,000
<u>10,885,526</u>	<u>229,008</u>	<u>-</u>	<u>92,098</u>	<u>11,566,575</u>
543,684	-	-	-	543,684
10,249,538	-	-	-	10,249,538
-	78,846	-	-	4,403,628
-	-	3,279,909	-	3,279,909
<u>10,793,222</u>	<u>78,846</u>	<u>3,279,909</u>	<u>-</u>	<u>18,476,759</u>
<u>\$ 21,678,748</u>	<u>\$ 307,854</u>	<u>\$ 3,279,909</u>	<u>\$ 92,098</u>	<u>\$ 30,043,334</u>



Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals Memo Only Reporting Entity
		General Fixed Assets	General Long-term Debt	
Enterprise Fund	Expendable Trust Funds			
\$ 421,256	\$ 234,797	\$ -	\$ -	\$ 994,488
1,139,573	73,057	-	-	3,495,884
417,464	-	-	-	435,500
61,304	-	-	-	61,304
-	-	-	-	6,336
33,513	-	-	-	2,072,177
118,712	-	-	-	118,712
2,156,530	-	-	-	2,156,530
4,384,261	-	-	-	4,384,261
18,930,584	-	3,279,909	-	22,210,493
(6,111,267)	-	-	-	(6,111,267)
126,818	-	-	-	126,818
-	-	-	92,098	92,098
<u>\$ 21,678,748</u>	<u>\$ 307,854</u>	<u>\$ 3,279,909</u>	<u>\$ 92,098</u>	<u>\$ 30,043,334</u>



CITY OF VERSAILLES, KENTUCKY

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## INDEPENDENT AUDITORS' REPORT

To The Honorable Mayor and City Council  
City of Versailles, Kentucky

We have audited the accompanying general purpose financial statements of the City of Versailles, Kentucky, as of and for the year ended June 30, 2001. These general purpose financial statements are the responsibility of the City of Versailles, Kentucky's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred above present fairly, in all material respects, the financial position of the City of Versailles, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Versailles, Kentucky. Such information has been subject to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and account groups taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 18, 2002 on our consideration of the City of Versailles, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with this *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Long & Fisher, P.S.C.*

Long & Fisher, P.S.C.  
January 18, 2002





CITY OF VERSAILLES, KENTUCKY  
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
LAWS AND REGULATIONS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

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Honorable Fred Siegelman, Mayor  
and City Council  
City of Versailles, Kentucky

We have audited the general purpose financial statements of City of Versailles, Kentucky as of and for the year ended June 30, 2005, and have issued our report thereon dated November 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Versailles, Kentucky's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operations that we consider to be a material weakness.

Compliance

As part of obtaining reasonable assurance about whether the City of Versailles, Kentucky's financial statements are free of material misstatement, we performed tests of the its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under **Government Auditing Standards**.

This report is intended for the information and use of the City Council, management and appropriate grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Ray, Foley, Hensley & Company*

Ray, Foley, Hensley & Company, PLLC  
November 30, 2005

CITY OF VERSAILLES, KENTUCKY  
ENTERPRISE FUND  
WATER AND SEWER REVENUE BOND AMORTIZATION SCHEDULE  
SERIES OF 2004

Fiscal Year	Interest Rate	Principal Payable by December 1	Interest Payable by December 1	Interest Payable by June 1	Total Principal and Interest
2005-06	Variable Rate	\$ 30,000	\$ 186,658	\$ 186,283	\$ 402,940
2006-07		30,000	186,283	185,908	402,190
2007-08		30,000	185,908	185,533	401,440
2008-09		30,000	185,533	185,038	400,570
2009-10		35,000	185,038	184,460	404,498
2010-11		30,000	184,460	183,965	398,425
2011-12		395,000	183,965	177,053	756,018
2012-13		405,000	177,053	169,661	751,714
2013-14		425,000	169,661	161,586	756,248
2014-15		435,000	161,586	153,104	749,690
2015-16		455,000	153,104	144,004	752,108
2016-17		475,000	144,004	134,266	753,270
2017-18		495,000	134,266	123,871	753,138
2018-19		515,000	123,871	112,799	751,670
2019-20		540,000	112,799	100,919	753,718
2020-21		565,000	100,919	88,206	754,125
2021-22		590,000	88,206	74,931	753,138
2022-23		1,000,000	74,931	51,181	1,126,113
2023-24		1,050,000	51,181	26,244	1,127,425
2024-25		1,105,000	26,244	-	1,131,244
	Totals	<u>\$ 8,635,000</u>	<u>\$ 2,815,668</u>	<u>\$ 2,629,010</u>	<u>\$ 14,079,678</u>

CITY OF VERSAILLES, KENTUCKY  
ENTERPRISE FUND  
REVENUE BONDS - KCTCS  
SERIES OF 2003

Fiscal Year	Interest Rate	Principal Payable by November 20	Interest Payable by November 20	Interest Payable by May 20	Total Principal and Interest
2005-06	Various rates	\$ 235,000	\$ 117,346	\$ 115,584	\$ 467,930
2006-07		240,000	115,584	113,304	468,888
2007-08	3.8% to	245,000	113,304	110,548	468,851
2008-09		250,000	110,548	107,173	467,720
2009-10	4.7%	255,000	107,173	103,348	465,520
2010-11		265,000	103,348	99,041	467,389
2011-12		275,000	99,041	94,435	468,476
2012-13		285,000	94,435	89,376	468,811
2013-14		295,000	89,376	83,919	468,295
2014-15		305,000	83,919	78,048	466,966
2015-16		320,000	78,048	71,488	469,535
2016-17		335,000	71,488	64,453	470,940
2017-18		345,000	64,453	57,035	466,488
2018-19		360,000	57,035	49,115	466,150
2019-20		380,000	49,115	40,185	469,300
2020-21		400,000	40,185	30,785	470,970
2021-22		415,000	30,785	21,033	466,818
2022-23		435,000	21,033	10,810	466,843
2023-24		460,000	10,810	-	470,810
	Totals	<u>\$ 6,100,000</u>	<u>\$ 1,457,023</u>	<u>\$ 1,339,676</u>	<u>\$ 8,896,699</u>

CITY OF VERSAILLES, KENTUCKY  
ENTERPRISE FUND  
WATER AND SEWER REVENUE BOND AMORTIZATION SCHEDULE  
SERIES OF 2001

Fiscal Year	Interest Rate	Principal	Interest Payable by December 1	Interest Payable by June 1	Total Principal and Interest
2005-06	3.500%	\$ 365,000	\$ 190,089	\$ 183,701	\$ 738,790
2006-07	4.000%	380,000	183,701	176,101	739,803
2007-08	4.000%	395,000	176,101	168,201	739,303
2008-09	4.000%	410,000	168,201	160,001	738,203
2009-10	4.000%	425,000	160,001	151,501	736,503
2010-11	4.000%	445,000	151,501	142,601	739,103
2011-12	4.050%	460,000	142,601	133,286	735,888
2012-13	4.150%	480,000	133,286	123,326	736,613
2013-14	4.250%	500,000	123,326	112,701	736,028
2014-15	4.250%	525,000	112,701	101,545	739,246
2015-16	4.350%	545,000	101,545	89,691	736,236
2016-17	4.450%	570,000	89,691	77,009	736,700
2017-18	4.550%	595,000	77,009	63,473	735,481
2018-19	4.650%	625,000	48,941	63,473	737,414
2019-20	4.700%	655,000	33,549	48,941	737,490
2020-21	4.750%	685,000	33,549	17,280	735,829
2021-22	4.800%	720,000	17,280	-	737,280
		<u>\$ 8,780,000</u>	<u>\$ 1,943,073</u>	<u>\$ 1,812,833</u>	<u>\$ 12,535,906</u>

CITY OF VERSAILLES, KENTUCKY  
ENTERPRISE FUND  
WATER AND SEWER REVENUE BOND AMORTIZATION SCHEDULE  
SERIES OF 1999

<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>
2005-2006	3.950%	\$ 120,000	\$ 34,679	\$ 32,309	\$ 186,988
2006-2007	4.000%	290,000	32,309	26,509	348,818
2007-2008	4.000%	300,000	26,509	20,509	347,018
2008-2009	4.100%	315,000	20,509	14,051	349,560
2009-2010	4.125%	330,000	14,051	7,245	351,296
2010-2011	4.200%	<u>345,000</u>	<u>7,245</u>	<u>-</u>	<u>352,245</u>
		<u>\$ 1,700,000</u>	<u>\$ 135,301</u>	<u>\$ 100,623</u>	<u>\$ 1,935,924</u>



CITY OF VERSAILLES, KENTUCKY  
 ENTERPRISE FUND  
 WATER AND SEWER REVENUE BOND AMORTIZATION SCHEDULE  
 SERIES OF 1996

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Payable June 1</u>	<u>Payable December 1</u>	<u>Total Principal and Interest</u>
12/1/2005	4.80%	<u>\$ 160,000</u>	<u>\$ 1,920</u>	<u>\$ 1,920</u>	<u>\$ 163,840</u>

CITY OF VERSAILLES, KENTUCKY  
 ENTERPRISE FUND  
 WATER AND SEWER REVENUE BOND AMORTIZATION SCHEDULE  
 SERIES OF 1989

Fiscal Year	Interest Rate	Principal	Interest Payable by Monthly	Total Principal and Interest
2005-2006	Variable Rate	\$ 163,039	\$ 12,105	\$ 175,144
2006-2007		168,453	6,514	174,967
2007-2008		<u>100,836</u>	<u>1,148</u>	<u>101,984</u>
		<u>\$ 432,328</u>	<u>\$ 19,766</u>	<u>\$ 452,094</u>

CITY OF VERSAILLES, KENTUCKY  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
for the year ended June 30, 2005

	Agency Fund	Private Purpose Trust	Totals
<b>ADDITIONS</b>			
Investment earnings			
Interest income	\$ -	\$ 1,546	\$ 1,546
Dividend income	-	2,563	2,563
Unrealized gain on investments	-	-	-
	-	-	-
Total investment earnings	-	4,109	4,109
Less investment expense			
Trust fees	-	500	500
Transfers	-	3,016	3,016
Miscellaneous	-	597	597
	-	597	597
Total investment expenses	-	4,113	4,113
Net investment earnings	-	(4)	(4)
Total additions	-	(4)	(4)
Beginning net assets	(1,803)	79,932	78,129
Ending net assets	\$ (1,803)	\$ 79,928	\$ 78,125

CITY OF VERSAILLES, KENTUCKY  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2005

	Agency Fund	Private Purpose Trust	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 103,300	\$ -	\$ 103,300
Investments	-	79,928	79,928
Due from other funds	127,405	-	127,405
 Total assets	 \$ 230,705	 \$ 79,928	 \$ 310,633
<b>LIABILITIES</b>			
Payroll liabilities	\$ 137,025	\$ -	\$ 137,025
Due to other funds	95,483	-	95,483
 Total liabilities	 232,508	 -	 232,508
<b>NET ASSETS</b>			
Held in trust for payroll and other purposes	\$ (1,803)	\$ 79,928	\$ 78,125

CITY OF VERSAILLES, KENTUCKY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 NON-MAJOR GOVERNMENTAL FUNDS  
 for the year ended June 30, 2005

	Homeland Security Fund	Rose Hill Parking Lot Fund	Municipal Road Aid Fund	OJA Fund	Permanent Fund	Total Non-Major Governmental
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ 109,665	\$ -	\$ -	\$ 109,665
Licenses and permits	-	-	-	-	-	-
Intergovernmental revenues	-	123,108	-	4,935	-	128,043
Charges for services	-	-	-	-	14,590	14,590
Other income	10,000	-	497	144	19,036	29,677
Sale of assets	-	-	-	-	-	-
<b>Total Revenues</b>	<u>10,000</u>	<u>123,108</u>	<u>110,162</u>	<u>5,079</u>	<u>33,626</u>	<u>281,975</u>
<b>EXPENDITURES</b>						
General government	-	-	-	-	-	-
Police department	-	-	-	-	-	-
Fire department	-	-	-	-	-	-
Street department	-	-	108,888	-	-	108,888
Cemetery department	-	-	-	-	18,989	18,989
Program expenses	277	119,232	-	7,115	-	126,624
Debt Service	-	1,262	-	-	-	1,262
Capital outlay	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>277</u>	<u>120,494</u>	<u>108,888</u>	<u>7,115</u>	<u>18,989</u>	<u>255,763</u>
Excess of Revenues Over (Under) Expenditures	<u>9,723</u>	<u>2,614</u>	<u>1,274</u>	<u>(2,036)</u>	<u>14,637</u>	<u>26,212</u>
<b>Other Sources</b>						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
<b>Total Other Sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>9,723</u>	<u>2,614</u>	<u>1,274</u>	<u>(2,036)</u>	<u>14,637</u>	<u>26,212</u>
Fund Balance--July 1, 2004	<u>-</u>	<u>-</u>	<u>112,312</u>	<u>13,632</u>	<u>401,955</u>	<u>527,899</u>
<b>Fund Balance--June 30, 2005</b>	<u>\$ 9,723</u>	<u>\$ 2,614</u>	<u>\$ 113,586</u>	<u>\$ 11,596</u>	<u>\$ 416,592</u>	<u>\$ 554,111</u>

**CITY OF VERSAILLES, KENTUCKY  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2005**

	Homeland Security Fund	Rose Hill Parking Lot Fund	Municipal Road Aid Fund	OJA Fund	Permanent Fund	Total Non-Major Governmental
<b>ASSETS</b>						
Cash and cash equivalents	\$ 9,723	\$ 2,614	\$ 71,814	\$ 11,596	\$ -	\$ 95,747
Investments	-	-	-	-	416,592	416,592
Accounts receivable	-	-	-	-	-	-
Due from other funds	-	-	41,772	-	-	41,772
<b>Total Assets</b>	<b><u>\$ 9,723</u></b>	<b><u>\$ 2,614</u></b>	<b><u>\$ 113,586</u></b>	<b><u>\$ 11,596</u></b>	<b><u>\$ 416,592</u></b>	<b><u>\$ 554,111</u></b>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-	-
Compensated absences	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>FUND EQUITY</b>						
Fund Balances						
Reserved			-	-	-	-
Unreserved	<u>9,723</u>	<u>2,614</u>	<u>113,586</u>	<u>11,596</u>	<u>416,592</u>	<u>554,111</u>
<b>Total Fund Equity</b>	<b><u>9,723</u></b>	<b><u>2,614</u></b>	<b><u>113,586</u></b>	<b><u>11,596</u></b>	<b><u>416,592</u></b>	<b><u>554,111</u></b>
<b>Total Liabilities and Fund Equity</b>	<b><u>\$ 9,723</u></b>	<b><u>\$ 2,614</u></b>	<b><u>\$ 113,586</u></b>	<b><u>\$ 11,596</u></b>	<b><u>\$ 416,592</u></b>	<b><u>\$ 554,111</u></b>

**CITY OF VERSAILLES, KENTUCKY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISONS  
GENERAL FUND  
for the year ended June 30, 2005**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 422,000	\$ 422,000	\$ 486,135	\$ 64,135
License and permits	3,580,000	3,580,000	4,263,574	683,574
Intergovernmental revenues	1,645,444	1,645,444	1,584,654	(60,790)
Charges for services	67,000	67,000	105,124	38,124
Other income	697,653	832,653	468,966	(363,687)
<b>Total revenues</b>	<u>6,412,097</u>	<u>6,547,097</u>	<u>6,908,453</u>	<u>361,356</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,392,082	1,392,082	1,367,366	24,716
Police department	3,252,871	3,314,371	3,362,490	(48,119)
Fire department	681,535	681,535	631,380	50,155
Street department	1,001,800	1,001,800	639,607	362,193
Cemetery department	236,300	236,300	212,967	23,333
Capital outlay	246,487	267,386	687,216	(419,830)
Debt service	-	-	132,607	(132,607)
<b>Total expenditures</b>	<u>6,811,075</u>	<u>6,893,474</u>	<u>7,033,633</u>	<u>(140,159)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(398,978)</u>	<u>(346,377)</u>	<u>(125,180)</u>	<u>221,197</u>
<b>Other Financing Sources (uses)</b>				
Loan Proceeds	-	-	394,000	394,000
Operating transfers out	-	-	-	-
<b>Total Other Financing Sources (uses)</b>	<u>-</u>	<u>-</u>	<u>394,000</u>	<u>394,000</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures</b>	<u>(398,978)</u>	<u>(346,377)</u>	<u>268,820</u>	<u>615,197</u>
<b>Fund Balance July 1, 2004</b>	<u>-</u>	<u>-</u>	<u>3,348,717</u>	<u>3,348,717</u>
<b>Fund Balance June 30, 2005</b>	<u>\$ (398,978)</u>	<u>\$ (346,377)</u>	<u>\$ 3,617,537</u>	<u>\$ 3,963,914</u>

**SUPPLEMENTAL INFORMATION**



**CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30,2005**

**13. RESTATEMENT OF NET ASSETS**

Beginning net assets for the governmental activities has been restated to reflect the correct balances for current and long-term compensated absences as of July 1, 2004, as follows:

**FUND FINANCIAL STATEMENTS**

Fund balances, July 1, 2004, as previously reported	\$ 3,324,385
Correction of compensated absences, current	<u>24,332</u>
Fund balance, as restated, July 1, 2004	<u>\$ 3,348,717</u>

**ENTITY-WIDE FINANCIAL STATEMENTS**

Net assets, July 1, 2004, as previously reported	\$ 6,816,669
Correction of general long-term debt	30,000
Correction of compensated absences, current	24,332
Correction of compensated absences, long-term	<u>(83,711)</u>
Net Assets, as restated, July 1, 2004	<u>\$ 6,787,290</u>

**CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30,2005**

**9. INTERFUND RECEIVABLES AND PAYABLES**

Interfund Receivables and Payables as of June 30, 2005 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Fiduciary Funds	\$ 127,405	\$ 95,483
General Fund	1,703,802	627,402
Enterprise Fund	<u>553,708</u>	<u>1,662,030</u>
	<u>\$ 2,384,915</u>	<u>\$ 2,384,915</u>

**10. 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.

**11. CONCENTRATIONS**

The City has a concentration of revenue for occupational tax and water, sewer and sanitation. Three industrial companies generated approximately 44% of the City's occupational tax revenue. Four users generated approximately 26% of the utility operation's service revenue. Also, at June 30, 2005, approximately 18% of the utility operation's accounts receivable was due from four users.

**12. 2004 TOTALS**

Total amounts for 2004 are presented herein for comparative purposes only and in some instances have been reclassified from the amounts presented in the prior year's audited financial statements.

**CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30,2005**

**6. RETIREMENT PLAN (CONTINUED)**

Participating employees in non-hazardous positions contribute 5.00% of creditable compensation. The City contributed 8.48% of creditable compensation during the fiscal year ended June 30, 2005. Participating employees in hazardous positions contribute 8.00% of creditable compensation. The City contributed 22.08% of creditable compensation during the fiscal year ended June 30, 2005. The City's required contributions (both withholding and match) for pension obligation to the system for fiscal years ended June 30, 2005, 2004 and 2003 were \$845,454, \$628,470, and \$509,803, respectively.

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems (PERS). The measure is independent of the actuarial funding method used to determine contributions to the System.

All required contributions were paid at year end or within thirty (30) days thereafter. The percentage of the City's contribution to total employers' contributions in the CERS for the year is not known.

The CERS total actuarial accrued liability was \$7,180,923,840 and the net assets available for the benefits was \$6,511,561,710 as of June 30, 2005. Ten-year historical trend information showing assets available to pay benefits when due is presented in the System's June 30, 2005 comprehensive annual report.

**7. COMMITMENTS AND CONTINGENCIES**

On February 1, 2000, the City entered into an interlocal cooperation agreement with the County of Woodford, Kentucky ("County"). The City and the County have agreed to share on an equal basis the costs of construction, acquisition, installation, maintenance, operation and financing of a community recreation and fine arts complex to be situated in the City, within the County. The agreement cannot be terminated by either party so long as debt and/or interest thereon, remains outstanding and unpaid.

**8. PROPERTY TAX CALENDAR**

Property taxes are a significant portion of the General Fund revenues. The property tax calendar is as follows:

Levy Date	- January 1
Collection Date	- October 1
Due Date	- October 31
Lien Date	- January 1 of year following Levy Date

**CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2005**

**5. GENERAL LONG-TERM DEBT (CONTINUED)**

**Leases Payable, continued**

The City of Versailles entered into an agreement with Citizens Commerce National Bank on January 14, 2005 to finance the purchase of a fire truck for the fire department. Accordingly the purchase has been recorded in the general fixed assets account group. Interest and principal payments are due semiannually on July 14 and January 14 maturing January 14, 2015. The outstanding balance as of June 30, 2005 is \$267,000.

The annual requirements for the long-term debt agreement, as of June 30, 2005, are as follows:

<b>YEAR ENDING</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>
<u>JUNE 30</u>			
2006	\$ 22,142	\$ 10,603	\$ 32,745
2007	23,050	9,696	32,746
2008	23,994	8,752	32,746
2009	24,954	7,792	32,746
2010	25,999	6,747	32,746
2011-2015	<u>146,861</u>	<u>16,869</u>	<u>163,730</u>
	<u>\$ 267,000</u>	<u>\$ 60,459</u>	<u>\$ 327,459</u>

The City entered into an option agreement with a private party on April 10, 2000. The purpose of the option was purchase additional land adjacent to the Rose Crest Cemetery. The option was exercised in the current year and the purchase has been recorded in the general fixed asset account group accordingly. The interest component of the payments is an adjustable rate which will be determined annually, upon the date of the payment by subtracting one percentage point from the prime rate then being offered by United Bank and Trust Company.

The annual requirements for the option agreement, as of June 30, 2005, are as follows:

<b>YEAR ENDING</b>	
<u>JUNE 30</u>	
2006	\$ 30,000
2007	30,000
2008	30,000
2009	<u>7,000</u>
	<u>\$ 97,000</u>

**6. RETIREMENT PLAN**

The City of Versailles is a participating employer of the County Employees' Retirement System (CERS), which is a multi-employer defined benefit plan that covers substantially all regular full-time employees of each county, school board, municipal and other local agencies electing to participate. Upon election to participate in the CERS, each employee has the option to participate, however, all subsequent employees must participate and the employer is required to continue participation.

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2005

4. BUSINESS-TYPE-ACTIVITIES - LONG TERM DEBT (CONTINUED)

Compliance with bond ordinances, 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 fund 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.

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.

5. GENERAL LONG-TERM DEBT

Leases Payable

The City of Versailles entered into a variable rate lease purchase agreement with the Kentucky League of Cities' Funding Trust on August 15, 2001. The purpose of the lease was to purchase laptop computer systems to install into police vehicles. Accordingly the purchases have been recorded in the general fixed assets account group. The outstanding balance due at June 30, 2005 is \$15,000 to be paid out by June 30, 2006.

The City entered into a lease purchase agreement with Farmers Bank & Capital Trust Co. on December 19, 2001. The purpose of the lease was to purchase a vehicle for the fire department. Accordingly the purchase has been recorded in the general fixed assets account group. The outstanding balance as of June 30, 2005 is \$7,322 to be paid out by June 30, 2006.

**CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2005**

**4. BUSINESS-TYPE-ACTIVITIES - LONG TERM DEBT (CONTINUED)**

The annual requirements to amortize all revenue bonds outstanding as of June 30, 2005, are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 1,073,039	\$ 1,062,592	\$ 2,135,631
2007	1,108,453	1,026,211	2,134,664
2008	1,070,836	987,759	2,058,595
2009	1,005,000	951,053	1,956,053
2010	1,045,000	912,816	1,957,816
2011-2015	5,870,000	3,921,153	9,791,153
2016-2020	7,210,000	2,579,636	9,789,636
2021-2025	<u>7,425,000</u>	<u>815,593</u>	<u>8,240,593</u>
	<u>\$ 25,807,328</u>	<u>\$ 12,256,813</u>	<u>\$ 38,064,140</u>

The annual requirements to amortize all leases outstanding as of June 30, 2005, are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 28,705	\$ 2,513	\$ 31,218
2007	<u>30,295</u>	<u>922</u>	<u>31,217</u>
	<u>\$ 59,000</u>	<u>\$ 3,435</u>	<u>\$ 62,435</u>

Principal payments on the outstanding Water and Sewer Revenue Bonds, 1996, 1999, and 2001 are payable on December 1 of each year and interest is payable on December 1 and June 1. The League of Cities' principal payments are due on June and December 15 with interest also payable on June and December 15. Interest payments are due on May and November 20 for the KCTCS bond and principal is payable on November 20.

**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-fifth of the next interest payment and one-tenth of the next principal payment.

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.

**CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2005**

**3. CAPITAL ASSETS (Continued)**

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

Governmental activities:		Business-type activities:	
General government	\$118,744	Water	\$ 228,301
Police department	130,066	Sewer	231,729
Fire department	54,965	Sanitation	<u>43,924</u>
Street department	43,123	Total	<u>\$ 503,954</u>
Cemetery	<u>6,111</u>		
Total	<u>\$353,009</u>		

Under GASB 34, the City of Versailles has elected to not report major infrastructure retroactively. Capital assets acquired are recorded at cost or estimated cost. Depreciation of capital assets is provided over the estimated useful lives of the respective assets using the straight-line basis. The estimated useful lives are as follows:

Infrastructure	5-40 years
Buildings	25-40 years
Improvements	10-20 years
Vehicles	5-20 years
Machinery and equipment	5-10 years

**4. BUSINESS-TYPE-ACTIVITIES - LONG TERM DEBT**

**BONDS AND LEASES PAYABLE**

On December 1, 2004 the City of Versailles issued \$8,635,000 of Water and Sewer Revenue Series Bonds. The Series 2004 bonds are a variable rate debt with the first interest payment due December 1, 2004 and the first principal payment due December 1, 2005. The bonds mature on December 1, 2024. Interest is paid semiannually, with principal due on December 1 of each year.

At June 30, 2005, the business type activities had the following bonds and leases payable outstanding:

<u>Description</u>	<u>Series</u>	<u>Amount</u>	<u>Current Portion</u>
Revenue Bonds	1989	\$ 432,328	\$ 163,039
Revenue Bonds	1996	160,000	160,000
Revenue Bonds	1999	1,700,000	120,000
Revenue Bonds (KCTCS)	2003	6,100,000	235,000
Revenue Bonds	2001	8,780,000	365,000
Revenue Bonds	2004	8,635,000	30,000
Garbage Truck Lease	2004	<u>59,000</u>	<u>28,705</u>
Total payable at par		25,866,328	1,101,744
Less: unamortized defeasance costs		<u>(214,206)</u>	<u>(35,701)</u>
		25,652,122	<u>\$ 1,066,043</u>
Less: current portion payable from restricted assets		<u>(1,066,043)</u>	
Total long-term portion		<u>\$24,586,079</u>	

**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2005

**3. CAPITAL ASSETS**

A summary of capital asset activity during the fiscal year follows:

<u>Governmental Activities</u>	Balance <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2005</u>
Capital assets not depreciated:				
Land	\$ 1,402,735	\$ 127,000	\$ -	\$ 1,529,735
Capital assets that are depreciated:				
Buildings and Improvements	2,292,940	8,196	-	2,301,136
Equipment	1,060,199	155,754	-	1,215,953
Vehicles	1,727,061	381,498	-	2,108,559
Totals	<u>5,080,200</u>	<u>545,448</u>	<u>-</u>	<u>5,625,648</u>
Total Capital Assets	<u>6,482,935</u>	<u>672,448</u>	<u>-</u>	<u>7,155,383</u>
Less: accumulated depreciation				
Buildings and improvements	1,336,560	132,173	-	1,468,733
Equipment	636,769	124,759	-	761,528
Vehicles	1,425,938	96,077	-	1,522,015
Total accumulated depreciation	<u>3,399,267</u>	<u>353,009</u>	<u>-</u>	<u>3,752,276</u>
Governmental Activities Capital Assets Net	<u>\$ 3,083,668</u>	<u>\$ 319,439</u>	<u>\$ -</u>	<u>\$ 3,403,107</u>
<u>Business-Type Activities</u>				
Land	\$ 170,642	\$ -	\$ -	\$ 170,642
Land – KCTCS	486,000	-	-	486,000
Buildings	759,467	11,860	-	771,327
Building – KCTCS	2,104,000	6,833,131	-	8,937,131
Equipment	1,136,378	91,504	-	1,227,882
Vehicles	99,760	14,328	-	114,088
Improvements	<u>17,591,197</u>	<u>360,422</u>	<u>-</u>	<u>17,951,619</u>
Total capital assets	<u>22,347,444</u>	<u>7,311,245</u>	<u>-</u>	<u>29,658,689</u>
Less: accumulated depreciation				
Buildings	556,174	59,057	-	615,231
Equipment	716,376	98,962	-	815,338
Vehicles	80,993	11,720	-	92,713
Improvements	<u>6,030,289</u>	<u>378,902</u>	<u>-</u>	<u>6,409,191</u>
Total accumulated depreciation	<u>7,383,832</u>	<u>548,641</u>	<u>-</u>	<u>7,932,473</u>
Capital Assets – Net	<u>\$ 14,963,612</u>	<u>\$ 6,762,604</u>	<u>\$ -</u>	<u>\$ 21,726,216</u>



**CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general-purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**O. 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.

**2. CASH AND INVESTMENTS**

Under Kentucky Revised Statute 66.480 the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks.

The balances for cash and cash equivalents as of June 30, 2005 are as follows:

	<b>Governmental</b>	<b>Proprietary</b>	<b>Total</b>
Carrying amount	\$ 7,603,865	\$ 9,034,113	\$ 16,637,978
Bank balance	7,797,632	9,361,284	17,158,916
FDIC Insurance	800,000	400,000	1,200,000
Collateral	9,214,172	9,011,284	18,225,456

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the government or its agent in the government's name.
- (2) Uninsured and unregistered, with securities held by the counterpart's trust department or agent in the government's name.
- (3) Uninsured and unregistered, with securities held by the counterpart or by its trust department or agent but not in the government's name.

The governmental funds only invest certificates of deposit, which are included in the cash and cash

**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2005

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. 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, the noncurrent portion of capital leases, 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.

**J. Compensated Absences**

City employees are allowed to accumulate unlimited sick leave and vacation time equal to two 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 1/12<sup>th</sup> of the annual rate per month of employment.

**K. Fund Balance Reserves**

The City reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore, are not available for appropriation or expenditure. Unreserved fund balances indicate that portion of fund equity that is available for appropriation in future periods.

**L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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.

**M. Accounts Receivable - Enterprise Fund**

The Water and Sewer accounts receivable are for services to customers. If a customer fails to pay within 25 days after the prior month's bill, their service is terminated and their deposit is applied to the unpaid bill. Any unpaid balance after applying the deposit is fully reserved and carried on the books for a period of five years.

**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2005

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 and have not been revised during the year.

**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. Inventory**

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

**G. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the fund financial statements.

All capital assets are reported at cost. Donated assets are valued at their fair market value on the date donated. Improvements to capital assets are capitalized while normal repairs and maintenance are expensed. Capital assets are depreciated using the straight-line method over the estimated useful life of the asset.

**H. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, continued

**Enterprise Fund** – The enterprise fund is used to account for water, sewer, sanitation, and rental activities, the operations of which are financed by user charges.

**Fiduciary Fund** – The fiduciary funds consist of Agency Funds and Private Purpose Trusts. The agency fund is used to report information from the payroll fund. The private purpose fund provides information for the expendable cemetery trust.

C. Basis of Accounting

The basis of accounting refers to when revenues and expenditures 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 applies.

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the City as a whole. The government-side 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 financials 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 fund are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and expenses are recognized at the time the liability occurs.

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

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2005

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, reserves, fund equity, 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.

The following funds are used by the City of Versailles:

Governmental Fund Types

**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 -- Road Fund that accounts for the municipal road aid program and the OJA Fund that accounts for federal grant monies.

**Permanent Fund** -- The permanent fund is used to account for the Versailles Cemetery Perpetual and Rose Crest 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 Funds are used to account for the ongoing organizations and activities of the City, which are similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in cash flows.

Enterprise Funds are established to account for the acquisition, operations and maintenance of the City's facilities and services which are entirely or predominantly self-supported by user charges or where the City has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The accounts are maintained on the accrual basis of accounting. The City applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails. The City enterprise operations include the following:

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2005

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Versailles, Kentucky operates under the City Council form of government and has budgetary authority over the following functional areas: public safety, public service, water and sewer, and 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.

**B. Basis of Presentation**

The City's financial statements are presented in accordance with the provisions of Governmental Accounting Standards Board Statement No 34, "**Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments**" which consists of the following:

Management's discussion and analysis (required supplementary information);  
Basic Financial Statements  
    Government-wide financial statements  
    Fund financial statements  
Notes to the financial statements

**Government-wide Financial Statements**

The government-wide financial statements include a statement of net assets 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 recipient 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.

**CITY OF VERSAILLES, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
for the year ended June 30, 2005

	Business-type activities			2004 Total
	Water, Sewer & Sanitation	KCTCS Fund	Total	
<b>Cash Flows from Operating Activities:</b>				
Receipts from customers	\$ 4,193,767	\$ 1,287,742	\$ 5,481,509	\$ 2,897,899
Cash payments to employees	(1,009,939)	-	(1,009,939)	(1,003,364)
Internal activity - payments to other funds	(357,550)	345,775	(11,775)	(300,000)
Cash payments to others for services	(1,199,380)	(132,776)	(1,332,156)	86,172
Other activities	110,602	(545,306)	(434,704)	(1,354,649)
Net cash provided by operating activities	<u>1,737,500</u>	<u>955,435</u>	<u>2,692,935</u>	<u>420,859</u>
<b>Cash flows from capital and related financing activities:</b>				
Construction in progress	(5,991,896)	(2,401,184)	(8,393,080)	(11,830,564)
Purchase of property and equipment	(478,114)	-	(478,114)	(209,284)
Grant revenue	50,417	817,137	867,554	1,020,021
Payment of bond principle	(1,002,292)	(230,000)	(1,232,292)	(5,037,448)
Interest expense	(102,443)	(241,442)	(343,885)	(265,679)
Receipt of bond proceeds	5,843,627	-	5,843,627	-
Payment of capital lease obligations	-	-	-	(34,231)
Net cash (used) by capital and related financing activities	<u>(1,680,701)</u>	<u>(2,055,489)</u>	<u>(3,736,190)</u>	<u>(16,357,185)</u>
<b>Cash flows from investing activities:</b>				
Investments	3,294,716	-	3,294,716	10,320,418
Interest income	222,741	287,368	510,109	99,759
Net cash provided by investing activities	<u>3,517,457</u>	<u>287,368</u>	<u>3,804,825</u>	<u>10,420,177</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,574,256</b>	<b>(812,686)</b>	<b>2,761,570</b>	<b>(5,516,149)</b>
Cash and cash equivalents July 1, 2004	<u>4,426,227</u>	<u>1,160,006</u>	<u>5,586,233</u>	<u>11,102,382</u>
<b>Cash and cash equivalents June 30, 2005</b>	<b><u>\$ 8,000,483</u></b>	<b><u>\$ 347,320</u></b>	<b><u>\$ 8,347,803</u></b>	<b><u>\$ 5,586,233</u></b>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 1,667,645	\$ 285,893	\$ 1,953,538	\$ 867,772
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	532,863	44,686	577,549	545,806
Loss on disposal	-	-	-	(48,262)
Changes in assets and liabilities:				
Receivables, net	(46,425)	901,982	855,557	(941,315)
Accrued interest	-	-	-	221,312
Due from other funds	(418,000)	345,775	(72,225)	(150,000)
Inventory	-	-	-	(32,103)
Accounts payable	(43,992)	(77,595)	(121,587)	78,992
Other liabilities	(15,041)	(545,306)	(560,347)	28,657
Due to other funds	60,450	-	60,450	(150,000)
Net provided by operating activities	<u>\$ 1,737,500</u>	<u>\$ 955,435</u>	<u>\$ 2,692,935</u>	<u>\$ 420,859</u>
Reconciliation of total cash and cash equivalents				
Current assets - cash and cash equivalents	\$ 516,411	\$ 183,883	\$ 700,294	\$ 304,452
Restricted assets - cash and cash equivalents	7,597,267	163,437	7,760,704	6,028,042
Cash overdraft	(113,195)	-	(113,195)	(746,261)
Total cash and cash equivalents	<u>\$ 8,000,483</u>	<u>\$ 347,320</u>	<u>\$ 8,347,803</u>	<u>\$ 5,586,233</u>

The accompanying notes are an integral part of the financial statements

**CITY OF VERSAILLES, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET ASSETS**  
**PROPRIETARY FUND**  
for the year ended June 30, 2005

	<u>Business-type Activities</u>			2004 Total
	Water, Sewer & Sanitation	KCTCS Fund	Total	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 4,240,192	\$ -	\$ 4,240,192	\$ 3,635,644
Other revenues	103,028	385,760	488,788	94,649
	<u>4,343,220</u>	<u>385,760</u>	<u>4,728,980</u>	<u>3,730,293</u>
<b>OPERATING EXPENSES</b>				
Salaries	811,596	-	811,596	826,748
Payroll taxes	57,017	-	57,017	57,560
Employee benefits	133,277	-	133,277	126,172
Advertising and printing	4,656	-	4,656	12,077
Professional and technical	38,069	4,483	42,552	38,515
Repairs and maintenance	134,654	11,923	146,577	201,136
Utilities	260,815	37,766	298,581	287,120
Telephone and postage	36,936	-	36,936	35,959
Insurance	91,204	-	91,204	186,919
Chemicals	144,050	-	144,050	90,734
Technical supplies	2,937	-	2,937	5,209
Uniforms	4,482	-	4,482	4,787
Motor fuel	46,056	-	46,056	43,061
Office supplies	5,213	-	5,213	4,387
Other materials	5,761	1,009	6,770	28,333
Other expenses	60,827	-	60,827	50,481
Purchase of water	17,831	-	17,831	26,221
Landfill expense	128,756	-	128,756	126,400
Sludge removal	84,620	-	84,620	82,377
Depreciation and amortization	532,863	44,686	577,549	545,806
Training/travel	4,846	-	4,846	9,586
Lab analysis	40,616	-	40,616	41,889
Purchase of water meters	26,203	-	26,203	28,764
Dumpster collection	2,290	-	2,290	2,280
	<u>2,675,575</u>	<u>99,867</u>	<u>2,775,442</u>	<u>2,862,521</u>
Total operating expenses				
Operating income (loss)	<u>1,667,645</u>	<u>285,893</u>	<u>1,953,538</u>	<u>867,772</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest revenue	222,741	287,368	510,109	99,759
Interest expense	(102,443)	(267,519)	(369,962)	(212,300)
Excess of nonoperating revenues over expenses	<u>120,298</u>	<u>19,849</u>	<u>140,147</u>	<u>(112,541)</u>
<b>CAPITAL CONTRIBUTIONS</b>	<u>50,417</u>	<u>817,137</u>	<u>867,554</u>	<u>1,020,021</u>
<b>Net income (loss)</b>	1,838,360	1,122,879	2,961,239	1,775,252
<b>Beginning net assets</b>	<u>13,831,876</u>	<u>2,491,802</u>	<u>16,323,678</u>	<u>14,547,407</u>
<b>NET ASSETS ENDING</b>	<u>\$ 15,670,236</u>	<u>\$ 3,614,681</u>	<u>\$ 19,284,917</u>	<u>\$ 16,322,659</u>

The accompanying notes are an integral part of the financial statements



**CITY OF VERSAILLES, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2005**

	<u>Business-type Activities</u>			<b>2004 Total</b>
	<b>Water, Sewer &amp; Sanitation</b>	<b>KCTCS Fund</b>	<b>Total</b>	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 516,411	\$ 183,883	\$ 700,294	\$ 304,452
Investments	500,000	-	500,000	500,000
Receivables (net of allowance)				
Accounts receivable	540,619	-	540,619	1,396,176
Due from other funds	513,483	40,225	553,708	481,483
Inventory	67,331	-	67,331	67,332
Total current assets	<u>2,137,844</u>	<u>224,108</u>	<u>2,361,952</u>	<u>2,749,443</u>
Noncurrent assets				
Restricted assets				
Cash and cash equivalents	7,597,267	163,437	7,760,704	6,028,042
Investments at cost	14,500	-	14,500	14,500
Construction in progress	14,862,648	(122,515)	14,740,133	12,995,300
Property and equipment	20,235,558	9,423,131	29,658,689	22,347,444
Less accumulated depreciation	(7,887,786)	(44,686)	(7,932,472)	(7,383,832)
Bond issue costs, net	364,024	105,860	469,884	307,540
Total noncurrent assets	<u>35,186,211</u>	<u>9,525,227</u>	<u>44,711,438</u>	<u>34,308,994</u>
Total assets	<u>\$ 37,324,055</u>	<u>\$ 9,749,335</u>	<u>\$ 47,073,390</u>	<u>\$ 37,058,437</u>
<b>LIABILITIES</b>				
Current liabilities				
Cash overdraft	\$ 113,195	\$ -	\$ 113,195	\$ 746,261
Accounts payable	69,203	8,577	77,780	213,933
Accrued Leave	21,327		21,327	
Accrued liabilities	10,107		10,107	10,241
Accrued interest	37,781	26,077	63,858	40,103
Deposits	161,279	-	161,279	150,244
Due to other funds	1,662,030	-	1,662,030	1,601,580
Current portion-long term debt	831,043	235,000	1,066,043	1,427,172
Total current liabilities	<u>2,905,965</u>	<u>269,654</u>	<u>3,175,619</u>	<u>4,189,534</u>
Noncurrent liabilities				
Compensated absences	26,775	-	26,775	56,151
Long term debt	18,721,079	5,865,000	24,586,079	16,490,093
Total noncurrent liabilities	<u>18,747,854</u>	<u>5,865,000</u>	<u>24,612,854</u>	<u>16,546,244</u>
Total liabilities	<u>21,653,819</u>	<u>6,134,654</u>	<u>27,788,473</u>	<u>20,735,778</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of debt	7,658,298	-	7,658,298	10,017,521
Restricted for debt service	785,060	-	785,060	785,060
Unrestricted	7,226,878	3,614,681	10,841,559	5,520,078
Total net assets	<u>15,670,236</u>	<u>3,614,681</u>	<u>19,284,917</u>	<u>16,322,659</u>
Total liabilities and net assets	<u>\$ 37,324,055</u>	<u>\$ 9,749,335</u>	<u>\$ 47,073,390</u>	<u>\$ 37,058,437</u>

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

**CITY OF VERSAILLES, KENTUCKY**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**for the year ended June 30, 2005**

	General Fund	Other Governmental Funds	Total Governmental Funds	2004 Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 486,135	\$ 109,665	\$ 595,800	\$ 450,852
Licenses and permits	4,263,574	-	4,263,574	3,824,763
Intergovernmental revenues	1,584,654	128,043	1,712,697	1,061,299
Charges for services	105,124	14,590	119,714	106,221
Other income	468,966	29,677	498,643	184,262
	<u>6,908,453</u>	<u>281,975</u>	<u>7,190,428</u>	<u>5,627,397</u>
<b>EXPENDITURES</b>				
Current				
General government	1,367,366	-	1,367,366	1,569,946
Police department	3,362,490	-	3,362,490	2,480,898
Fire department	631,380	-	631,380	712,310
Street department	639,607	108,888	748,495	722,075
Cemetery department	212,967	18,989	231,956	242,985
Program expenses	-	126,624	126,624	13,415
Capital outlay	687,216	-	687,216	244,970
Debt service	132,607	1,262	133,869	48,174
	<u>7,033,633</u>	<u>255,763</u>	<u>7,289,396</u>	<u>6,034,773</u>
Excess of Revenues Over (Under) Expenditures	(125,180)	26,212	(98,968)	(407,376)
Other Sources				
Loan Proceeds	394,000		394,000	
Transfers in (out)	-	-	-	21,025
	<u>268,820</u>	<u>26,212</u>	<u>295,032</u>	<u>(386,351)</u>
Beginning fund balance	<u>3,348,717</u>	<u>527,899</u>	<u>3,876,616</u>	<u>4,238,643</u>
Fund Balance--June 30, 2005	<u>\$ 3,617,537</u>	<u>\$ 554,111</u>	<u>\$ 4,171,648</u>	<u>\$ 3,852,292</u>
Net change in fund balances			\$ 295,032	\$ (386,351)
Add Capital outlay			672,448	244,970
Add Debt service			133,869	48,174
Less Loan Proceeds			(394,000)	
Less Depreciation on governmental activities			(353,009)	(371,660)
Less Interest on long term debt			(2,908)	(2,576)
Change in net assets			<u>\$ 351,432</u>	<u>\$ (467,443)</u>

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

**CITY OF VERSAILLES, KENTUCKY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	General Fund	Other Governmental Funds	Total Governmental Funds	2004 Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 247,208	\$ 95,747	\$ 342,955	\$ 289,046
Investments	1,683,254	416,592	2,099,846	2,085,210
Accounts receivable	1,082,163	-	1,082,163	976,467
Due from other funds	1,662,030	41,772	1,703,802	1,643,352
	<u>\$ 4,674,655</u>	<u>\$ 554,111</u>	<u>\$ 5,228,766</u>	<u>\$ 4,994,075</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 182,748	\$ -	\$ 182,748	\$ 162,688
Accrued liabilities	215,531	-	215,531	232,854
Compensated absences	31,437	-	31,437	72,216
Deferred revenue	-	-	-	85,833
Due to other funds	627,402	-	627,402	588,192
	<u>1,057,118</u>	<u>-</u>	<u>1,057,118</u>	<u>1,141,783</u>
<b>FUND BALANCE</b>				
Fund Balance				
Reserved	-	-	-	-
Unreserved	3,617,537	554,111	4,171,648	3,852,292
	<u>3,617,537</u>	<u>554,111</u>	<u>4,171,648</u>	<u>3,852,292</u>
Total Fund Equity	<u>3,617,537</u>	<u>554,111</u>	<u>4,171,648</u>	<u>3,852,292</u>
Total Liabilities and Fund Equity	<u>\$ 4,674,655</u>	<u>\$ 554,111</u>	<u>\$ 5,228,766</u>	<u>\$ 4,994,075</u>

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

Fund balances reported above	\$ 4,171,648	\$ 3,852,292
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,403,107	3,083,668
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(436,033)</u>	<u>(119,291)</u>
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	<u>\$ 7,138,722</u>	<u>\$ 6,816,669</u>
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The accompanying notes are an integral part of the financial statements.

**CITY OF VERSAILLES, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
for the year ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			2004 Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
<b>Governmental activities</b>								
General government	\$ 1,486,110	\$ -	\$ 123,108	\$ -	\$ (1,363,002)	\$ -	\$ (1,363,002)	\$ (1,689,492)
Police department	3,490,474	4,399	1,073,501		(2,412,574)		(2,412,574)	(2,445,030)
Fire department	686,345		109,665		(576,680)		(576,680)	(638,885)
Street department	808,469				(808,469)		(808,469)	(770,572)
Cemetery	238,067	115,315			(122,752)		(122,752)	(158,750)
Program expenses	126,624				(126,624)		(126,624)	(13,415)
Interest on long-term debt	2,907	-	-	-	(2,907)	-	(2,907)	(2,576)
Total governmental activities	6,838,996	119,714	1,306,274	-	(5,413,008)	-	(5,413,008)	(5,718,720)
<b>Business type activities</b>								
Utilities-Water,sewer & sanitation	2,778,018	4,343,220	-	50,417	-	1,615,619	1,615,619	1,680,549
KCTCS	367,386	385,760	-	817,137	-	835,511	835,511	(5,056)
Total business-type activities	3,145,404	4,728,980	-	867,554	-	2,451,130	2,451,130	1,675,493
<b>Total primary government</b>	<b>\$ 9,984,400</b>	<b>\$ 4,848,694</b>	<b>\$ 1,306,274</b>	<b>\$ 867,554</b>	<b>(5,413,008)</b>	<b>2,451,130</b>	<b>(2,961,878)</b>	<b>(4,043,227)</b>
General revenue								
Taxes								
					486,135		486,135	450,852
License fees								
					179,345		179,345	143,021
					2,260,011		2,260,011	2,036,604
					1,553,885		1,553,885	1,439,465
					223,158		223,158	142,073
					47,175		47,175	63,600
					516,088		516,088	538,673
					-		-	231,709
					1,575		1,575	4,286
					76,913	510,109	587,022	159,920
					420,155	-	420,155	119,808
					5,764,440	510,109	6,274,549	5,330,011
					-	-	-	21,025
					5,764,440	510,109	6,274,549	5,351,036
					351,432	2,961,239	3,312,671	1,307,809
					6,787,290	16,323,678	23,110,968	21,831,519
					<u>\$ 7,138,722</u>	<u>\$ 19,284,917</u>	<u>\$ 26,423,639</u>	<u>\$ 23,139,328</u>

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

**CITY OF VERSAILLES, KENTUCKY  
STATEMENT OF NET ASSETS  
JUNE 30, 2005**

	Primary Government			2004 Total
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 342,955	\$ 700,294	\$ 1,043,249	\$ 593,498
Investments	2,099,846	500,000	2,599,846	2,585,210
Receivables (net)	1,082,163	540,619	1,622,782	2,372,643
Inventories	-	67,331	67,331	67,332
Internal balances	1,703,802	553,708	2,257,510	(64,937)
Total current assets	<u>5,228,766</u>	<u>2,361,952</u>	<u>7,590,718</u>	<u>5,553,746</u>
Noncurrent assets				
Restricted cash and cash equivalents		7,760,704	7,760,704	6,028,042
Restricted investments		14,500	14,500	14,500
Capital assets (Note 3)				
Construction in progress		14,740,133	14,740,133	12,995,300
Land and improvements	1,529,735		1,529,735	1,402,735
Depreciable infrastructure				
Plant and utility systems, net		21,726,217	21,726,217	14,963,612
Depreciable buildings, property, and equipment, net	1,873,372		1,873,372	1,680,933
Other assets	-	469,884	469,884	307,540
Total noncurrent assets	<u>3,403,107</u>	<u>44,711,438</u>	<u>48,114,545</u>	<u>37,392,662</u>
Total assets	<u>\$ 8,631,873</u>	<u>\$ 47,073,390</u>	<u>\$ 55,705,263</u>	<u>\$ 42,946,408</u>
<b>LIABILITIES</b>				
Current liabilities				
Cash overdrafts	\$ -	\$ 113,195	\$ 113,195	\$ 746,261
Accounts payable	182,748	77,780	260,528	376,621
Accrued leave payable	31,437	21,327	52,764	72,216
Accrued liabilities	215,531	10,107	225,638	243,095
Accrued interest payable		63,858	63,858	40,103
Internal Balances	627,402	1,662,030	2,289,432	
Other liabilities		161,279	161,279	150,244
Deferred revenue	-		-	85,833
Current portion of long-term obligations (Notes 4 and 5)	74,464	1,066,043	1,140,507	1,524,141
Total current liabilities	<u>1,131,582</u>	<u>3,175,619</u>	<u>4,307,201</u>	<u>3,238,514</u>
Noncurrent liabilities				
Noncurrent portion of long-term obligations (Notes 4 and 5)				
Compensated absences	83,711	26,775	110,486	56,151
Bonds payable	277,858	24,586,079	24,863,937	16,512,415
Total liabilities	<u>1,493,151</u>	<u>27,788,473</u>	<u>29,281,624</u>	<u>19,807,080</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	3,050,785	7,658,298	10,709,083	12,981,898
Restricted for				
Debt service		785,060	785,060	785,060
Other purposes	554,111	3,614,681	4,168,792	3,019,709
Unrestricted	3,533,826	7,226,878	10,760,704	6,352,661
Total net assets	<u>7,138,722</u>	<u>19,284,917</u>	<u>26,423,639</u>	<u>23,139,328</u>
Total liabilities and net assets	<u>\$ 8,631,873</u>	<u>\$ 47,073,390</u>	<u>\$ 55,705,263</u>	<u>\$ 42,946,408</u>

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

# Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

Dennis H. England, CPA  
Michael D. Foley, CPA  
Lyman Hager, Jr., CPA  
Jerry W. Hensley, CPA  
Chris A. Humphrey, CPA  
J. Carroll Luby, CPA  
Marc T. Ray, CPA-ABV

David L. Lowe, CPA

## INDEPENDENT AUDITORS' REPORT

Honorable Fred Siegelman, Mayor  
and the City Council  
City of Versailles, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of the City of Versailles, Kentucky, as of June 30, 2005, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Versailles, Kentucky's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 and the aggregate remaining fund information of the City of Versailles, Kentucky, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 1 through 8 and page 31, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with **Government Auditing Standards**, we have also issued a report dated November 30, 2005, on our consideration of the City of Versailles' internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Versailles, Kentucky, basic financial statements. The supplemental schedules on pages 32 through 41 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Ray, Foley, Hensley & Company*

Ray, Foley, Hensley & Company, PLLC  
November 30, 2005

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## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected officials consider many factors when setting the fiscal year 2005 budget. Some of the factors are the local economy and citywide annexation, expected grant money and bond funding, as well as anticipated tax revenues.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

at \$7 million, a difference of \$164,943 or 2.2%. The general government, fire department, and cemetery department were all under budget for expenses. The police department, which includes budget and actual expenses for 911, overspent by \$117,219 or 3.6%, as shown in Table A-5 on page 6. Expenditures for the city/county merger of the police department were more costly than anticipated and contributed to these costs.

## CAPITAL ASSETS

Table A-1 showed summary totals for a broad range of capital assets, including police and fire equipment and vehicles, buildings, land, roads, bridges, storm sewers, and all of the equipment and materials involved in the operation of water, sewer and sanitary utility. Table A-6 shows the breakdown of non-depreciated capital assets for both governmental and business-type activities.

Table A-6

### Capital Assets at Year-end Without Depreciation

	Governmental Activities	Business-type Activities	Total Primary Government
Land	\$ 1,529,735	\$ 170,642	\$ 1,700,377
Buildings and Improvements	2,301,136	771,327	3,072,463
Vehicles	2,108,559	114,088	2,222,647
Equipment	1,215,953	1,227,882	2,443,835
Construction in progress	-	14,740,133	14,740,133
Water system	-	8,725,966	8,725,966
Sewer system	-	9,225,653	9,225,653
KCTCS	-	9,423,131	9,423,131
Total Capital Assets	<u>\$ 7,155,383</u>	<u>\$ 44,398,822</u>	<u>\$ 51,554,205</u>

## DEBT

Table A-7 provides a summary of all of the City's outstanding indebtedness. The City issued new bonds in the amount of approximately \$8.6 million during the fiscal year 2005. Debt also increased in the governmental sector of the City's activities due to the purchase of a new fire truck and the exercise of an option to purchase more land for the Rose Crest Cemetery.

Table A-7

<u>Debt Outstanding at Year End</u>	Governmental Activities	Business-type Activities	Total Primary Government
Leases	\$ 22,322	\$ 59,000	\$ 81,322
Notes Payable	330,000		330,000
Bonds payable	-	25,807,328	25,807,328
Total Debt Outstanding	<u>\$ 352,322</u>	<u>\$ 25,866,328</u>	<u>\$ 26,218,650</u>



expenditures grew \$881,592 or 36% from 2005 while street department expenses increased by \$26,420 or 4%. Overall, the governmental funds increased net income by over \$300,000 for the year.

### BUDGET HIGHLIGHTS

Over the course of the fiscal year, the City amended the General Fund Budget. These amendments were made due to additional revenue received from the sale of the local hospital which the City had previously funded an operational shortfall in order to keep the community facility. Other amendments included emergency purchases for a police department vehicle and for a new fire engine, which replaced a non-certifiable engine. The budget contains proposed expenditures and expected revenues. A comparison of the final amended budget to actual amounts for governmental activities is presented in the table below (Tables A-4 & 5).

**Table A-4**

#### Condensed Governmental Activities - Revenues

	<u>Budget</u>	<u>Actual</u>	<u>Change</u>
Property taxes	\$ 427,000	\$ 486,135	\$ 59,135
License and permits	3,575,000	4,263,574	688,574
Intergovernmental revenues	1,465,694	1,584,654	118,960
Charges for services	61,000	105,124	44,124
Other income	<u>1,018,403</u>	<u>468,966</u>	<u>(549,437)</u>
Total revenues	<u>\$ 6,547,097</u>	<u>\$ 6,908,453</u>	<u>\$ 361,356</u>

**Table A-5**

#### Condensed Governmental Activities - Expenditures

General government	\$ 1,376,182	\$ 1,367,366	\$ 8,816
Police department	3,245,271	3,362,490	(117,219)
Fire department	670,535	631,380	39,155
Street department	625,300	639,607	(14,307)
Cemetery department	232,300	212,967	19,333
Capital outlay	1,048,988	687,216	361,772
Debt service	<u>-</u>	<u>132,607</u>	<u>(132,607)</u>
Total expenditures	<u>\$ 7,198,576</u>	<u>\$ 7,033,633</u>	<u>\$ 164,943</u>

The City budgeted for a total of \$6.5 million in revenues for 2005, but actually generated revenues of more than \$6.9 million mainly due to a higher collection of property taxes and license and permits, as shown above in Table A-4. The City budgeted \$7.2 million for expenditures for governmental activities. The actual amount of expenditures was slightly lower than expected

Overall, revenues increased by \$2.8 million or 27% from 2004 to 2005. The largest increases came from grants and contributions for the police department. Receipts of taxes and licenses also increased somewhat from last year. Expenses for the City's activities increased only \$793,711 or 9% from last year. Most areas of the City decreased expenses in the past year with the exception of the police department and KCTCS. The police department's expenses increased a total of \$854,591 or 32%. Much of these expenses were due to increased payroll, insurance, etc. due to the merger of the city and county police departments. Expenses for KCTCS increased \$245,861 or 200%. On the other hand, both of these areas also had increased revenues: the police department from contributions and grants, and KCTCS generated almost \$400,000 in lease revenue compared to \$0 during the fiscal year 2004. The City's income for all activities was \$2 million greater in 2005 than 2004, as shown on page 4 in Table A-2, increasing the City's net assets by \$3.3 million.

### GOVERNMENTAL ACTIVITIES

Table A-3 details a condensed statement of the fiscal year's governmental activities according to the governmental fund statements.

Table A-3

Condensed Governmental Activities - Revenues and Expenditures

	<u>2005</u>	<u>2004</u>
Taxes	\$ 595,800	\$ 450,852
Licenses and permits	4,263,574	3,824,763
Intergovernmental	1,712,697	1,061,299
Charges for services	119,714	106,221
Other income	<u>498,643</u>	<u>184,262</u>
Total Revenues	7,190,428	5,627,397
General government	1,367,366	1,569,946
Police department	3,362,490	2,480,898
Fire department	631,380	712,310
Street department	748,495	722,075
Cemetery department	231,956	242,985
Program expenses	126,624	13,415
Capital outlay	687,216	244,970
Debt service	<u>133,869</u>	<u>48,174</u>
Total expenditures	7,289,396	6,034,773
Excess Expenditures over Revenues before other financing sources	<u>\$ (98,968)</u>	<u>\$ (407,376)</u>

The information above shows that revenues for governmental funds increased approximately \$1.6 million or 28%. The largest portion of the increase is attributable to increases in tax and license collection and intergovernmental revenues generated by the general fund. Expenditures for governmental funds increased \$1.3 million or 21% from 2004 to 2005. As shown above, general government, fire, and cemetery decreased expenses in 2005. The police department's

Changes in net assets 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

Condensed Statement of Activities

	Governmental and Business-type Activities		Change
	2005	2004	
<b>Program Revenues</b>			
Charges for Services	\$ 4,848,694	\$ 3,827,692	\$ 1,021,002
Operating grants & contributions	1,306,274	299,749	1,006,525
Capital grants and contributions	867,554	1,020,021	(152,467)
	<u>7,022,522</u>	<u>5,147,462</u>	<u>1,875,060</u>
General Revenue			
Taxes	486,135	450,852	35,283
Licenses	4,263,574	3,824,763	438,811
Intergovernmental	517,663	770,382	(252,719)
Other Revenues	1,007,177	284,014	723,163
	<u>13,297,071</u>	<u>10,477,473</u>	<u>2,819,598</u>
<b>Program Expenses</b>			
General Government	1,486,110	1,689,492	(203,382)
Public safety - Police	3,490,474	2,635,883	854,591
Public safety - Fire	686,345	754,736	(68,391)
Public works - Streets	808,469	770,572	37,897
Cemetery	238,067	249,194	(11,127)
Interest	2,907	2,576	331
Program expenses	126,624	13,415	113,209
Water, sewer & sanitation	2,778,018	2,953,296	(175,278)
KCTCS	367,386	121,525	245,861
Total program expenses	<u>9,984,400</u>	<u>9,190,689</u>	<u>793,711</u>
Transfers	-	21,025	(21,025)
Net Change in Net Assets	3,312,671	1,307,809	2,004,862
Beginning Net Assets	<u>23,110,968</u>	<u>21,831,519</u>	<u>1,279,449</u>
Ending Net Assets	<u>\$ 26,423,639</u>	<u>\$ 23,139,328</u>	<u>\$ 3,284,311</u>

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

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

Table A-1 Statement of Net Assets

	<u>Governmental and Business-type Activities</u>		<u>Change</u>
	<u>2005</u>	<u>2004</u>	
Current and other assets	\$ 15,365,922	\$ 11,596,288	\$ 3,769,634
Capital Assets	<u>40,339,341</u>	<u>31,350,120</u>	<u>8,989,221</u>
Total Assets	55,705,263	42,946,408	12,758,855
Long-Term Debt			
Outstanding	24,974,423	16,568,566	8,405,857
Current Liabilities	<u>4,307,201</u>	<u>3,238,514</u>	<u>1,068,687</u>
Total Liabilities	29,281,624	19,807,080	9,474,544
Net assets:			
Invested in Capital			
Assets, net of debt	10,709,083	12,981,898	(2,272,815)
Restricted	4,953,852	3,804,769	1,149,083
Unrestricted	<u>10,760,704</u>	<u>6,352,661</u>	<u>4,408,043</u>
Total Net Assets	<u>\$ 26,423,639</u>	<u>\$ 23,139,328</u>	<u>\$ 3,284,311</u>

The City's total assets increased from 2004 to 2005 by \$12,758,855 or 30%, mainly attributable to an increase in assets in business-type activities. Current and other assets increased by over \$3.7 million while capital assets increased by about 29% or \$8.9 million. The total liabilities of the City also increased from 2004 to 2005 by \$9,474,544 or 48%. Long-term debt outstanding increased from \$16.6 million in 2004 to \$24.9 million in 2005, as shown in Table A-1 on page 2. This was caused mainly by a new bond issuance of approximately \$8.6 million for the expansion of the waste-water treatment facilities.

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

## **FUND FINANCIAL STATEMENTS**

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the City's funds. The fund financial statements provide more information about the City's funds and not the City as a whole.

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**—Services for which the City charges customers a fee are generally reported in proprietary funds.

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## City of Versailles, Kentucky

### Management's Discussion and Analysis

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, 2005. Please read the following in conjunction with the auditors' report on page 9 and the City's financial statements, which begin on page 10.

#### OVERVIEW OF THIS ANNUAL REPORT

This annual report consists of the management's discussion and analysis, the independent auditors' report, the basic financial statements of the City, and the independent auditor's report on compliance. The financial statements also include notes that explain in more detail some of the information in the financial statements.

The City's financial condition is presented in two kinds of statements, each with a different snapshot of the City's finances. The focus is both the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements, which have been provided in the past, focus on the individual funds of the City, reporting the City's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the City's accountability.

#### GOVERNMENT – WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. 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 this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City's activities in a way that will help 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 expenditures are taken into account regardless of when cash is received or paid.

These two statements report the net assets of the City and the changes in them. One can think of the City's net assets—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 assets 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 Assets and the Statement of Activities, we divide the City into two kinds of activities:

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.







CITY OF VERSAILLES, KENTUCKY  
AUDITED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION

June 30, 2006

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## City of Versailles, Kentucky

### Management's Discussion and Analysis

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, 2006. Please read the following in conjunction with the auditors' report on page 9 and the City's financial statements, which begin on page 10.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 10 and 11) 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 12. 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 benefits of those outside the government.

#### REPORTING THE CITY AS A WHOLE

Our analysis of the City as a whole begins on page 3. 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 Assets 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 taken into account regardless of when cash is received or paid.

These two statements report the net assets of the City and the changes in them. One can think of the City's net assets—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 assets 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 Assets and the Statement of Activities, we divide the City into two kinds of activities:

**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

The fund financial statements begin on page 12 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.

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 Assets 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, or fiduciary, for its payroll and 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 32 and 33. 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 required supplementary information concerning budgetary comparison schedules for the general fund.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Our analysis begins with a summary of the City's Statement of Net Assets, 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	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 5.4	\$ 5.1	\$10.0	\$10.6	\$ 15.4	\$15.7
Capital assets	<u>4.0</u>	<u>3.1</u>	<u>47.3</u>	<u>36.4</u>	<u>51.3</u>	<u>39.5</u>
Total assets	<u>9.4</u>	<u>8.2</u>	<u>57.3</u>	<u>47.0</u>	<u>66.7</u>	<u>55.2</u>
Long-term debt,						
Outstanding	-	-	32.0	24.6	32.0	24.6
Current liabilities	<u>1.0</u>	<u>1.1</u>	<u>2.2</u>	<u>3.2</u>	<u>3.2</u>	<u>4.3</u>
Total liabilities	<u>1.0</u>	<u>1.1</u>	<u>34.2</u>	<u>27.8</u>	<u>35.2</u>	<u>28.9</u>
Net assets:						
Invested in capital assets,						
net of debt	3.5	3.0	11.1	7.7	14.6	10.7
Restricted	1.0	.7	4.5	4.3	5.5	5.0
Unrestricted	<u>3.9</u>	<u>3.4</u>	<u>7.5</u>	<u>7.2</u>	<u>11.4</u>	<u>10.6</u>
Total Net Assets	<u>\$ 8.4</u>	<u>\$ 7.1</u>	<u>\$23.1</u>	<u>\$19.2</u>	<u>\$ 31.5</u>	<u>\$26.3</u>

The City's total assets increased by approximately \$11 million or 16.5%, from 2005 to 2006, mainly attributable to continued construction and renovations of the water plant and wastewater treatment facilities. Current and other assets increased in the governmental activities due to additional cash and investments. Current liabilities decreased for the total primary government due to a reduction of internal balances. Long-term debt increased by approximately \$7 million or 22% from the addition of a new water and sewer bond issuance of \$8.4 million; however the City also repaid debt of approximately \$1.3 million. Overall, the City increased net assets by about \$5 million.

Changes in net assets are presented in Table A-2, which is also followed by an explanation of the results on page 5. Both activity types are presented on the accrual-basis.

Table A-2  
Changes in Net Assets (in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues						
Charges for services	\$ -	\$ -	\$ 6.1	\$ 4.7	\$ 6.1	\$ 4.7
Operating grants & contributions	1.5	1.3	-	-	1.5	1.3
Capital Grants & contributions	0.5	-	1.1	1.0	1.6	1.0
General revenue					-	
Taxes	1.0	0.5	-	-	1.0	.5
Licenses	4.5	4.3	-	-	4.5	4.3
Intergovernmental	1.0	0.5	-	-	1.0	.5
Other revenues	-	0.5	-	-	-	.5
Total Revenue	<u>8.5</u>	<u>7.1</u>	<u>7.2</u>	<u>5.7</u>	<u>15.7</u>	<u>12.8</u>
Program expenses:						
General government	1.5	1.4	-	-	1.5	1.4
Police	3.7	3.4	-	-	3.7	3.4
Fire	1.0	.9	-	-	1.0	.9
Streets	1.0	1.0	-	-	1.0	1.0
Water, sewer & sanitation	-	-	3.3	2.8	3.3	2.8
Total expenses	<u>7.2</u>	<u>6.7</u>	<u>3.3</u>	<u>2.8</u>	<u>10.5</u>	<u>9.5</u>
Change in Net Assets	<u>1.3</u>	<u>0.4</u>	<u>3.9</u>	<u>2.9</u>	<u>5.2</u>	<u>3.3</u>
Beginning Net Assets	<u>7.1</u>	<u>6.7</u>	<u>19.2</u>	<u>16.3</u>	<u>26.3</u>	<u>23.0</u>
Ending Net Assets	<u>\$ 8.4</u>	<u>\$ 7.1</u>	<u>\$ 23.1</u>	<u>\$ 19.2</u>	<u>\$ 31.5</u>	<u>\$ 26.3</u>

Overall, revenues increased by \$2.9 million or 18% from 2005 to 2006 as shown in Table A-2 on page 4. The reasons for these changes were increases in charges for water and sewer services with an overall increase of 16% and the receipt of two Kentucky Infrastructure grants in business-type funds totaling \$1,036,713. Also, the City received a \$150,000 Fire Commission grant for the construction of a new fire training facility and \$120,000 was received from the Woodford County Fiscal Court as the result of the renegotiation of actual costs associated with merged policing services. The total expenses for the City as a whole increased only 8% from 2005. This increase came from interest payments in the business-type funds and capital expenditures in the governmental funds. The overall changes in revenues and expenses mentioned above allowed the City to adequately cover all expenses and increase net assets by approximately \$5 million or 16%.

## BUDGET HIGHLIGHTS

Over the course of the fiscal year, the City amended the General Fund Budget. This amendment included emergency purchases for a police department vehicle and for a new fire engine, which replaced a non-certifiable engine. Also included in the budget amendments were amendments to departments motor fuels allowance due to the rising costs of fuel and the purchase of a new leaf vacuum truck. The budget contains proposed expenditures and expected revenues. A comparison of the final amended budget to actual amounts for governmental activities is presented in the table below (Tables A-4 & 5).

**Table A-4**

### General Fund Activities - Revenues

	<u>Budget</u>	<u>Actual</u>	<u>Change</u>
Property taxes	\$ 468,600	\$ 505,724	\$ 37,124
License and permits	4,103,000	4,528,293	425,293
Intergovernmental revenues	1,526,035	1,628,315	102,280
Charges for services	66,000	105,722	39,722
Other income	1,172,855	791,123	(381,732)
Total revenues	<u>\$ 7,336,490</u>	<u>\$ 7,559,177</u>	<u>\$ 222,687</u>

**Table A-5**

### General Fund Activities - Expenditures

General government	\$ 1,359,774	\$ 1,274,849	\$ 84,925
Police & 911 department	3,450,087	3,459,386	(9,299)
Fire department	694,360	669,828	24,532
Street department	609,150	652,034	(42,884)
Cemetary department	251,528	218,045	33,483
Capital outlay	685,041	676,506	8,535
Debt service	-	335,718	(335,718)
Total expenditures	<u>\$ 7,049,940</u>	<u>\$ 7,286,366</u>	<u>\$ (236,426)</u>

The City budgeted for a total of \$7.3 million in revenues for 2006, but actually generated more than \$7.6 million mainly due to a higher collection of property taxes and insurance license fees due to annexations, as shown in Table A-4 on page 5. The budget included revenues in other income relating to grant monies awarded but not received by the year ending June 30, 2006 but will be received in the coming year. The City budgeted about \$7 million for expenditures for general fund activities. The actual amount of expenditures was slightly higher due mainly to debt service payments, including the pay-off of the new fire engine, and capital outlay that included a copier, evidence storage lockers, and much needed mobile data radio equipment, as well as a fire training facility. The unfavorable changes shown in Table A-4 on the preceding page are due to classification changes. For example, in both the police and street departments certain items were classified as capital outlay during the budgeting process but did not meet the requirements of the city's capitalization policies and, therefore, were included in regular expenditures.



## CAPITAL ASSETS

Table A-1 showed summary totals for a broad range of capital assets, including police and fire equipment and vehicles, buildings, land, roads, storm sewers, and all of the equipment and materials involved in the operation of water, sewer and sanitary utilities. Table A-6 shows the breakdown of capital assets and net of depreciation for both governmental and business-type activities. Buildings and improvements increased from 2005 to 2006 due to the movement of the water plant, which was completed by the fiscal year end June 30, 2006, from construction in progress. Additional costs were added to construction in progress for the ongoing completion of the waste-water treatment facility.

Table A-6

### Capital Assets at Year-end, net of depreciation (In millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Land	\$ 1.5	\$ 1.5	\$ 1.0	\$ 1.0	\$ 2.5	\$ 2.5
Buildings & Improvements	0.7	1.0	35.6	20.6	36.3	21.6
Vehicles	0.8	1.0	-	-	0.8	1.0
Equipment	0.8	-	-	-	0.8	-
Construction in progress	-	-	11.0	14.7	11.0	14.7
					-	
Total Capital Assets	<u>\$ 3.8</u>	<u>\$ 3.5</u>	<u>47.6</u>	<u>\$ 36.3</u>	<u>\$ 51.4</u>	<u>\$ 39.8</u>

**DEBT**

Table A-7 provides a summary of all of the City's outstanding indebtedness. The City issued new bonds in the amount of approximately \$8.4 million during the fiscal year 2006 to complete the water plant and waste water treatment facility. The City also repaid debt of over \$1.3 million.

Table A-7

<u>Debt Outstanding</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Notes Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bonds payable	-	-	33.0	25.8	33.0	25.8
Total Debt Outstanding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33.0</u>	<u>\$ 25.8</u>	<u>\$ 33.0</u>	<u>\$ 25.8</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected officials considered many factors when setting the fiscal year 2007 budget. Contributing factors include the local economy and the consumer Price Index (CPI) which increased by 3.385% in 2006.

One indicator taken into account when adopting the 2007 General Fund Budget was increasing energy prices (oil, gas and electric). Appropriated revenues show only a slight increase due to no increase in city imposed rates for property, occupational and insurance premium taxes. The City has added no new major program expenses to its 2007 budget, however, will continue to close out several major projects that began in fiscal year 2006, including completion of the new fire training facility, the 2004 TEA-21 Streetscape project enhancing our downtown historic district, and continuing to address storm water drainage issues. Revenues for 2007 will basically be used to fund the current services we offer and the inflation factors that we incur with these services.

If the 2007 budget projections are realized, the General Fund will have accomplished its financial goals and provided the same high quality of service without exhausting assets.

As for the city's business-type activities, it is expected that the 2007 revenue results will improve based on the Public Service Commission's directing a rate for the South and Northeast Woodford Water Districts as a result of their opposition (the Districts) to the previous imposed rate increases.

The wastewater treatment facility renovations are due to be complete in fiscal year 2007. The headquarters for Kentucky Community Technical College System has entered in Phase II renovation project which will require bond refunding in the business-type activity fund.

## **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 money it receives. If you have questions about this report or need additional financial information, contact Allison White, City Clerk/Treasurer, at 196 South Main Street, Versailles, Kentucky.

# Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

Dennis H. England, CPA  
Michael D. Foley, CPA  
Lyman Hager, Jr., CPA  
Jerry W. Hensley, CPA  
Chris A. Humphrey, CPA  
J. Carroll Luby, CPA  
Marc T. Ray, CPA-ABV

## INDEPENDENT AUDITORS' REPORT

Honorable Fred Siegelman, Mayor  
and the City Council  
City of Versailles, Kentucky

David L. Lowe, CPA

We have audited the accompanying financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of the City of Versailles, Kentucky, as of June 30, 2006, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Versailles, Kentucky's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 and the aggregate remaining fund information of the City of Versailles, Kentucky, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 1 through 8 and page 29, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with **Government Auditing Standards**, we have also issued a report dated September 29, 2006, on our consideration of the City of Versailles' internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Versailles, Kentucky, basic financial statements. The supplemental schedules on pages 30 through 38 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Ray, Foley, Hensley & Company*

Ray, Foley, Hensley & Company, PLLC  
September 29, 2006

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**CITY OF VERSAILLES, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

	Primary Government			2005 Total
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,199,875	\$ 875,305	\$ 2,075,180	\$ 930,054
Investments	2,457,976	500,000	2,957,976	2,599,846
Receivables (net)	1,088,037	718,604	1,806,641	1,718,265
Inventories	-	103,800	103,800	67,331
Internal balances	630,801	10,219	641,020	2,162,027
Total current assets	<u>5,376,689</u>	<u>2,207,928</u>	<u>7,584,617</u>	<u>7,477,523</u>
Noncurrent assets				
Restricted cash and cash equivalents		7,218,452	7,218,452	7,760,704
Restricted investments		14,500	14,500	14,500
Capital assets (Note 3)				
Construction in progress	94,742	10,684,072	10,778,814	14,740,133
Land and improvements	1,529,735		1,529,735	1,529,735
Depreciable infrastructure				
Plant and utility systems, net		36,647,109	36,647,109	21,726,217
Depreciable buildings, property, and equipment, net	2,329,937		2,329,937	1,873,372
Other assets	-	639,677	639,677	469,884
Total noncurrent assets	<u>3,954,414</u>	<u>55,203,810</u>	<u>59,158,224</u>	<u>48,114,545</u>
Total assets	<u>\$ 9,331,103</u>	<u>\$ 57,411,738</u>	<u>\$ 66,742,841</u>	<u>\$ 55,592,068</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 575,401	\$ 162,181	\$ 737,582	\$ 387,933
Accrued leave payable	123,985	34,000	157,985	52,764
Accrued liabilities	194,553	47,027	241,580	225,638
Accrued interest payable		113,626	113,626	63,858
Internal Balances	56,990	584,030	641,020	2,162,027
Deposits		172,825	172,825	161,279
Deferred revenue	-		-	-
Current portion of long-term obligations (Notes 4 and 5)	30,000	1,129,594	1,159,594	1,140,507
Total current liabilities	<u>980,929</u>	<u>2,243,283</u>	<u>3,224,212</u>	<u>4,194,006</u>
Noncurrent liabilities				
Noncurrent portion of long-term obligations (Notes 4 and 5)				
Compensated absences	30,842	6,906	37,748	110,486
Bonds payable	3,000	31,927,197	31,930,197	24,863,937
Total liabilities	<u>1,014,771</u>	<u>34,177,386</u>	<u>35,192,157</u>	<u>29,168,429</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	3,921,414	11,171,342	15,092,756	10,709,083
Restricted for				
Debt service		785,060	785,060	785,060
Other purposes	524,786	3,754,350	4,279,136	4,168,792
Unrestricted	3,870,132	7,523,600	11,393,732	10,760,704
Total net assets	<u>8,316,332</u>	<u>23,234,352</u>	<u>31,550,684</u>	<u>26,423,639</u>
Total liabilities and net assets	<u>\$ 9,331,103</u>	<u>\$ 57,411,738</u>	<u>\$ 66,742,841</u>	<u>\$ 55,592,068</u>

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

**CITY OF VERSAILLES, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
for the year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			2005 Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
<b>Primary government</b>								
<b>Governmental activities</b>								
General government	\$ 1,411,169	\$ -	\$ -	\$ 319,999	\$ (1,091,170)	\$ -	\$ (1,091,170)	\$ (1,363,002)
Police department	3,584,304	2,157	1,409,021		(2,173,126)		(2,173,126)	(2,412,574)
Fire department	747,646			226,728	(520,918)		(520,918)	(568,430)
Street department	849,640		116,452		(733,188)		(733,188)	(808,469)
Cemetery	244,359	112,275			(132,084)		(132,084)	(122,752)
Program expenses	36,757				(36,757)		(36,757)	(126,624)
Interest on long-term debt	16,396				(16,396)		(16,396)	(2,907)
Total governmental activities	6,890,271	114,432	1,525,473	546,727	(4,703,639)	-	(4,703,639)	(5,404,758)
<b>Business type activities</b>								
Utilities-Water, sewer & sanitation	3,279,957	5,680,604	-	1,036,712	-	3,437,359	3,437,359	1,615,619
KCTCS	432,473	489,904	-	148,630	-	206,061	206,061	835,511
Total business-type activities	3,712,430	6,170,508	-	1,185,342	-	3,643,420	3,643,420	2,451,130
<b>Total primary government</b>	<b>\$ 10,602,701</b>	<b>\$ 6,284,940</b>	<b>\$ 1,525,473</b>	<b>\$ 1,732,069</b>	<b>(4,703,639)</b>	<b>3,643,420</b>	<b>(1,060,219)</b>	<b>(2,953,628)</b>
General revenue								
Taxes								
Property taxes, levied for general purposes								
					505,724		505,724	486,135
License fees								
Franchise								
					170,455		170,455	179,345
Payroll								
					2,397,515		2,397,515	2,260,011
Insurance premiums								
					1,668,954		1,668,954	1,553,885
Net profits								
					241,286		241,286	223,158
Occupational								
					50,083		50,083	47,175
E911 wireless funding fees								
					526,966		526,966	516,088
Grants and contributions not restricted to specific programs								
					-		-	-
Surplus equipment								
					10,626		10,626	1,575
Investment earnings								
					150,279	372,430	522,709	606,058
Miscellaneous								
					159,361	-	159,361	908,957
Total general revenues								
					5,881,249	372,430	6,253,679	6,782,387
Transfers								
					-	-	-	-
Total general revenues and transfers								
					5,881,249	372,430	6,253,679	6,782,387
Change in Net Assets								
					1,177,610	4,015,850	5,193,460	3,828,759
Net assets-beginning								
					7,138,722	19,218,502	26,357,224	23,110,968
NET ASSETS-ENDING								
					\$ 8,316,332	\$ 23,234,352	\$ 31,550,684	\$ 26,939,727

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

**CITY OF VERSAILLES, KENTUCKY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	General Fund	Other Governmental Funds	Total Governmental Funds	2005 Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,161,583	\$ 38,292	\$ 1,199,875	\$ 342,955
Investments	2,008,254	449,722	2,457,976	2,099,846
Accounts receivable	1,088,037	-	1,088,037	1,082,163
Due from other funds	589,029	41,772	630,801	1,703,802
 Total Assets	 \$ 4,846,903	 \$ 529,786	 \$ 5,376,689	 \$ 5,228,766
<b>LIABILITIES</b>				
Accounts payable	\$ 575,401	\$ -	\$ 575,401	\$ 310,153
Accrued liabilities	194,553	-	194,553	215,531
Compensated absences	123,985	-	123,985	31,437
Deferred revenue	-	-	-	-
Due to other funds	51,990	5,000	56,990	499,997
 Total Liabilities	 945,929	 5,000	 950,929	 1,057,118
<b>FUND BALANCE</b>				
Fund Balance				
Reserved	-	-	-	
Unreserved	3,900,974	524,786	4,425,760	4,171,648
 Total Fund Equity	 3,900,974	 524,786	 4,425,760	 4,171,648
 Total Liabilities and Fund Equity	 \$ 4,846,903	 \$ 529,786	 \$ 5,376,689	 \$ 5,228,766

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

Fund balances reported above

	\$ 4,425,760	\$ 4,171,648
--	--------------	--------------

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

	3,954,414	3,403,107
--	-----------	-----------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

	(63,842)	(436,033)
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	\$ 8,316,332	\$ 7,138,722
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The accompanying notes are an integral part of the financial statements.

CITY OF VERSAILLES, KENTUCKY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES  
GOVERNMENTAL FUNDS  
for the year ended June 30, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds	2005 Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 505,724	\$ 116,452	\$ 622,176	\$ 595,800
Licenses and permits	4,528,293	-	4,528,293	4,263,574
Intergovernmental revenues	1,628,315	327,433	1,955,748	1,204,859
Charges for services	105,722	8,710	114,432	119,714
Other income	<u>791,123</u>	<u>45,483</u>	<u>836,606</u>	<u>1,006,481</u>
 Total Revenues	 <u>7,559,177</u>	 <u>498,078</u>	 <u>8,057,255</u>	 <u>7,190,428</u>
 <b>EXPENDITURES</b>				
Current				
General government	1,274,849	-	1,274,849	1,367,366
Police department	3,459,386	-	3,459,386	3,362,490
Fire department	669,828	-	669,828	631,380
Street department	652,034	155,474	807,508	748,495
Cemetery department	218,045	20,488	238,533	231,956
Program expenses	-	36,757	36,757	126,624
Capital outlay	676,506	314,685	991,191	687,216
Debt service	<u>335,718</u>	<u>-</u>	<u>335,718</u>	<u>133,869</u>
 Total Expenditures	 <u>7,286,366</u>	 <u>527,404</u>	 <u>7,813,770</u>	 <u>7,289,396</u>
 Excess of Revenues Over (Under) Expenditures	 272,811	 (29,326)	 243,485	 (98,968)
 Other Sources				
Loan Proceeds	-	-	-	394,000
Sale of assets	<u>10,626</u>	<u>-</u>	<u>10,626</u>	<u>-</u>
 Net change in fund balances	 283,437	 (29,326)	 254,111	 295,032
 Fund Balance beginning of year	 <u>3,617,537</u>	 <u>554,112</u>	 <u>4,171,649</u>	 <u>3,876,616</u>
 <b>Fund Balance end of year</b>	 <b><u>\$ 3,900,974</u></b>	 <b><u>\$ 524,786</u></b>	 <b><u>\$ 4,425,760</u></b>	 <b><u>\$ 4,171,648</u></b>
 Net change in fund balances			\$ 254,111	\$ 295,032
Add Capital outlay			991,191	672,448
Add Debt service			335,718	133,869
Add Change in compensated absences			52,869	
Less Loan Proceeds			-	(394,000)
Less Depreciation on governmental activities			(439,883)	(353,009)
Less Interest on long term debt			<u>(16,396)</u>	<u>(2,908)</u>
 Change in net assets			 <u>\$ 1,177,610</u>	 <u>\$ 351,432</u>

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



CITY OF VERSAILLES, KENTUCKY  
BALANCE SHEET  
PROPRIETARY FUNDS  
JUNE 30, 2006

	Business-type Activities			2005 Total
	Water, Sewer & Sanitation	KCTCS Fund	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 610,247	\$ 265,058	\$ 875,305	\$ 587,099
Investments	500,000	-	500,000	500,000
Receivables (net of allowance)				
Accounts receivable	718,604	-	718,604	636,102
Due from other funds	10,219	-	10,219	458,225
Inventory	103,800	-	103,800	67,331
Total current assets	<u>1,942,870</u>	<u>265,058</u>	<u>2,207,928</u>	<u>2,248,757</u>
Noncurrent assets				
Restricted assets				
Cash and cash equivalents	6,908,217	310,235	7,218,452	7,760,704
Investments at cost	14,500	-	14,500	14,500
Construction in progress	10,845,140	(161,068)	10,684,072	14,740,133
Property and equipment	35,610,543	9,631,716	45,242,259	29,658,689
Less accumulated depreciation	(8,367,550)	(227,600)	(8,595,150)	(7,932,472)
Bond issue costs, net	544,403	95,274	639,677	469,884
Total noncurrent assets	<u>45,555,253</u>	<u>9,648,557</u>	<u>55,203,810</u>	<u>44,711,438</u>
Total assets	<u>\$ 47,498,123</u>	<u>\$ 9,913,615</u>	<u>\$ 57,411,738</u>	<u>\$ 46,960,195</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 162,180	\$ 1	\$ 162,181	\$ 77,780
Accrued Leave	34,000		34,000	21,327
Accrued liabilities	47,027		47,027	10,107
Accrued interest	94,362	19,264	113,626	63,858
Deposits	172,825	-	172,825	161,279
Due to other funds	584,030	-	584,030	1,662,030
Current portion-long term debt	889,594	240,000	1,129,594	1,066,043
Total current liabilities	<u>1,984,018</u>	<u>259,265</u>	<u>2,243,283</u>	<u>3,062,424</u>
Noncurrent liabilities				
Compensated absences	6,906	-	6,906	26,775
Long term debt	26,027,197	5,900,000	31,927,197	24,586,079
Total noncurrent liabilities	<u>26,034,103</u>	<u>5,900,000</u>	<u>31,934,103</u>	<u>24,612,854</u>
Total liabilities	<u>28,018,121</u>	<u>6,159,265</u>	<u>34,177,386</u>	<u>27,675,278</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of debt	11,171,342	-	11,171,342	10,814,228
Restricted for debt service	785,060	-	785,060	785,060
Unrestricted	7,523,600	3,754,350	11,277,950	7,685,629
Total net assets	<u>19,480,002</u>	<u>3,754,350</u>	<u>23,234,352</u>	<u>19,284,917</u>
Total liabilities and net assets	<u>\$ 47,498,123</u>	<u>\$ 9,913,615</u>	<u>\$ 57,411,738</u>	<u>\$ 46,960,195</u>

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

**CITY OF VERSAILLES, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET ASSETS**  
**PROPRIETARY FUND**  
for the year ended June 30, 2006

	<u>Business-type Activities</u>			2005 Total
	Water, Sewer & Sanitation	KCTCS Fund	Total	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 5,047,011	\$ -	\$ 5,047,011	\$ 4,240,192
Other revenues	<u>633,593</u>	<u>489,904</u>	<u>1,123,497</u>	<u>488,788</u>
	<u>5,680,604</u>	<u>489,904</u>	<u>6,170,508</u>	<u>4,728,980</u>
<b>OPERATING EXPENSES</b>				
Salaries	764,828	-	764,828	811,596
Payroll taxes	55,233	-	55,233	57,017
Employee benefits	150,942	-	150,942	133,277
Advertising and printing	14,947	-	14,947	4,656
Professional and technical	28,726	800	29,526	42,552
Repairs and maintenance	103,164	1,431	104,595	146,577
Utilities	401,655	-	401,655	298,581
Telephone and postage	41,859	-	41,859	36,936
Insurance	91,894	-	91,894	91,204
Chemicals	122,917	-	122,917	144,050
Technical supplies	2,693	-	2,693	2,937
Uniforms	4,013	-	4,013	4,482
Motor fuel	57,667	-	57,667	46,056
Office supplies	2,635	-	2,635	5,213
Other materials	7,129	-	7,129	6,770
Other expenses	122,740	-	122,740	60,827
Purchase of water	21,349	-	21,349	17,831
Landfill expense	129,880	-	129,880	128,756
Sludge removal	43,664	-	43,664	84,620
Depreciation and amortization	515,663	193,500	709,163	577,549
Training/travel	3,965	-	3,965	4,846
Lab analysis	52,501	-	52,501	40,616
Purchase of water meters	16,718	-	16,718	26,203
Dumpster collection	<u>2,493</u>	<u>-</u>	<u>2,493</u>	<u>2,290</u>
Total operating expenses	<u>2,759,275</u>	<u>195,731</u>	<u>2,955,006</u>	<u>2,775,442</u>
Operating income (loss)	<u>2,921,329</u>	<u>294,173</u>	<u>3,215,502</u>	<u>1,953,538</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest revenue	372,407	23	372,430	510,109
Interest expense	<u>(520,682)</u>	<u>(236,742)</u>	<u>(757,424)</u>	<u>(369,962)</u>
Excess of nonoperating revenues over expenses	<u>(148,275)</u>	<u>(236,719)</u>	<u>(384,994)</u>	<u>140,147</u>
<b>CAPITAL CONTRIBUTIONS</b>	<u>1,036,712</u>	<u>148,630</u>	<u>1,185,342</u>	<u>867,554</u>
Net income (loss)	3,809,766	206,084	4,015,850	2,961,239
Beginning net assets	<u>15,670,236</u>	<u>3,548,266</u>	<u>19,218,502</u>	<u>16,323,678</u>
<b>NET ASSETS ENDING</b>	<u>\$ 19,480,002</u>	<u>\$ 3,754,350</u>	<u>\$ 23,234,352</u>	<u>\$ 19,284,917</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, 2006

	Business-type activities			2005 Total
	Water, Sewer & Sanitation	KCTCS Fund	Total	
<b>Cash Flows from Operating Activities:</b>				
Receipts from customers	\$ 4,964,509	\$ 489,904	\$ 5,454,413	\$ 5,481,509
Cash payments to employees	(978,199)	-	(978,199)	(1,009,939)
Internal activity - payments to other funds	(629,994)	40,225	(589,769)	(11,775)
Cash payments to others for services	(1,179,632)	(10,808)	(1,190,440)	(1,332,156)
Other activities	635,536	187,797	823,333	(434,704)
Net cash provided by operating activities	<u>2,812,220</u>	<u>707,118</u>	<u>3,519,338</u>	<u>2,692,935</u>
<b>Cash flows from capital and related financing activities:</b>				
Construction in progress	4,017,508	(156,056)	3,861,452	(8,393,080)
Purchase of property and equipment	(14,824,315)	-	(14,824,315)	(478,114)
Grant revenue	1,036,715	148,630	1,185,345	867,554
Payment of bond principal	(1,107,328)	(235,000)	(1,342,328)	(1,232,292)
Interest expense	(520,682)	(236,742)	(757,424)	(343,885)
Receipt of bond proceeds	8,449,211	-	8,449,211	5,843,627
Payment of capital lease obligations	(28,705)	-	(28,705)	-
Net cash (used) by capital and related financing activities	<u>(2,977,596)</u>	<u>(479,168)</u>	<u>(3,456,764)</u>	<u>(3,736,190)</u>
<b>Cash flows from investing activities:</b>				
Purchase of investments	(689,050)	-	(689,050)	3,294,716
Interest income	372,407	23	372,430	510,109
Net cash provided by in investing activities	<u>(316,643)</u>	<u>23</u>	<u>(316,620)</u>	<u>3,804,825</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(482,019)</b>	<b>227,973</b>	<b>(254,046)</b>	<b>2,761,570</b>
Cash and cash equivalents July 1, 2005	<u>8,000,483</u>	<u>347,320</u>	<u>8,347,803</u>	<u>5,586,233</u>
<b>Cash and cash equivalents June 30, 2006</b>	<b><u>\$ 7,518,464</u></b>	<b><u>\$ 575,293</u></b>	<b><u>\$ 8,093,757</u></b>	<b><u>\$ 8,347,803</u></b>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 2,921,329	\$ 294,173	\$ 3,215,502	\$ 1,953,538
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	515,663	193,500	709,163	577,549
Loss on disposal	-	-	-	-
Changes in assets and liabilities:				
Receivables, net	(22,502)	-	(22,502)	855,557
Accrued interest	-	-	-	-
Due from other funds	407,781	40,225	448,006	(72,225)
Inventory	(36,469)	-	(36,469)	-
Accounts payable	92,977	(8,576)	84,401	(121,587)
Other liabilities	11,441	187,796	199,237	(560,347)
Due to other funds	(1,078,000)	-	(1,078,000)	60,450
Net provided by operating activities	<u>\$ 2,812,220</u>	<u>\$ 707,118</u>	<u>\$ 3,519,338</u>	<u>\$ 2,692,935</u>
Reconciliation of total cash and cash equivalents				
Current assets - cash and cash equivalents	\$ 610,247	\$ 265,058	\$ 875,305	\$ 587,099
Restricted assets - cash and cash equivalents	<u>6,908,217</u>	<u>310,235</u>	<u>7,218,452</u>	<u>7,760,704</u>
Total cash and cash equivalents	<u>\$ 7,518,464</u>	<u>\$ 575,293</u>	<u>\$ 8,093,757</u>	<u>\$ 8,347,803</u>

The accompanying notes are an integral part of the financial statements

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Versailles, Kentucky operates under the City Council form of government and has budgetary authority over the following functional areas: public safety, public service, water and sewer, and 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.

**B. Basis of Presentation**

The City's financial statements are presented in accordance with the provisions of Governmental Accounting Standards Board Statement No 34, "*Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*" which consists of the following:

Management's discussion and analysis (required supplementary information);  
Basic Financial Statements  
    Government-wide financial statements  
    Fund financial statements  
    Notes to the financial statements

**Government-wide Financial Statements**

The government-wide financial statements include a statement of net assets 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 recipient 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.

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

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, reserves, fund equity, 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.

The following funds are used by the City of Versailles:

Governmental Fund Types

**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 – Road Fund that accounts for the municipal road aid program and the OJA Fund that accounts for federal grant monies.

**Permanent Fund** – The permanent fund is used to account for the Versailles Cemetery Perpetual and Rose Crest 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 Funds are used to account for the ongoing organizations and activities of the City, which are similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in cash flows.

Enterprise Funds are established to account for the acquisition, operations and maintenance of the City's facilities and services which are entirely or predominantly self-supported by user charges or where the City has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The accounts are maintained on the accrual basis of accounting. The City applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails. The City enterprise operations include the following:

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**B. Basis of Presentation, continued**

**Enterprise Fund** – The enterprise fund is used to account for water, sewer, sanitation, and rental activities, the operations of which are financed by user charges.

**Fiduciary Fund** – The fiduciary funds consist of Agency Funds and Private Purpose Trusts. The agency fund is used to report information from the payroll fund. The private purpose fund provides information for the expendable cemetery trust.

**C. Basis of Accounting**

The basis of accounting refers to when revenues and expenditures 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 applies.

Government-wide Financial Statements

The Statement of Net Assets 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 financials 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 fund are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and expenses are recognized at the time the liability occurs.

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

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 and have not been revised during the year.

**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. Inventory**

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

**G. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the fund financial statements.

All capital assets are reported at cost. Donated assets are valued at their fair market value on the date donated. Improvements to capital assets are capitalized while normal repairs and maintenance are expensed. Capital assets are depreciated using the straight-line method over the estimated useful life of the asset.

**H. Interfund Balances**

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

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. 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, the noncurrent portion of capital leases, 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.

**J. Compensated Absences**

City employees are allowed to accumulate unlimited sick leave and vacation time equal to two 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 1/12<sup>th</sup> of the annual rate per month of employment.

**K. Fund Balance Reserves**

The City reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore, are not available for appropriation or expenditure. Unreserved fund balances indicate that portion of fund equity that is available for appropriation in future periods.

**L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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.

**M. Accounts Receivable - Enterprise Fund**

The Water and Sewer accounts receivable are for services to customers. If a customer fails to pay within 25 days after the prior month's bill, their service is terminated and their deposit is applied to the unpaid bill. Any unpaid balance after applying the deposit is fully reserved and carried on the books for a period of five years. Receivables are shown net of an allowance for uncollectibles in the amount of \$5,000.



CITY OF VERSAILLES, KENTUCKY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general-purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

O. 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.

2. CASH AND INVESTMENTS

Under Kentucky Revised Statute 66.480 the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks.

The balances for cash and cash equivalents as of June 30, 2006 are as follows:

	<b>Governmental</b>	<b>Proprietary</b>	<b>Total</b>
Carrying amount	\$ 3,308,129	\$ 8,608,257	\$ 11,916,386
Bank balance	\$ 3,512,128	\$ 8,582,987	\$ 12,095,115
Assets not requiring collateral	-	(4,639,352)	(4,639,352)
FDIC Insurance	<u>(400,000)</u>	<u>(400,000)</u>	<u>(800,000)</u>
Collateral required	3,112,128	3,543,635	6,655,763
Collateral Pledged	\$ 3,363,219	\$ 4,115,150	\$ 7,478,369

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the government or its agent in the government's name.
- (2) Uninsured and unregistered, with securities held by the counterpart's trust department or agent in the government's name.
- (3) Uninsured and unregistered, with securities held by the counterpart or by its trust department or agent but not in the government's name.

The governmental funds only invest certificates of deposit, which are included in the cash and cash

**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**3. CAPITAL ASSETS**

A summary of capital asset activity during the fiscal year follows:

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 1,529,735	\$ -	\$ -	\$ 1,529,735
Construction in progress	-	<u>94,742</u>	-	<u>94,742</u>
Total	<u>1,529,735</u>	<u>94,742</u>	-	<u>1,624,477</u>
Capital assets being depreciated:				
Buildings and Improvements	2,301,136	13,175	(9,815)	2,304,496
Equipment	1,215,953	535,619	(46,783)	1,704,789
Vehicles	<u>2,108,559</u>	<u>347,654</u>	<u>(278,458)</u>	<u>2,177,755</u>
Total	<u>5,625,648</u>	<u>896,448</u>	<u>(335,055)</u>	<u>6,187,040</u>
Total capital assets	<u>7,155,383</u>	<u>991,190</u>	<u>(335,055)</u>	<u>7,811,517</u>
Less accumulated depreciation				
Buildings and improvements	1,468,733	100,715	(9,815)	1,559,633
Equipment	761,528	185,864	(46,783)	900,609
Vehicles	<u>1,522,015</u>	<u>153,304</u>	<u>(278,458)</u>	<u>1,396,861</u>
Total accumulated depreciation	<u>3,752,276</u>	<u>439,883</u>	<u>(335,056)</u>	<u>3,857,103</u>
Governmental activities capital assets, net	<u>\$ 3,403,107</u>	<u>\$ 551,307</u>	<u>\$ -</u>	<u>\$ 3,954,414</u>
<u>Business-Type Activities</u>				
Capital assets not depreciated:				
Land	\$ 656,642	\$ -	\$ -	\$ 656,642
Construction in progress	<u>14,862,648</u>	<u>10,909,041</u>	<u>(14,777,306)</u>	<u>10,994,383</u>
Total	<u>15,519,290</u>	<u>10,909,041</u>	<u>(14,777,306)</u>	<u>11,651,025</u>
Capital assets being depreciated:				
Buildings	9,917,043	14,777,306	-	24,694,349
Equipment	1,227,882	21,624	-	1,249,506
Vehicles	114,088	-	-	114,088
Improvements	<u>17,951,619</u>	<u>576,055</u>	-	<u>18,527,674</u>
Total	<u>29,210,632</u>	<u>15,374,985</u>	-	<u>44,585,617</u>
Total capital assets	<u>44,729,922</u>	<u>26,284,026</u>	<u>(14,777,306)</u>	<u>56,236,642</u>
Less accumulated depreciation				
Buildings	615,231	197,286	-	812,517
Equipment	815,338	91,934	-	907,272
Vehicles	92,713	10,286	-	102,999
Improvements	<u>6,409,191</u>	<u>363,172</u>	-	<u>6,772,363</u>
Total accumulated depreciation	<u>7,932,473</u>	<u>662,678</u>	-	<u>8,595,151</u>
Business-type activities capital assets, net	<u>\$ 36,797,449</u>	<u>\$ 25,621,348</u>	<u>\$ (14,777,306)</u>	<u>\$ 47,641,491</u>

Current year additions to construction in progress include capitalized interest of \$672,749.

**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**3. CAPITAL ASSETS (Continued)**

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

Governmental activities:		Business-type activities:	
General government	\$136,320	Water	\$ 212,807
Police department	177,787	Sewer	225,927
Fire department	77,818	Sanitation	<u>41,030</u>
Street department	42,132	Total	<u>\$ 479,764</u>
Cemetery	<u>5,826</u>		
Total	<u>\$439,883</u>		

Under GASB 34, the City of Versailles has elected to not report major infrastructure retroactively. Capital assets acquired are recorded at cost or estimated cost. Depreciation of capital assets is provided over the estimated useful lives of the respective assets using the straight-line basis. The estimated useful lives are as follows:

Infrastructure	5-40 years
Buildings	25-40 years
Improvements	10-20 years
Vehicles	5-20 years
Machinery and equipment	5-10 years

**4. BUSINESS-TYPE-ACTIVITIES - LONG TERM DEBT**

**BONDS AND LEASES PAYABLE**

On August 1, 2005 the City of Versailles issued \$8,465,000 of Water and Sewer Revenue Series Bonds. The Series 2005 bonds are a variable rate debt with the first interest payment due June 1, 2006 and the first principal payment due December 1, 2006. The bonds mature on December 1, 2025. Interest is paid semiannually, with principal due on December 1, of each year.

At June 30, 2006, the business type activities had the following bonds and leases payable outstanding:

<u>Description</u>	<u>Series</u>	<u>Amount</u>	<u>Current Portion</u>
Revenue Bonds	1999	1,580,000	290,000
Revenue Bonds (KCTCS)	2003	5,865,000	240,000
Revenue Bonds	2001	8,415,000	380,000
Revenue Bonds	2004	8,605,000	30,000
Revenue Bonds	2005	8,465,000	195,000
General Lease (KCTCS)	2004	275,000	-
Garbage Truck Lease	2004	<u>30,295</u>	<u>30,295</u>
Total payable at par		33,235,295	1,165,295
Less: unamortized defeasance costs		<u>(142,804)</u>	<u>(35,701)</u>
		33,092,491	<u>\$ 1,129,594</u>
Less: current portion payable from restricted assets		<u>(1,165,295)</u>	
Total long-term portion		<u>\$31,927,196</u>	

**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**4. BUSINESS-TYPE-ACTIVITIES - LONG TERM DEBT (CONTINUED)**

The annual requirements to amortize all revenue bonds outstanding as of June 30, 2006, are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,135,000	\$ 1,344,041	\$ 2,479,041
2008	1,175,000	1,303,955	2,478,955
2009	1,220,000	1,261,046	2,481,046
2010	1,260,000	1,215,016	2,475,016
2011	1,315,000	1,166,018	2,481,018
2012-2016	7,380,000	5,018,808	12,398,808
2017-2021	9,080,000	3,320,469	12,400,469
2022-2026	<u>10,365,000</u>	<u>1,095,652</u>	<u>11,460,652</u>
	<u>\$ 32,930,000</u>	<u>\$ 15,725,005</u>	<u>\$ 48,655,005</u>

Principal payments on the outstanding Water and Sewer Revenue Bonds 1999, 2001 and 2004 are payable on December 1 of each year and interest is payable on December 1 and June 1. Interest payments are due on May and November 20 for the KCTCS bond and principal is payable on November 20.

The annual requirements to amortize all leases outstanding as of June 30, 2006, are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 30,295	\$ 11,047	\$ 41,342
2008	-	10,125	10,125
2009	-	10,125	10,125
2010	<u>\$ 275,000</u>	<u>\$ 5,063</u>	<u>\$ 280,063</u>
	<u>\$ 305,295</u>	<u>\$ 36,360</u>	<u>\$ 341,655</u>

**Compliance with bond ordinances**

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

Water and Sewer Revenue Bond and Interest Redemption Account

Amounts sufficient to pay the current principal and interest requirements of the outstanding revenue bonds are to be set aside monthly in this account. The monthly payment is to be equal to one-fifth of the next interest payment and one-tenth of the next principal payment.

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.

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

4. BUSINESS-TYPE-ACTIVITIES - LONG TERM DEBT (CONTINUED)

Compliance with bond ordinances, 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 fund 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.

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.

5. GENERAL LONG-TERM DEBT

The City entered into an option agreement with a private party on April 10, 2000. The purpose of the option was purchase additional land adjacent to the Rose Crest Cemetery. The option was exercised in the prior year and the purchase has been recorded in the general fixed asset account group accordingly. The interest component of the payments is an adjustable rate which will be determined annually, upon the date of the payment by subtracting one percentage point from the prime rate then being offered by United Bank and Trust Company.

The annual requirements for the option agreement, as of June 30, 2006, are as follows:

YEAR ENDING	
<u>JUNE 30</u>	
2007	\$ 30,000
2008	<u>3,000</u>
	<u>\$ 33,000</u>

**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**6. RETIREMENT PLAN**

The City of Versailles is a participating employer of the County Employees' Retirement System (CERS), which is a multi-employer defined benefit plan that covers substantially all regular full-time employees of each county, school board, municipal and other local agencies electing to participate. Upon election to participate in the CERS, each employee has the option to participate, however, all subsequent employees must participate and the employer is required to continue participation.

Participating employees in non-hazardous positions contribute 5.00% of creditable compensation. The City contributed 10.98% of creditable compensation during the fiscal year ended June 30, 2006. Participating employees in hazardous positions contribute 8.00% of creditable compensation. The City contributed 25.01% of creditable compensation during the fiscal year ended June 30, 2006. The City's required contributions (both withholding and match) for pension obligation to the system for fiscal years ended June 30, 2006, 2005 and 2004 were \$967,255, \$845,454, and \$628,470, respectively.

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems (PERS). The measure is independent of the actuarial funding method used to determine contributions to the System.

All required contributions were paid at year end or within thirty (30) days thereafter. The percentage of the City's contribution to total employers' contributions in the CERS for the year is not known.

The CERS total actuarial accrued liability was \$7,180,923,840 and the net assets available for the benefits was \$6,511,561,710 as of June 30, 2005. Ten-year historical trend information showing assets available to pay benefits when due is presented in the System's June 30, 2005 comprehensive annual report.

**7. COMMITMENTS AND CONTINGENCIES**

On February 1, 2000, the City entered into an interlocal cooperation agreement with the County of Woodford, Kentucky ("County"). The City and the County have agreed to share on an equal basis the costs of construction, acquisition, installation, maintenance, operation and financing of a community recreation and fine arts complex to be situated in the City, within the County. The agreement cannot be terminated by either party so long as debt and/or interest thereon, remains outstanding and unpaid.

**8. PROPERTY TAX CALENDAR**

Property taxes are a significant portion of the General Fund revenues. The property tax calendar is as follows:

Levy Date	- January 1
Collection Date	- October 1
Due Date	- October 31
Lien Date	- January 1 of year following Levy Date

**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30,2006**

**9. INTERFUND RECEIVABLES AND PAYABLES**

Interfund Receivables and Payables as of June 30, 2006 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds	\$ 630,801	\$ 56,990
Business-type funds	<u>10,219</u>	<u>584,030</u>
	<u>\$ 641,020</u>	<u>\$ 641,020</u>

**10. 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.

**11. CONCENTRATIONS**

The City has a concentration of revenue for occupational tax and water, sewer and sanitation. Three industrial companies generated approximately 53% of the City's occupational tax revenue. Four users generated approximately 25% of the utility operation's service revenue. Also, at June 30, 2006, approximately 22% of the utility operation's accounts receivable was due from four users.

**12. 2005 TOTALS**

Total amounts for 2005 are presented herein for comparative purposes only and in some instances have been reclassified from the amounts presented in the prior year's audited financial statements.

**13. RESTATEMENT OF NET ASSETS**

Beginning net assets for the business-type activities related to the KCTCS Fund have been restated to reflect the correct balances for long-term debt and capitalized interest cost as of July 1, 2005, as follows:

	KCTCS Fund	Total Business-type Activities
Net assets, July 1, 2005, as previously reported	\$ 3,614,681	\$ 19,284,917
Lease payable	(275,000)	(275,000)
Capitalized interest	<u>208,585</u>	<u>208,585</u>
Net Assets, as restated, July 1, 2005	<u>\$ 3,548,266</u>	<u>\$ 19,218,502</u>

**SUPPLEMENTAL INFORMATION**



**CITY OF VERSAILLES, KENTUCKY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISONS**  
**GENERAL FUND**  
**for the year ended June 30, 2006**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 468,600	\$ 468,600	\$ 505,724	\$ 37,124
License and permits	4,103,000	4,103,000	4,528,293	425,293
Intergovernmental revenues	1,526,035	1,526,035	2,155,281	629,246
Charges for services	66,000	66,000	105,722	39,722
Other income	<u>872,400</u>	<u>1,172,855</u>	<u>264,157</u>	<u>(908,698)</u>
<b>Total revenues</b>	<u>7,036,035</u>	<u>7,336,490</u>	<u>7,559,177</u>	<u>222,687</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,359,774	1,359,774	1,274,849	84,925
Police department	3,425,087	3,450,087	3,459,386	(9,299)
Fire department	694,360	694,360	764,570	(70,210)
Street department	609,150	609,150	652,034	(42,884)
Cemetary department	249,628	251,528	218,045	33,483
Capital outlay	671,866	685,041	581,764	103,277
Debt service	<u>-</u>	<u>-</u>	<u>335,718</u>	<u>(335,718)</u>
<b>Total expenditures</b>	<u>7,009,865</u>	<u>7,049,940</u>	<u>7,286,366</u>	<u>(236,426)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>26,170</u>	<u>286,550</u>	<u>272,811</u>	<u>(13,739)</u>
<b>Other Financing Sources (uses)</b>				
Loan Proceeds	-	-	-	-
Surplus equipment	<u>-</u>	<u>-</u>	<u>10,626</u>	<u>10,626</u>
<b>Total Other Financing Sources (uses)</b>	<u>-</u>	<u>-</u>	<u>10,626</u>	<u>10,626</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures</b>	26,170	286,550	283,437	(3,113)
<b>Fund Balance July 1, 2005</b>	<u>2,672,906</u>	<u>3,617,537</u>	<u>3,617,537</u>	<u>-</u>
<b>Fund Balance June 30, 2006</b>	<u>\$ 2,699,076</u>	<u>\$ 3,904,087</u>	<u>\$ 3,900,974</u>	<u>\$ (3,113)</u>

CITY OF VERSAILLES, KENTUCKY  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2006

	Homeland Security Fund	Rose Hill Parking Lot Fund	Municipal Road Aid Fund	OJA Fund	Permanent Fund	Total Non-Major Governmental
<b>ASSETS</b>						
Cash and cash equivalents	-	\$ -	\$ 38,291	\$ 1	\$ -	\$ 38,292
Investments	-	-	-	-	449,722	449,722
Accounts receivable	-	-	-	-	-	-
Due from other funds	-	-	41,772	-	-	41,772
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,063</u>	<u>\$ 1</u>	<u>\$ 449,722</u>	<u>\$ 529,786</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-	-
Compensated absences	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	5,000	-	-	5,000
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
<b>FUND EQUITY</b>						
Fund Balances						
Reserved	-	-	-	-	-	-
Unreserved	-	-	75,063	1	449,722	524,786
<b>Total Fund Equity</b>	<u>-</u>	<u>-</u>	<u>75,063</u>	<u>1</u>	<u>449,722</u>	<u>524,786</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,063</u>	<u>\$ 1</u>	<u>\$ 449,722</u>	<u>\$ 529,786</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, 2006**

	Homeland Security Fund	Rose Hill Parking Lot Fund	Municipal Road Aid Fund	OJA Fund	Permanent Fund	Total Non-Major Governmental
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ 116,452	\$ -	\$ -	\$ 116,452
Licenses and permits	-	-	-	-	-	-
Intergovernmental revenues	319,999	-	-	7,434	-	327,433
Charges for services	-	-	-	-	8,710	8,710
Other income	-	-	498	77	44,908	45,483
Sale of assets	-	-	-	-	-	-
<b>Total Revenues</b>	<u>319,999</u>	<u>-</u>	<u>116,950</u>	<u>7,511</u>	<u>53,618</u>	<u>498,078</u>
<b>EXPENDITURES</b>						
General government	-	-	-	-	-	-
Police department	-	-	-	-	-	-
Fire department	-	-	-	-	-	-
Street department	-	-	155,474	-	-	155,474
Cemetery department	-	-	-	-	20,488	20,488
Program expenses	15,037	2,614	-	19,106	-	36,757
Debt Service	-	-	-	-	-	-
Capital outlay	314,685	-	-	-	-	314,685
<b>Total Expenditures</b>	<u>329,722</u>	<u>2,614</u>	<u>155,474</u>	<u>19,106</u>	<u>20,488</u>	<u>527,404</u>
Excess of Revenues Over (Under) Expenditures	<u>(9,723)</u>	<u>(2,614)</u>	<u>(38,524)</u>	<u>(11,595)</u>	<u>33,130</u>	<u>(29,326)</u>
<b>Other Sources</b>						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
<b>Total Other Sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>(9,723)</u>	<u>(2,614)</u>	<u>(38,524)</u>	<u>(11,595)</u>	<u>33,130</u>	<u>(29,326)</u>
Fund Balance--July 1, 2005	<u>9,723</u>	<u>2,614</u>	<u>113,587</u>	<u>11,596</u>	<u>416,592</u>	<u>554,112</u>
<b>Fund Balance--June 30, 2006</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,063</u>	<u>\$ 1</u>	<u>\$ 449,722</u>	<u>\$ 524,786</u>

CITY OF VERSAILLES, KENTUCKY  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2006

	Agency Fund	Private Purpose Trust	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 106,788	\$ -	\$ 106,788
Investments	-	80,879	80,879
Due from other funds	87,187	-	87,187
 Total assets	 \$ 193,975	 \$ 80,879	 \$ 274,854
<b>LIABILITIES</b>			
Payroll liabilities	\$ 100,295	\$ -	\$ 100,295
Due to other funds	95,483	-	95,483
 Total liabilities	 195,778	 -	 195,778
<b>NET ASSETS</b>			
Held in trust for payroll and other purposes	\$ (1,803)	\$ 80,879	\$ 79,076

CITY OF VERSAILLES, KENTUCKY  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
for the year ended June 30, 2006

	Agency Fund	Private Purpose Trust	Totals
<b>ADDITIONS</b>			
Investment earnings			
Interest income	\$ -	\$ 1,146	\$ 1,146
Dividend income	-	2,956	2,956
Unrealized gain on investments	-	1,065	1,065
	-	5,167	5,167
Less investment expense			
Trust fees	-	500	500
Transfers	-	3,164	3,164
Miscellaneous	-	552	552
	-	4,216	4,216
Net investment earnings	-	951	951
Total additions	-	951	951
Beginning net assets	(1,803)	79,928	78,125
Ending net assets	\$ (1,803)	\$ 80,879	\$ 79,076

CITY OF VERSAILLES, KENTUCKY  
 ENTERPRISE FUND  
 WATER AND SEWER REVENUE BOND AMORTIZATION SCHEDULE  
 SERIES OF 1999

Fiscal Year	Interest Rate	Principal	Interest Payable by December 1	Interest Payable by June 1	Total Principal and Interest
2006-2007	4.000%	290,000	32,309	26,509	348,818
2007-2008	4.000%	300,000	26,509	20,509	347,018
2008-2009	4.100%	315,000	20,509	14,051	349,560
2009-2010	4.125%	330,000	14,051	7,245	351,296
2010-2011	4.200%	345,000	7,245	-	352,245
		<u>\$ 1,580,000</u>	<u>\$ 100,623</u>	<u>\$ 68,314</u>	<u>\$ 1,748,936</u>

CITY OF VERSAILLES, KENTUCKY  
ENTERPRISE FUND  
WATER AND SEWER REVENUE BOND AMORTIZATION SCHEDULE  
SERIES OF 2001

<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>
2006-07	4.000%	380,000	183,701	176,101	739,803
2007-08	4.000%	395,000	176,101	168,201	739,303
2008-09	4.000%	410,000	168,201	160,001	738,203
2009-10	4.000%	425,000	160,001	151,501	736,503
2010-11	4.000%	445,000	151,501	142,601	739,103
2011-12	4.050%	460,000	142,601	133,286	735,888
2012-13	4.150%	480,000	133,286	123,326	736,613
2013-14	4.250%	500,000	123,326	112,701	736,028
2014-15	4.250%	525,000	112,701	101,545	739,246
2015-16	4.350%	545,000	101,545	89,691	736,236
2016-17	4.450%	570,000	89,691	77,009	736,700
2017-18	4.550%	595,000	77,009	63,473	735,481
2018-19	4.650%	625,000	48,941	63,473	737,414
2019-20	4.700%	655,000	33,549	48,941	737,490
2020-21	4.750%	685,000	33,549	17,280	735,829
2021-22	4.800%	720,000	17,280	-	737,280
		<u>\$ 8,415,000</u>	<u>\$ 1,752,984</u>	<u>\$ 1,629,131</u>	<u>\$ 11,797,116</u>

CITY OF VERSAILLES, KENTUCKY  
ENTERPRISE FUND  
REVENUE BONDS - KCTCS  
SERIES OF 2003

Fiscal Year	Interest Rate	Principal Payable by November 20	Interest Payable by November 20	Interest Payable by May 20	Total Principal and Interest
2006-07		240,000	115,584	113,304	468,888
2007-08		245,000	113,304	110,548	468,851
2008-09		250,000	110,548	107,173	467,720
2009-10		255,000	107,173	103,348	465,520
2010-11		265,000	103,348	99,041	467,389
2011-12		275,000	99,041	94,435	468,476
2012-13		285,000	94,435	89,376	468,811
2013-14		295,000	89,376	83,919	468,295
2014-15		305,000	83,919	78,048	466,966
2015-16		320,000	78,048	71,488	469,535
2016-17		335,000	71,488	64,453	470,940
2017-18		345,000	64,453	57,035	466,488
2018-19		360,000	57,035	49,115	466,150
2019-20		380,000	49,115	40,185	469,300
2020-21		400,000	40,185	30,785	470,970
2021-22		415,000	30,785	21,033	466,818
2022-23		435,000	21,033	10,810	466,843
2023-24		460,000	10,810	-	470,810
Totals		<u>\$ 5,865,000</u>	<u>\$ 1,339,676</u>	<u>\$ 1,224,093</u>	<u>\$ 8,428,769</u>



CITY OF VERSAILLES, KENTUCKY  
ENTERPRISE FUND  
WATER AND SEWER REVENUE BOND AMORTIZATION SCHEDULE  
SERIES OF 2004

Fiscal Year	Interest Rate	Principal Payable by December 1	Interest Payable by December 1	Interest Payable by June 1	Total Principal and Interest
2006-07	Variable Rate	30,000	186,283	185,908	402,190
2007-08		30,000	185,908	185,533	401,440
2008-09		30,000	185,533	185,038	400,570
2009-10		35,000	185,038	184,460	404,498
2010-11		30,000	184,460	183,965	398,425
2011-12		395,000	183,965	177,053	756,018
2012-13		405,000	177,053	169,661	751,714
2013-14		425,000	169,661	161,586	756,248
2014-15		435,000	161,586	153,104	749,690
2015-16		455,000	153,104	144,004	752,108
2016-17		475,000	144,004	134,266	753,270
2017-18		495,000	134,266	123,871	753,138
2018-19		515,000	123,871	112,799	751,670
2019-20		540,000	112,799	100,919	753,718
2020-21		565,000	100,919	88,206	754,125
2021-22		590,000	88,206	74,931	753,138
2022-23		1,000,000	74,931	51,181	1,126,113
2023-24		1,050,000	51,181	26,244	1,127,425
2024-25		1,105,000	26,244	-	1,131,244
Totals			<u>\$ 8,605,000</u>	<u>\$ 2,629,010</u>	<u>\$ 2,442,728</u>

CITY OF VERSAILLES, KENTUCKY  
ENTERPRISE FUND  
WATER AND SEWER REVENUE BOND AMORTIZATION SCHEDULE  
SERIES OF 2005

Fiscal Year	Interest Rate	Principal Payable by December 1	Interest Payable by December 1	Interest Payable by June 1	Total Principal and Interest
2006-07	Variable Rate	195,000	163,878	160,466	519,344
2007-08		205,000	160,466	156,878	522,344
2008-09		215,000	156,878	153,116	524,994
2009-10		215,000	153,116	149,084	517,200
2010-11		230,000	149,084	144,772	523,856
2011-12		235,000	144,772	140,366	520,138
2012-13		245,000	140,366	135,772	521,138
2013-14		255,000	135,772	130,991	521,763
2014-15		265,000	130,991	126,022	522,013
2015-16		275,000	126,022	120,866	521,888
2016-17		285,000	120,866	115,522	521,388
2017-18		295,000	115,522	109,991	520,513
2018-19		310,000	109,991	104,178	524,169
2019-20		320,000	104,178	97,978	522,156
2020-21		330,000	97,978	91,584	519,563
2021-22		345,000	91,584	84,900	521,484
2022-23		730,000	84,900	70,300	885,200
2023-24		760,000	70,300	55,100	885,400
2024-25		785,000	55,100	39,400	879,500
2025-26		<u>1,970,000</u>	<u>39,400</u>	<u>-</u>	<u>2,009,400</u>
	Totals	<u>\$ 8,465,000</u>	<u>\$ 2,351,163</u>	<u>\$ 2,187,284</u>	<u>\$ 13,003,447</u>

CITY OF VERSAILLES, KENTUCKY  
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
LAWS AND REGULATIONS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

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Honorable Fred Siegelman, Mayor  
and City Council  
City of Versailles, Kentucky

We have audited the general purpose financial statements of City of Versailles, Kentucky as of and for the year ended June 30, 2006, and have issued our report thereon dated September 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Versailles, Kentucky's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operations that we consider to be a material weakness.

Compliance and Other Matters

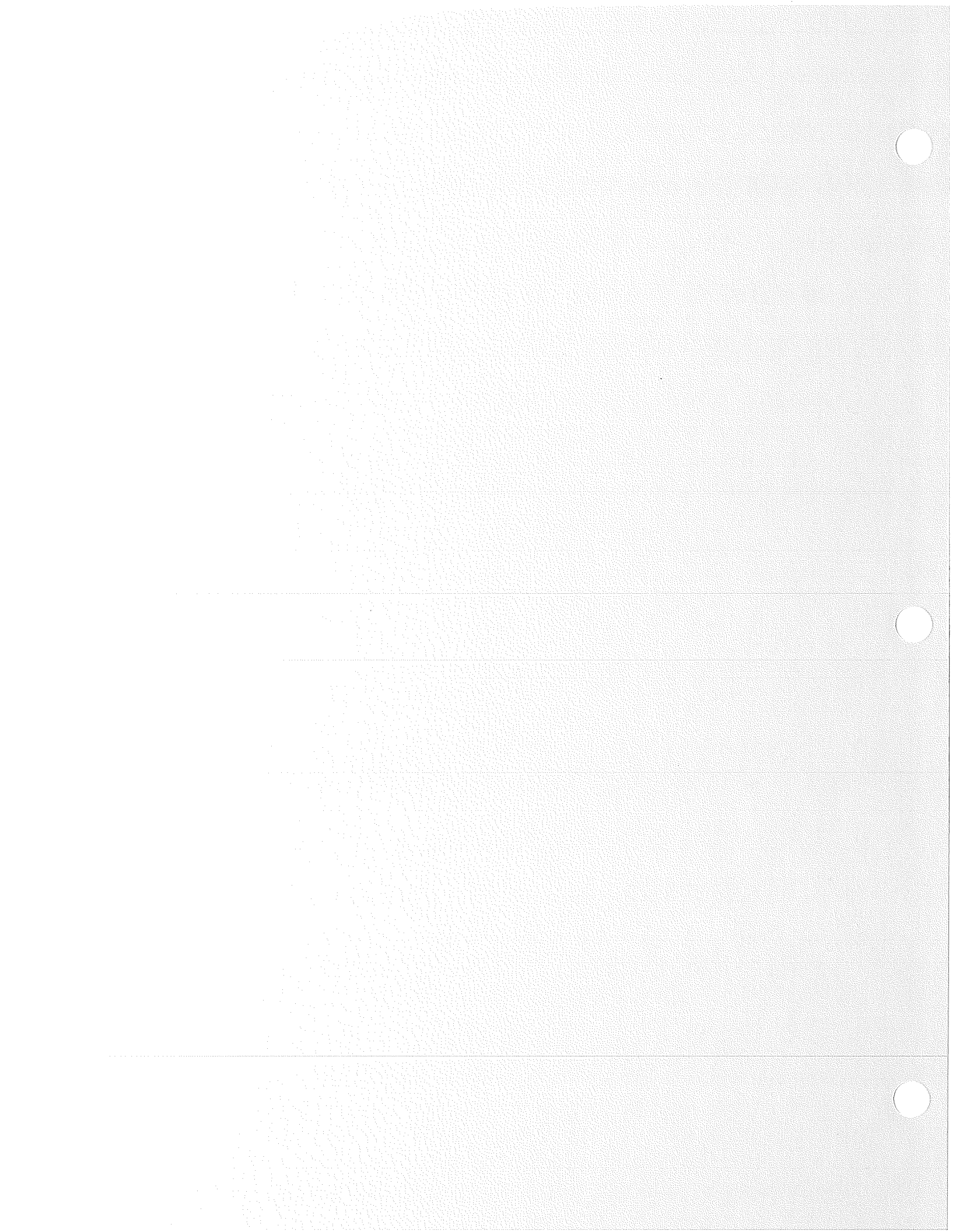
As part of obtaining reasonable assurance about whether the City of Versailles, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under **Government Auditing Standards**.

This report is intended for the information and use of the City Council, management and appropriate grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Ray, Foley, Hensley & Company*

Ray, Foley, Hensley & Company, PLLC  
September 29, 2006





**CITY OF VERSAILLES**  
Versailles, Kentucky

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**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION**  
June 30, 2010

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## City of Versailles, Kentucky

### Management's Discussion and Analysis

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, 2010. Please read the following in conjunction with the auditors' report on page 7 and the City's financial statements, which begin on page 8.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 8 and 9) 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 10. 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 benefits of those outside the government.

#### REPORTING THE CITY AS A WHOLE

Our analysis of the City as a whole begins on page 2. 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 Assets 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 taken into account regardless of when cash is received or paid.

These two statements report the net assets of the City and the changes in them. One can think of the City's net assets—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 assets 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 Assets and the Statement of Activities, we divide the City into two kinds of activities:

**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 5. The fund financial statements begin on page 10 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.

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 Assets 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 payroll and 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 34 and 35. 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 present certain requirement supplementary information concerning budgetary comparison schedules for the general fund.

### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Our analysis begins with a summary of the City's Statement of Net Assets, 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	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Current & Other Assets	\$ 5.0	\$ 4.3	\$ 2.2	\$ 2.2	\$ 7.2	\$ 6.5
Capital Assets	<u>4.6</u>	<u>4.4</u>	<u>47.5</u>	<u>46.9</u>	<u>52.1</u>	<u>51.3</u>
TOTAL ASSETS	<u>9.6</u>	<u>8.7</u>	<u>49.7</u>	<u>49.1</u>	<u>59.3</u>	<u>57.8</u>
Long-Term Debt Outstanding	0.2	0.2	23.4	22.3	23.6	22.5
Current Liabilities	<u>1.1</u>	<u>0.7</u>	<u>1.8</u>	<u>1.6</u>	<u>2.9</u>	<u>2.3</u>
TOTAL LIABILITIES	<u>1.3</u>	<u>0.9</u>	<u>25.2</u>	<u>23.9</u>	<u>26.5</u>	<u>24.8</u>
Net Assets:						
Invested in Capital Assets, Net of Debt	4.6	4.4	19.1	19.3	23.7	23.7
Restricted	0.6	0.7	3.3	3.9	3.9	4.6
Unrestricted	<u>3.1</u>	<u>2.7</u>	<u>2.1</u>	<u>2.0</u>	<u>5.2</u>	<u>4.7</u>
Total Net Assets	<u>\$ 8.3</u>	<u>\$ 7.8</u>	<u>\$24.5</u>	<u>\$25.2</u>	<u>\$32.8</u>	<u>\$33.0</u>

The City's total governmental net assets decreased from \$8.3 at 2009 to \$7.8 at 2010. This fluctuation is largely due to an increase in the accounts payable balance and a decrease in the grant receivable balance, from that of the prior fiscal year. Accounts payable at June 30, 2010 largely consists of expenditures for the Crossfield Drive, Cleveland Avenue projects, and liability insurance premiums. At June 30, 2009, the grant receivable largely included amounts to be received for the NW Mobility Project, to purchase digital radios, and the 2009 ice storm damage cleanup; the majority of these amounts were collected during the 2010 fiscal year.

In the business-type activity (enterprise fund), total net assets increased by approximately \$0.7 million, primarily due to an increase in amounts due from other funds for operating transfers and a restatement of interest expense from the prior year; interest expense was restated and increased by \$480,000 for the 2009 fiscal year.

Changes in net assets 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  
Changes in Net Assets (In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
<b>REVENUES:</b>						
<u>Program revenues</u>						
Charges for Services	\$ 0.1	\$ 0.1	\$ 5.3	\$ 5.2	\$ 5.4	\$ 5.3
Operating Grants & Contributions	1.9	1.6	---	---	1.9	1.6
Capital Grants & Contributions	0.3	0.4	0.2	0.1	0.5	0.5
Investment Earnings	0.2	0.1	---	0.1	0.2	0.2
<u>General Revenues</u>						
Taxes	0.6	0.6	---	---	0.6	0.6
Licenses	4.5	4.2	---	---	4.5	4.2
Intergovernmental	0.6	0.6	---	---	0.6	0.6
Other Revenues	0.3	0.1	---	---	0.3	0.1
<b>TOTAL REVENUE</b>	<u>8.5</u>	<u>7.7</u>	<u>5.5</u>	<u>5.4</u>	<u>14.0</u>	<u>13.1</u>
<b>EXPENSES:</b>						
<u>Program Expenses:</u>						
General Government	1.8	1.6	---	---	1.8	1.6
Police & 911	4.6	4.5	---	---	4.6	4.5
Fire	1.0	1.0	---	---	1.0	1.0
Streets	1.3	0.8	---	---	1.3	0.8
Cemetery	0.3	0.3	---	---	0.3	0.3
Water/Sewer/Sanitation	---	---	4.8	4.7	4.8	4.7
<b>TOTAL EXPENSES</b>	<u>9.0</u>	<u>8.2</u>	<u>4.8</u>	<u>4.7</u>	<u>13.8</u>	<u>12.9</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$( 0.5)</u>	<u>\$( 0.5)</u>	<u>\$ 0.7</u>	<u>\$ 0.7</u>	<u>\$ 0.2</u>	<u>\$ 0.2</u>

Overall, governmental activity revenue decreased by approximately \$670,000 from 2009 to 2010; as shown in Table A-2. Factors contributing to the decrease in revenue included a decrease in capital grant revenue of nearly \$211,000; grant money was received during 2009 for the Northwest Mobility Project and digital radios. Also factoring into the decrease in governmental activity revenue was a decrease in license revenue of over \$300,000;

this fluctuation is due to an overall decline in economic conditions and as a result, the City collected less payroll, net profit, and insurance premium license fees during 2010. Another factor contributing to the decrease was the decline in market conditions, which resulted in a \$44,000 decrease in investment earnings. Additionally, police forfeiture revenue decreased by \$125,000; it is typical for forfeiture accounts to fluctuate in either direction.

Business-type activity (enterprise) revenues decreased from \$5.5 million in 2009 to \$5.4 million in 2010, mainly due to a decrease in water, sewer and sanitation charges for services resulting from a wet and cool year. Additionally, \$46,000 less capital grant funding was received for capital projects. Investment earnings also decreased due to a general decline in market conditions.

Overall, governmental activity expenses went down from \$9.0 to \$8.1, which was mainly attributable to the fact that the City has taken a more conservative approach regarding revenue and expenditures during the 2010 fiscal year. Additionally, less expenditures were paid out during 2010, due to the completion of certain capital projects.

Business-type activity expenses increased from \$4.3 in 2009, to \$4.7 in 2010. Fluctuations in business-type activity expenses included an increase in interest expense of nearly \$200,000 and an increase in salary of \$150,000; the City changed how they were classifying salary expense amounts for certain department heads and other select employees.

GOVERNMENTAL ACTIVITIES

Table A-3 details a condensed statement of the fiscal year's governmental activities according to the governmental fund statements shown on pages 10 and 11 and in the supplementary information on page 31.

TABLE A-3  
CONDENSED GOVERNMENTAL ACTIVITIES

Condensed Governmental Activities – Revenues and Expenditures

	<u>2009</u>	<u>2010</u>	<u>Change</u>
REVENUES:			
Taxes	\$ 592,907	\$ 583,832	\$ (9,075)
Licenses and Permits	4,550,296	4,262,805	(287,491)
Intergovernmental	2,231,770	2,015,936	(215,834)
Charges for Services	81,404	79,201	(2,203)
Other Income	<u>918,229</u>	<u>811,213</u>	<u>(107,016)</u>
Total Revenues	<u>8,374,606</u>	<u>7,752,987</u>	<u>(621,619)</u>
EXPENSES:			
General Government	1,681,255	1,427,840	(253,415)
Police Department	3,502,535	3,484,390	(18,145)
Other Police and Grants	103,767	111,510	7,743
911 Communications	624,429	583,753	(40,676)
Fire Department	889,952	918,946	28,994
Street Department	1,241,038	754,231	(486,807)
Cemetery Department	292,736	285,865	(6,871)
Capital Outlay	655,340	391,630	(263,710)
Debt Service	---	<u>25,598</u>	<u>25,598</u>
Total Expenditures	<u>\$ 8,991,052</u>	<u>\$ 7,983,763</u>	<u>\$ (1,007,289)</u>

The information above shows that revenues for governmental fund decreased by approximately \$620,000 from 2009 to 2010. As previously stated, this decrease was a result of a decrease in grant money previously received for capital projects, along with the current economic conditions resulting in an overall decrease of license fees collected and a decrease in investment earnings.

Expenses decreased by approximately \$1 million from 2009 to 2010. As previously stated, governmental activity expenses were down from \$9.0 to \$8.1, which was mainly attributable to the fact that the City anticipated a decrease in revenue during 2010; therefore, they took a more conservative approach regarding expenditures and appropriations during the 2010 fiscal year. Additionally, fewer expenditures were paid out during 2010, due to the completion of certain capital projects. Decreases in expenses for the street department were attributable to fewer NW Mobility study and Ice Storm damage expenditures in 2010, than amounts paid out during 2009; a \$151,000 street sweeper was also purchased during 2009.

### BUDGET HIGHLIGHTS

The City did not have any budget amendments during the 2010 fiscal year, for either the General Fund or Enterprise Fund.

TABLE A-4

#### General Fund Activities – Revenues

	<u>Budget</u>	<u>Actual</u>	<u>Change</u>
Property Taxes	\$ 561,000	\$ 583,832	\$ 22,832
License and Permits	3,969,000	4,262,805	293,805
Intergovernmental Revenues	2,311,168	1,869,830	(441,338)
Charges for Services	72,000	73,871	1,871
Other Income	<u>1,070,700</u>	<u>765,411</u>	<u>(305,289)</u>
Total Revenues	<u>7,983,868</u>	<u>7,555,749</u>	<u>(428,119)</u>

#### General Fund – Expenditures

General Government	1,568,438	1,427,840	140,598
Merged Police Operations	3,739,363	3,484,390	254,973
Other Police Grants	---	111,510	(111,510)
911 Communications	611,080	583,753	27,327
Fire Department	916,846	918,946	(2,100)
Street Department	773,700	754,231	19,469
Cemetery Department	294,150	283,002	11,148
Capital Outlay	688,000	391,630	296,370
Debt Service	<u>25,000</u>	<u>25,598</u>	<u>(598)</u>
Total Expenditures	\$ <u>8,616,577</u>	\$ <u>7,980,900</u>	\$ <u>635,677</u>

The City budgeted for a total of \$8 million in revenues for 2010, but only generated \$7.6 million. Licenses and Permits revenue showed an increase of \$293,805; the budgeted amount includes forfeitures, which cannot accurately be anticipated at the time of the budget. Additionally, based on the current economic conditions, the City took a more conservative approach when budgeting for licenses and permits. Intergovernmental revenues were lower than budgeted due to the Crossfield Drive Extension and Cleveland Avenue projects not progressing as expected. Additionally, the remaining grant money anticipated, for the 2009 Ice Storm, was not received until after the close of the 2010 fiscal year. Budgeted amounts for Other Income include amounts carried over from 2009, from the 911 cash accounts, which are required to be reported by the State as a budget line item, but are not actual revenues anticipated to be received by the City.

The City budgeted for a total of \$8.6 million in expenditures, but actually expended \$8 million. Within General Government, expenditures were below budget due to a decrease in premiums for the City's liability insurance coverage. Also, included in the General Government budgeted amount are expenses paid out for professional and technical fees; these amounts were also under budget, as such amounts include a variety of expenditures; and cannot be anticipated at the time the budget is prepared.

Major factors contributing to the merged police operations expenditures being less than budgeted include the reduction in the number of officers, which includes amounts for both salaries and benefits. The unbudgeted Police Officer Grants consist of asset forfeiture expenses, which cannot be anticipated. Additionally, Capital Outlay actual expenditures are under the budgeted amount due to slower progress than expected on the Crossfield Drive and Cleveland Avenue projects.

### CAPITAL ASSETS

Table A-1 showed summary totals for a broad range of capital assets, including police and fire equipment and vehicles, buildings, land, roads, storm sewers, and all of the equipment and materials involved in the operation of water, sewer and sanitary utilities. Table A-5 shows the breakdown of capital assets net of depreciation for both governmental and business-type activities.

TABLE A-5

#### Capital Assets at Year-End, Net of Depreciation (In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Land	\$ 1.5	\$ 1.5	\$ 0.2	\$ 0.2	\$ 1.7	\$ 1.7
Buildings & Improvements	0.9	0.8	28.7	28.1	29.6	28.9
Equipment	1.1	0.9	0.6	0.6	1.7	1.5
Vehicles	0.9	0.7	0.1	0.1	1.0	0.8
Construction in Progress	<u>0.2</u>	<u>0.5</u>	<u>13.8</u>	<u>13.7</u>	<u>14.0</u>	<u>14.2</u>
Total Capital Assets	<u>\$ 4.6</u>	<u>\$ 4.4</u>	<u>\$43.4</u>	<u>\$42.7</u>	<u>\$48.0</u>	<u>\$47.1</u>

### DEBT

TABLE A-6

Table A-6 provides a summary of all of the City's outstanding indebtedness.

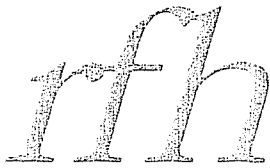
	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Notes Payable	\$ 0.1	\$ 0.1	\$ --	\$ --	\$ 0.1	\$ 0.1
Bonds Payable	<u>0.1</u>	<u>--</u>	<u>24.3</u>	<u>23.3</u>	<u>24.4</u>	<u>23.3</u>
Total Debt Outstanding	<u>\$ 0.2</u>	<u>\$ 0.1</u>	<u>\$24.3</u>	<u>\$23.3</u>	<u>\$24.5</u>	<u>\$23.4</u>

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected officials and Mayor considered many factors when setting the fiscal year 2011 budget. Some of the contributing factors were the local economy and trend, anticipated grant revenues, and the ever-rising costs of retirement and health insurance expenses.

### 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 Allison White at 196 South Main Street, Versailles, Kentucky.



# Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

## INDEPENDENT AUDITORS' REPORT

Honorable Fred Siegelman, Mayor  
and the City Council  
City of Versailles, Kentucky

Stephen R. Allen, CPA/PFS  
Dennis H. England, CPA  
Michael D. Foley, CPA  
Lyman Hager, Jr., CPA  
Jerry W. Hensley, CPA

J. Carroll Luby, CPA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Versailles, Kentucky, as of June 30, 2010, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Versailles, Kentucky's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 and the aggregate remaining fund information of the City of Versailles, Kentucky, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 1 through 6 and page 31, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with **Government Auditing Standards**, we have also issued a report dated November 1, 2010, on our consideration of the City of Versailles' internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Versailles, Kentucky, basic financial statements. The supplemental schedules on pages 32 through 41 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Ray, Foley, Hensley & Company*

Ray, Foley, Hensley & Company, PLLC  
November 1, 2010

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**CITY OF VERSAILLES, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	Primary Government			Component Unit Public Properties
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 721,106	\$ 341,639	\$ 1,062,745	\$ 1,809
Investments	2,770,955	500,000	3,270,955	-
Accounts receivable (net)	1,038,529	750,484	1,789,013	-
Grants receivable	266,718		266,718	-
Accrued interest receivable		277	277	-
Current lease receivable (net)	-	-	-	395,638
Other receivables	-	-	-	-
Inventories	-	127,697	127,697	-
Internal balances	(438,683)	438,683	-	-
Total current assets	<u>4,358,625</u>	<u>2,158,780</u>	<u>6,517,405</u>	<u>397,447</u>
Noncurrent assets				
Restricted cash and cash equivalents	-	2,420,350	2,420,350	582,149
Restricted investments	-	1,512,488	1,512,488	-
Capital assets (Note 3)				
Construction in progress	516,414	13,716,925	14,233,339	-
Land and improvements	1,529,735	170,642	1,700,377	-
Depreciable infrastructure				
Plant and utility systems, net	-	28,763,312	28,763,312	-
Depreciable buildings, property, and equipment, net	2,339,842		2,339,842	-
Long term lease receivable (net)				6,087,272
Other assets	-	403,246	403,246	131,721
Total noncurrent assets	<u>4,385,991</u>	<u>46,986,963</u>	<u>51,372,954</u>	<u>6,801,142</u>
Total assets	<u>\$ 8,744,616</u>	<u>\$ 49,145,743</u>	<u>\$ 57,890,359</u>	<u>\$ 7,198,589</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 451,798	\$ 201,365	\$ 653,163	\$ 3,200
Bank overdraft payable	113,058	-	113,058	-
Accrued leave payable	5,800	-	5,800	-
Accrued payroll liabilities	16,841	4,455	21,296	-
Other accrued liabilities	118,776	18,923	137,699	-
Accrued interest payable		83,685	83,685	50,611
Deposits		237,766	237,766	-
Deferred revenue	-		-	343,779
Current portion of long-term obligations (Notes 4)	23,630	1,094,494	1,118,124	356,228
Total current liabilities	<u>729,903</u>	<u>1,640,688</u>	<u>2,370,591</u>	<u>753,818</u>
Noncurrent liabilities				
Noncurrent portion of long-term obligations (Notes 4)				
Compensated absences	208,700	60,000	268,700	-
Bonds and notes payable	24,609	22,215,001	22,239,610	6,244,735
Total liabilities	<u>963,212</u>	<u>23,915,689</u>	<u>24,878,901</u>	<u>6,998,553</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	4,385,991	19,341,384	23,727,375	-
Restricted for				
Debt service and construction		3,918,338	3,918,338	-
Other purposes	694,198	-	694,198	200,035
Unrestricted	2,701,215	1,970,332	4,671,547	-
Total net assets	<u>7,781,404</u>	<u>25,230,054</u>	<u>33,011,458</u>	<u>200,035</u>
Total liabilities and net assets	<u>\$ 8,744,616</u>	<u>\$ 49,145,743</u>	<u>\$ 57,890,359</u>	<u>\$ 7,198,588</u>

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

**CITY OF VERSAILLES, KENTUCKY  
STATEMENT OF ACTIVITIES  
for the year ended June 30, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Public Properties
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
<b>Governmental activities</b>								
General government	\$ 1,550,431	\$ -	\$ -	\$ -	\$ (1,550,431)	\$ -	\$ (1,550,431)	
Police operations	4,533,280	2,932	1,435,716	63,969	(3,030,663)	-	(3,030,663)	
Fire department	988,794	-	-	8,250	(980,544)	-	(980,544)	
Street department	838,315	-	207,604	300,397	(330,314)	-	(330,314)	
Cemetery	295,406	76,269	-	-	(219,137)	-	(219,137)	
Program expenses	-	-	-	-	-	-	-	
Interest on long-term debt	3,838	-	-	-	(3,838)	-	(3,838)	
Total governmental activities	8,210,064	79,201	1,643,320	372,616	(6,114,927)	-	(6,114,927)	
<b>Business type activities</b>								
Utilities-Water, sewer & sanitation	4,694,418	5,238,197	-	113,288	-	657,067	657,067	
Total business-type activities	4,694,418	5,238,197	-	113,288	-	657,067	657,067	
<b>Total primary government</b>	<b>\$12,904,482</b>	<b>\$ 5,317,398</b>	<b>\$ 1,643,320</b>	<b>\$ 485,904</b>	<b>(6,114,927)</b>	<b>657,067</b>	<b>(5,457,860)</b>	
<b>Component Unit</b>								
Public Properties Corporation	\$ 990,406	\$ 688,797	\$ -	\$ -				\$ (301,609)

General revenue				
Taxes				
Property taxes, levied for general purposes	598,832		598,832	
License fees				
Franchise	236,537		236,537	
Payroll	2,206,757		2,206,757	
Insurance premiums	1,476,660		1,476,660	
Net profits	279,911		279,911	
Occupational	62,940		62,940	
E911 wireless funding fees	557,928		557,928	
Investment earnings	118,246	106,465	224,711	257,998
Miscellaneous	135,039	-	135,039	-
Total general revenues	5,672,850	106,465	5,779,315	257,998
Transfers	-	-	-	-
Gain(loss) on disposal of assets	(22,567)	3,793	(18,774)	-
Total general revenues, transfers and losses	5,650,283	110,258	5,760,541	257,998
Change in Net Assets	(464,644)	767,325	302,681	(43,611)
Net assets-beginning	8,246,048	24,462,729	32,708,777	243,646
NET ASSETS-ENDING	\$ 7,781,404	\$ 25,230,054	\$ 33,011,458	\$ 200,035

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



**CITY OF VERSAILLES, KENTUCKY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 526,506	\$ 194,600	\$ 721,106
Investments	2,308,237	462,718	2,770,955
Accounts receivable, net	1,013,277	10,252	1,023,529
Grants receivable	266,718	-	266,718
Due from other funds	-	61,628	61,628
 Total Assets	 \$ 4,114,738	 \$ 729,198	 \$ 4,843,936
<b>LIABILITIES</b>			
Accounts payable	\$ 451,798	\$ -	\$ 451,798
Bank overdraft payable	113,058		113,058
Accrued payroll liabilities	16,841		16,841
Other accrued liabilities	118,776	-	118,776
Compensated absences	5,800	-	5,800
Due to other funds	465,311	35,000	500,311
 Total Liabilities	 1,171,584	 35,000	 1,206,584
<b>FUND BALANCE</b>			
Fund Balance			
Reserved	-	-	-
Unreserved	2,943,154	694,198	3,637,352
 Total Fund Balance	 2,943,154	 694,198	 3,637,352
 Total Liabilities and Fund Balance	 \$ 4,114,738	 \$ 729,198	 \$ 4,843,936

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

Fund balances reported above \$ 3,637,352

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 4,385,991

Long-term receivables for property taxes are not current financial resources and are therefore are not reported in the funds. 15,000

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (256,939)

**\$ 7,781,404**

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

**CITY OF VERSAILLES, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
for the year ended June 30, 2010

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 583,832	\$ -	\$ 583,832
Licenses and permits	4,262,805	-	4,262,805
Intergovernmental revenues	1,869,830	146,106	2,015,936
Charges for services	73,871	5,330	79,201
Other income	<u>765,411</u>	<u>45,802</u>	<u>811,213</u>
 Total Revenues	 <u>7,555,749</u>	 <u>197,238</u>	 <u>7,752,987</u>
<b>EXPENDITURES</b>			
Current			
General government	1,427,840	-	1,427,840
Merged police operations	3,484,390	-	3,484,390
Other police operations/grants	111,510	-	111,510
911 communications	583,753	-	583,753
Fire department	918,946	-	918,946
Street department	754,231	-	754,231
Cemetery department	283,002	2,863	285,865
Capital outlay	391,630	-	391,630
Debt service	<u>25,598</u>	<u>-</u>	<u>25,598</u>
 Total Expenditures	 <u>7,980,900</u>	 <u>2,863</u>	 <u>7,983,763</u>
 Excess of Revenues Over (Under) Expenditures	 (425,151)	 194,375	 (230,776)
 Other Sources			
Transfers in (out)	17,674	(17,674)	-
Proceeds from sale of assets	<u>2,040</u>	<u>-</u>	<u>2,040</u>
 Net change in fund balances	 (405,437)	 176,701	 (228,736)
 Fund Balance beginning of year	 <u>3,348,591</u>	 <u>517,497</u>	 <u>3,866,088</u>
 <b>Fund Balance end of year</b>	 <b><u>\$ 2,943,154</u></b>	 <b><u>\$ 694,198</u></b>	 <b><u>\$ 3,637,352</u></b>
 Net change in fund balances			\$ (228,736)
Add: Capital outlay			391,630
Add: debt service			25,598
Add: Property taxes that do not provide current financial resources			15,000
Less: Change in long term compensated absences			(5,900)
Less: Loss on disposal of capital asset			(24,607)
Less: Depreciation on governmental activities			(633,791)
Less: Interest on long term debt			<u>(3,838)</u>
 Change in net assets			 <u>\$ (464,644)</u>

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

CITY OF VERSAILLES, KENTUCKY  
BALANCE SHEET  
PROPRIETARY FUNDS  
JUNE 30, 2010

	<u>Business Type Activities</u> Water, Sewer & Sanitation
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 341,639
Investments	500,000
Accounts receivable, net	750,484
Accrued interest receivable	277
Due from other funds	438,683
Inventory	127,697
Total current assets	<u>2,158,780</u>
Noncurrent assets	
Restricted assets	
Cash and cash equivalents	2,420,350
Investments	1,512,488
Construction in progress	13,716,925
Land	170,642
Property and equipment	40,142,135
Less accumulated depreciation	(11,378,823)
Bond issue costs, net	403,246
Total noncurrent assets	<u>46,986,963</u>
 Total assets	 <u>\$ 49,145,743</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	\$ 201,365
Accrued leave	-
Accrued payroll	4,455
Other accrued liabilities	18,923
Accrued interest	83,685
Deposits	237,766
Due to other funds	-
Current portion-long term debt	1,094,494
Total current liabilities	<u>1,640,688</u>
Noncurrent liabilities	
Compensated absences	60,000
Long term debt	22,215,001
Total noncurrent liabilities	<u>22,275,001</u>
Total liabilities	<u>23,915,689</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of debt	19,341,384
Restricted for debt service and construction	3,918,338
Restricted for other purposes	-
Unrestricted	1,970,332
Total net assets	<u>25,230,054</u>
 Total liabilities and net assets	 <u>\$ 49,145,743</u>

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

CITY OF VERSAILLES, KENTUCKY  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
for the year ended June 30, 2010

	<u>Business Type Activities</u> Water, Sewer & Sanitation
<b>OPERATING REVENUES</b>	
Charges for services	\$ 5,169,610
Other revenues	68,587
	<u>5,238,197</u>
<b>OPERATING EXPENSES</b>	
Salaries	1,180,886
Payroll taxes	83,906
Employee benefits	280,910
Advertising and printing	12,854
Professional and technical	30,543
Repairs and maintenance	147,576
Utilities	493,148
Telephone and postage	46,333
Insurance	99,533
Chemicals	223,476
Technical supplies	758
Uniforms	6,664
Motor fuel	55,652
Office supplies	3,463
Other materials	19,926
Other expenses	139,376
Purchase of water	9,146
Landfill expense	149,035
Sludge removal	97,163
Depreciation and amortization	948,790
Training/travel	8,798
Lab analysis	42,815
Purchase of water meters	4,423
Dumpster collection	3,265
Total operating expenses	<u>4,088,439</u>
Operating income (loss)	<u>1,149,758</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment income	106,465
Interest expense	(605,979)
Gain on sale of assets	3,793
Excess of nonoperating revenues over expenses	<u>(495,721)</u>
<b>CAPITAL CONTRIBUTIONS</b>	
Contributed capital	-
Capital grant proceeds	113,288
Net income (loss)	767,325
Beginning net assets	<u>24,462,729</u>
<b>NET ASSETS ENDING</b>	<u>\$ 25,230,054</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, 2010

	<u>Business Type Activities</u> Water, Sewer & Sanitation
<b>Cash Flows from Operating Activities:</b>	
Receipts from customers	\$ 5,206,627
Cash payments to employees	(1,582,157)
Internal activity - payments to other funds	142,708
Cash payments to others for services	(1,517,375)
Other activities	-
Net cash provided by operating activities	<u>2,249,803</u>
<b>Cash flows from capital and related financing activities:</b>	
Purchase of construction in progress	(194,669)
Purchase of property, plant and equipment	(198,903)
Gain on sale of assets	3,793
Grant revenue	113,288
Payment of bond principal	(1,044,104)
Interest expense	<u>(1,048,801)</u>
Net cash (used) by capital and related financing activities	<u>(2,369,396)</u>
<b>Cash flows from investing activities:</b>	
Purchase of investments	(1,473,564)
Investment income	<u>81,764</u>
Net cash (used) by in investing activities	<u>(1,391,800)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,511,393)</b>
Cash and cash equivalents July 1, 2009	<u>4,273,382</u>
<b>Cash and cash equivalents June 30, 2010</b>	<b><u>\$ 2,761,989</u></b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ 1,149,758
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	948,790
Loss on disposal	-
Changes in assets and liabilities:	
Receivables, net	(31,569)
Due from other funds	(408)
Inventory	5,312
Accounts payable	53,618
Payroll liabilities	(36,455)
Other liabilities	17,641
Due to other funds	<u>143,116</u>
Net provided by operating activities	<u>\$ 2,249,803</u>
<b>Reconciliation of total cash and cash equivalents</b>	
Current assets - cash and cash equivalents	\$ 341,639
Restricted assets - cash and cash equivalents	<u>2,420,350</u>
<b>Total cash and cash equivalents</b>	<b><u>\$ 2,761,989</u></b>

The accompanying notes are an integral part of the financial statements

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Versailles, Kentucky operates under the City Council form of government and has budgetary authority over the following functional areas: public safety, public service, water and sewer, and 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 units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government.

**Discretely Presented Component Units** – The component units 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 units are included in the City's reporting entity because the primary government is able to impose its will on the organizations.

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

**B. Basis of Presentation**

The City's financial statements are presented in accordance with the provisions of Governmental Accounting Standards Board Statement No 34, "*Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*" which consists of the following:

Management's discussion and analysis (required supplementary information);  
Basic Financial Statements  
    Government-wide financial statements  
    Fund financial statements  
    Notes to the financial statements

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, continued

**Government-wide Financial Statements**

The government-wide financial statements include a statement of net assets 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 recipient for the goods or services offered by the program and grants or contributions that are restricted to the program. Revenues which are not classified as program revenues are presented as general revenues of the City. The primary government is reported separately from certain legally separate component units.

**Fund Financial Statements**

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

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 one special revenue funds – Road Fund that accounts for the municipal road aid program.

**Permanent Fund** – The permanent fund is used to account for the Versailles Cemetery Perpetual and Rose Crest 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 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, 2010

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, continued

**Proprietary Funds, 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 applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails. The City enterprise operations include the following:

**Enterprise Fund** – The enterprise fund is used to account for water, sewer, sanitation, the operations of which are financed by user charges.

**Fiduciary Fund** – The fiduciary funds consist of Agency Funds and Private Purpose Trusts. The agency fund is used to report information from the payroll fund. The private purpose fund provides information for the expendable cemetery trust.

C. Basis of Accounting

The basis of accounting refers to when revenues and expenditures 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 applies.

Government-wide Financial Statements

The Statement of Net Assets 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 financials 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, 2010

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**C. Basis of Accounting, continued**

Fund Financial Statements, 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. 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.

**G. Inventory**

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

**H. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the fund financial statements.

All capital assets are reported at cost. Donated assets are valued at their fair market value on the date donated. Improvements to capital assets are capitalized while normal repairs and maintenance are expensed. Capital assets are depreciated using the straight-line method over the estimated useful life of the asset.

**I. Interfund Balances**

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

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. 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, the noncurrent portion of capital leases, 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.

**K. Compensated Absences**

City employees are allowed to accumulate unlimited sick leave and vacation time equal to two 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 1/12<sup>th</sup> of the annual rate per month of employment.

**L. Fund Balance Reserves**

The City reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore, are not available for appropriation or expenditure. Unreserved fund balances indicate that portion of fund equity that is available for appropriation in future periods.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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.

**N. Accounts Receivable**

The Water and Sewer accounts receivable are for services to customers. If a customer fails to pay within 25 days after the prior month's bill, 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. Receivables are shown net of an allowance for doubtful accounts in the amount of \$7,000.

The General Fund accounts receivable are shown net of an allowance for doubtful accounts of \$29,000.

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general-purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

P. 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.

Q. Proprietary Revenues

Proprietary funds report all revenues and expenses as operating, except interest income, interest expense, amortization, and capital contributions.

R. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through November 1, 2010, 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, 2010, have not been evaluated by the City.

2. CASH AND INVESTMENTS

Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. and of its agencies, obligations backed by the full faith and credit of the U.S. or a U.S. government agency, obligations of any corporation of the U.S. government, certificates of deposit or other interest-bearing accounts issued by institutions insured by the Federal Deposit Insurance Corporation (FDIC) or similarly collateralized institutions, and bonds and securities of states, local governments, or related agencies in the U.S. rated in one of the three highest categories by a nationally recognized rating agency. 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, 2010 the City held investments in three municipal bonds. Ratings of the municipal bonds were as follows :

<u>Municipal Security</u>	<u>Rating</u>
Wayne County Bonds	Aa2
Rhode Island St Economic Dev. Corp Bonds	A1
Morehead St University Build America Bonds	SP-1

**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**2. CASH AND INVESTMENTS (continued)**

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**

The City's bank deposits were substantially covered by federal depository insurance or by collateral held by the custodial banks in the City's name. The carrying amount of the City's deposits totaled \$8,153,480 and the bank balances totaled \$8,267,249. As of June 30, 2010 \$6,655,859 was held as collateral by the custodial banks in the City's name.

**COMPONENT UNIT**

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 carrying amount of the Corporation's deposits totaled \$583,958, and the bank balances totaled \$583,958. As of June 30, 2010, \$98,788 was held as collateral by the custodial banks in the Corporation's name.

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, 2010 are as follows:

<u>Investment Type</u>	<u>Fair 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>
Certificates of deposit	\$ 2,927,686	\$ 2,154,932	\$ 772,754	\$ -	\$ -
U.S. govt. obligations	10,720	10,720	-	-	-
Mutual funds	347,049	347,049	-	-	-
Municipal bonds	1,497,988	554,620	943,368	-	-
<b>Total</b>	<b>\$ 4,783,443</b>	<b>\$ 3,067,321</b>	<b>\$ 1,716,122</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**3. CAPITAL ASSETS**

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

<u>Governmental activities</u>	Balance July 1, 2009	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 2010
Capital assets not being depreciated:				
Land	\$ 1,529,735	\$ -	\$ -	\$ 1,529,735
Construction in progress	<u>226,289</u>	<u>290,125</u>	<u>-</u>	<u>516,414</u>
Total	<u>1,756,024</u>	<u>290,125</u>	<u>-</u>	<u>2,046,149</u>
Capital assets being depreciated:				
Buildings and Improvements	2,657,539	-	(23,845)	2,633,694
Equipment	2,441,824	67,968	(208,506)	2,301,286
Vehicles	<u>2,613,066</u>	<u>33,537</u>	<u>(102,045)</u>	<u>2,544,558</u>
Total	<u>7,712,429</u>	<u>101,505</u>	<u>(334,396)</u>	<u>7,479,538</u>
Total capital assets	<u>9,468,453</u>	<u>391,630</u>	<u>(334,396)</u>	<u>9,525,687</u>
Less accumulated depreciation				
Buildings and improvements	1,783,260	101,051	(22,783)	1,861,528
Equipment	1,356,828	255,132	(201,996)	1,409,964
Vehicles	<u>1,675,606</u>	<u>277,608</u>	<u>(85,010)</u>	<u>1,868,204</u>
Total accumulated depreciation	<u>4,815,694</u>	<u>633,791</u>	<u>(309,789)</u>	<u>5,139,696</u>
Governmental activities capital assets, net	<u>\$ 4,652,759</u>	<u>\$ (242,161)</u>	<u>\$ (24,607)</u>	<u>\$ 4,385,991</u>
<u>Business-Type Activities</u>				
Capital assets not depreciated:				
Land	\$ 170,642	\$ -	\$ -	\$ 170,642
Construction in progress	<u>13,763,200</u>	<u>630,504</u>	<u>(676,779)</u>	<u>13,716,925</u>
Total	<u>13,933,842</u>	<u>630,504</u>	<u>(676,779)</u>	<u>13,887,567</u>
Capital assets being depreciated:				
Buildings	15,576,265	-	-	15,576,265
Equipment	1,649,377	63,348	(348,286)	1,364,439
Vehicles	314,824	17,683	(54,887)	277,620
Improvements	<u>22,772,348</u>	<u>151,463</u>	<u>-</u>	<u>22,923,811</u>
Total	<u>40,312,814</u>	<u>232,494</u>	<u>(403,173)</u>	<u>40,142,135</u>
Total capital assets	<u>54,246,656</u>	<u>862,998</u>	<u>(1,079,952)</u>	<u>54,029,702</u>
Less accumulated depreciation				
Buildings	1,515,663	310,091	-	1,825,754
Equipment	1,050,990	89,587	(314,695)	825,882
Vehicles	172,545	29,131	(54,887)	146,789
Improvements	<u>8,095,706</u>	<u>484,692</u>	<u>-</u>	<u>8,580,398</u>
Total accumulated depreciation	<u>10,834,904</u>	<u>913,501</u>	<u>(369,582)</u>	<u>11,378,823</u>
Business-type activities capital assets, net	<u>\$ 43,411,752</u>	<u>\$ (50,503)</u>	<u>\$ (710,370)</u>	<u>\$ 42,650,879</u>

Current year additions to construction in progress include capitalized interest of \$435,835.

**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**3. CAPITAL ASSETS (continued)**

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

Governmental activities:		Business-type activities:	
General government	\$ 121,914	Water	\$ 598,150
Police operations	350,572	Sewer	282,804
Fire department	69,302	Sanitation	<u>32,547</u>
Street department	82,631	Total	<u>\$ 913,501</u>
Cemetery	<u>9,372</u>		
Total	<u>\$ 633,791</u>		

Under GASB 34, the City of Versailles has elected to not report major infrastructure retroactively. Capital assets acquired are recorded at cost or estimated cost. Depreciation of capital assets is provided over the estimated useful lives of the respective assets using the straight-line basis. The estimated useful lives are as follows:

Infrastructure	5-40 years
Buildings	25-40 years
Improvements	10-20 years
Vehicles	5-20 years
Machinery and equipment	5-10 years

**4. LONG TERM DEBT**

**GOVERNMENTAL ACTIVITIES**

**NOTES PAYABLE**

On August 13, 2009 the City entered into an agreement to finance the City's portion of the cost of repairs on the Falling Springs Arts and Recreation Center for \$70,000. The loan bears interest at a rate of 4.0% and is uncollateralized. Payments are due on December 13<sup>th</sup> of each year and the loan matures on December 13, 2011.

The annual requirements to amortize all notes outstanding as of June 30, 2010, are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 23,630	\$ 1,969	\$ 25,598
2012	<u>24,609</u>	<u>1,004</u>	<u>25,613</u>
	<u>\$ 48,239</u>	<u>\$ 2,973</u>	<u>\$ 51,212</u>

The changes in long term debt during 2010 are as follows:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2010</u>
Falling Springs Note	\$ 70,000	\$ -	\$ (21,761)	\$ 48,239
Compensated Absences	<u>202,800</u>	<u>5,900</u>	<u>-</u>	<u>208,700</u>
Total	<u>\$ 272,800</u>	<u>\$ 5,900</u>	<u>\$ (21,761)</u>	<u>\$ 256,939</u>

**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**4. LONG TERM DEBT (continued)**

**BUSINESS-TYPE-ACTIVITIES**

**BONDS AND NOTES PAYABLE**

On August 1, 2005 the City of Versailles issued \$8,465,000 of Water and Sewer Revenue Series Bonds. The Series 2005 bonds are a fixed rate debt with the first interest payment due June 1, 2006 and the first principal payment due December 1, 2006. The bonds mature on December 1, 2025. Interest is paid semiannually, with principal due on December 1, of each year.

On August 26, 2008 the City entered into an agreement to finance the purchase of a sewer flush truck for \$155,000. The loan bears interest at a rate of 4.0% and it collateralized by the flush truck. Payments are due on January 1<sup>st</sup> of each year and the loan matures on January 1, 2011.

At June 30, 2010, the business type activities had the following bonds and notes payable outstanding:

<u>Description</u>	<u>Series</u>	<u>Amount</u>	<u>Current Portion</u>
Revenue Bonds	1999	\$ 345,000	\$ 345,000
Revenue Bonds	2001	6,805,000	445,000
Revenue Bonds	2004	8,480,000	30,000
Revenue Bonds	2005	7,635,001	230,000
Flush Truck Note Payable		<u>80,195</u>	<u>80,195</u>
Total payable at par		23,345,196	1,130,195
Less: unamortized defeasance costs		<u>(35,701)</u>	<u>(35,701)</u>
		23,309,495	<u>\$ 1,094,494</u>
Less: current portion payable		<u>(1,094,494)</u>	
Total long-term portion		<u>\$ 22,215,001</u>	

The annual requirements to amortize all revenue bonds and notes outstanding as of June 30, 2010, are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,130,195	\$ 966,901	\$ 2,097,096
2012	1,090,000	922,043	2,012,043
2013	1,130,000	879,464	2,009,464
2014	1,180,000	834,038	2,014,038
2015	1,225,000	785,949	2,010,949
2016-2020	6,955,000	3,102,336	10,057,336
2021-2025	8,665,000	1,391,298	10,056,298
2026	<u>1,970,001</u>	<u>39,400</u>	<u>2,009,401</u>
	<u>\$ 23,345,196</u>	<u>\$ 8,921,429</u>	<u>\$ 32,266,625</u>

The changes in long term debt during 2010 are as follows:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2010</u>
W & S Revenue Bonds	\$ 24,270,001	\$ -	\$ 1,005,000	\$ 23,265,001
Flush Truck Note	155,000	-	74,805	80,195
Compensated Absences	<u>54,000</u>	<u>6,000</u>	<u>-</u>	<u>60,000</u>
Total	<u>\$ 24,479,001</u>	<u>\$ 6,000</u>	<u>\$ 1,079,805</u>	<u>\$ 23,405,196</u>

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

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4. LONG TERM DEBT (continued)

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.

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.

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 fund 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.

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.



**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**4. LONG TERM DEBT (continued)**

**COMPONENT UNITS**

On June 14, 2006, the Public Properties Corporation issued \$6,050,000 in Series 2006 Bonds to advance refund previously issued 2003 Kentucky Area Development District debt. The net proceeds of \$5,918,851 (after payment of underwriting fees, insurance and other issuance costs) were used to fund the escrow account. The escrow account was used to purchase US government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2003 Series bonds. As a result, the 2003 Series bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt.

On October 19, 2006 the Public Properties Corporation issued \$1,970,000 in Series 2006B Revenue Bonds to continue complete Phase II on the building leased to the Kentucky Community and Technical College System. The bonds are a fixed rate debt with the first principal and interest payment beginning on July 1, 2007.

Principal payments on the outstanding on the Revenue Bonds, Series 2006, are payable on December 1 of each year and interest is payable on December 1 and June 1. Interest payments are due on January 1 and July 1 for the Revenue Bonds, Series 2006B, bond and principal is payable on January 1.

At June 30, 2010, the Corporation had the following bonds and leases payable outstanding:

<u>Description</u>	<u>Series</u>	<u>Amount</u>	<u>Current Portion</u>
Revenue Bonds	2006	\$ 5,055,000	\$ 275,000
Revenue Bonds	2006B	<u>1,660,000</u>	<u>90,000</u>
Total payable at par		6,715,000	365,000
Less: unamortized defeasance costs		<u>(114,037)</u>	<u>(8,772)</u>
		6,600,963	<u>\$ 356,228</u>
Less: current portion payable		<u>(356,228)</u>	
Total long-term portion		<u>\$ 6,244,735</u>	

The annual requirements to amortize all revenue bonds and leases outstanding as of June 30, 2010, are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 365,000	\$ 264,706	\$ 629,706
2012	380,000	249,906	629,906
2013	395,000	234,406	629,406
2014	410,000	218,406	628,406
2015	425,000	201,806	626,806
2016-2020	2,415,000	733,966	3,148,966
2021-2024	<u>2,325,000</u>	<u>205,970</u>	<u>2,530,970</u>
	<u>\$ 6,715,000</u>	<u>\$ 2,109,166</u>	<u>\$ 8,824,166</u>

The changes in long term debt during 2010 are as follows:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2010</u>
KCTCS Leases payable	\$ 275,000	\$ -	\$ 275,000	\$ -
KCTCS Revenue Bonds	<u>7,060,000</u>	<u>-</u>	<u>345,000</u>	<u>6,715,000</u>
Total long term debt	<u>\$ 7,335,000</u>	<u>\$ -</u>	<u>\$ 620,000</u>	<u>\$ 6,715,000</u>

**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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**5. PROJECT FINANCING**

In June 2006 the City issued \$6,050,000 of City of Versailles, Kentucky Public Properties Corporation First Mortgage Revenue Refunding Bonds, Series 2006, to refund in advance of maturity the outstanding principal of the original \$6,330,000 Lease Purchase Agreement dated March 25, 2003, between the City of Versailles Public Properties Corporation and the Kentucky Area Development Districts Financing. The original financing was used for acquisition, construction, and installation of necessary improvements on real property for the occupancy of KCTCS. In October 2006 the City issued \$1,970,000 of City of Versailles, Kentucky Public Properties Corporation First Mortgage Revenue Bonds, Series 2006B, to finance the cost of additional improvements on real property for the occupancy of KCTCS. Both bond issues are 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.

The restated lease commenced on July 1, 2007 and is automatically renewed for seven additional periods of two years each. During 2010 additional payments were made on the lease resulting in the lease ending on May 1, 2023. KCTCS agrees to pay to the Public Properties Corporation monthly payments equal to the principal and interest due on both Bond Series. The lease is an absolute net lease under which KCTCS pays, in addition to rent any and all expenses related to the leased premises. The property shall become the property of KCTCS upon performance of all obligations under the lease.

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

<u>June 30</u>	
2011	\$ 637,020
2012	637,020
2013	637,020
2014	637,020
2015	637,020
2016-2020	3,185,100
2021-2023	<u>1,857,975</u>
Net minimum lease payments	8,228,175
Less amount representing interest	<u>(1,745,265)</u>
Present value of minimum lease payments	<u>\$ 6,482,910</u>

**6. 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 Retirement Systems administers the CERS.

The plan issues separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

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.

**CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

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**6. RETIREMENT PLAN (continued)**

Contributions – For the year ended June 30, 2010, plan members were required to contribute 5.00% of wages for non-hazardous job classifications and 8.00% of wages for hazardous job classifications. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2010, participating employers contributed 16.16% of each employee's wages for non-hazardous classifications and 32.97% for hazardous job classifications, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The required contribution (employee and employer) and the actual percentage contributed for the City for the current and previous two years are as follows:

<u>Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2010	\$ 1,527,304	100%
2009	\$ 1,416,683	100%
2008	\$ 1,463,496	100%

**7. COMMITMENTS AND CONTINGENCIES**

On February 1, 2000, the City entered into an interlocal cooperation agreement with the County of Woodford, Kentucky ("County"). The City and the County have agreed to share on an equal basis the costs of construction, acquisition, installation, maintenance, operation and financing of a community recreation and fine arts complex to be situated in the City, within the County. The agreement cannot be terminated by either party so long as debt and/or interest thereon, remains outstanding and unpaid.

**8. CONCENTRATIONS**

The City has a concentration of revenue for occupational tax and water, sewer and sanitation. Five industrial companies generated approximately 50% of the City's occupational tax revenue. Three users generated approximately 25% of the utility operation's service revenue. Also, at June 30, 2010, approximately 19% of the utility operation's accounts receivable was due from four users.

**9. PROPERTY TAX CALENDAR**

Property taxes are a significant portion of the General Fund revenues. The property tax calendar is as follows:

Levy Date	- January 1
Collection Date	- October 1
Due Date	- October 31
Lien Date	- January 1 of year following Levy Date

**10. 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.

**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**11. INTERFUND RECEIVABLES AND PAYABLES**

Interfund Receivables and Payables as of June 30, 2010 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds	\$ 61,628	\$ 500,311
Business-type funds	<u>438,683</u>	<u>-</u>
	<u>\$ 500,311</u>	<u>\$ 500,311</u>

**12. POLICE OPERATING EXPENDITURES**

The City entered into an Interlocal Cooperation Agreement pertaining to the operation of police services of the County with the Woodford Fiscal Court in September of 2007. This agreement calls for the County to reimburse the City for 38% of all police operating expenditures and 50% of all capital expenditures, as defined in the agreement. Police department expenditures that qualify under this agreement are as follows:

	Original Budget	Actual	Variance Favorable (Unfavorable)
Police Operating	\$ 3,739,363	\$ 3,484,390	\$ 254,973
Police Capital	<u>-</u>	<u>-</u>	<u>-</u>
Total cost shared with County	<u>\$ 3,739,363</u>	<u>\$ 3,484,390</u>	<u>\$ 254,973</u>

**13. RESTATEMENT OF NET ASSETS**

Fund balance of the Water and Sewer Fund as of June 30, 2009 has been restated. The City has determined that a portion of interest cost previously capitalized over several years should have been expensed and therefore interest expense was understated.

	<b>Water, Sewer &amp; Sanitation</b>
Fund Balances, June 30, 2009, as previously reported	\$ 24,942,011
Increase in interest expense	<u>(479,282)</u>
Fund balances, June 30, 2009, as restated	<u>\$ 24,462,729</u>

Fund balance of the Private Purpose Trust Fund as of June 30, 2009 has been restated. The City has restated fund balance to reflect prior year changes in fair market value for investments previously recorded at cost.

	<b>Private Purpose Trust</b>
Fund Balances, June 30, 2009, as previously reported	\$ 81,787
Decrease in fair market value	<u>(7,502)</u>
Fund balances, June 30, 2009, as restated	<u>\$ 74,285</u>

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

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13. RESTATEMENT OF NET ASSETS (continued)

Fund balance of the Permanent Fund as of June 30, 2009 has been restated. The City has restated fund balance to reflect prior year changes in fair market value for investments previously recorded at cost.

	<b>Permanent</b>
Fund Balances, June 30, 2009, as previously reported	\$ 485,616
Decrease in fair market value	<u>(51,896)</u>
Fund balances, June 30, 2009, as restated	<u>\$ 433,720</u>

## SUPPLEMENTAL INFORMATION

CITY OF VERSAILLES, KENTUCKY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISONS  
GENERAL FUND  
for the year ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 561,000	\$ 561,000	\$ 583,832	\$ 22,832
License and permits	3,969,000	3,969,000	4,262,805	293,805
Intergovernmental revenues	2,311,168	2,311,168	1,869,830	(441,338)
Charges for services	72,000	72,000	73,871	1,871
Other income	1,070,700	1,070,700	765,411	(305,289)
<b>Total revenues</b>	<u>7,983,868</u>	<u>7,983,868</u>	<u>7,555,749</u>	<u>(428,119)</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,568,438	1,568,438	1,427,840	140,598
Merged police operations	3,739,363	3,739,363	3,484,390	254,973
Other police operations/grants	-	-	111,510	(111,510)
911 communications	611,080	611,080	583,753	27,327
Fire department	916,846	916,846	918,946	(2,100)
Street department	773,700	773,700	754,231	19,469
Cemetery department	294,150	294,150	283,002	11,148
Capital outlay	688,000	688,000	391,630	296,370
Debt service	25,000	25,000	25,598	(598)
<b>Total expenditures</b>	<u>8,616,577</u>	<u>8,616,577</u>	<u>7,980,900</u>	<u>635,677</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(632,709)</u>	<u>(632,709)</u>	<u>(425,151)</u>	<u>207,558</u>
<b>Other Financing Sources (uses)</b>				
Proceeds from Sale of Assets	-	-	2,040	2,040
Transfers	175,000	175,000	17,674	(157,326)
<b>Total Other Financing Sources (uses)</b>	<u>175,000</u>	<u>175,000</u>	<u>19,714</u>	<u>(155,286)</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures</b>	<u>(457,709)</u>	<u>(457,709)</u>	<u>(405,437)</u>	<u>52,272</u>
Fund Balance July 1, 2009	<u>3,348,591</u>	<u>3,348,591</u>	<u>3,348,591</u>	<u>-</u>
Fund Balance June 30, 2010	<u>\$ 2,890,882</u>	<u>\$ 2,890,882</u>	<u>\$ 2,943,154</u>	<u>\$ 52,272</u>

CITY OF VERSAILLES, KENTUCKY  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2010

	Municipal Road Aid Fund	Permanent Fund	Total Non-Major Governmental
<b>ASSETS</b>			
Cash and cash equivalents	\$ 194,600	\$ -	\$ 194,600
Investments	-	462,718	462,718
Accounts receivable	10,252	-	10,252
Due from other funds	61,628	-	61,628
 Total Assets	 \$ 266,480	 \$ 462,718	 \$ 729,198
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Compensated absences	-	-	-
Deferred revenue	-	-	-
Due to other funds	35,000	-	35,000
 Total Liabilities	 35,000	 -	 35,000
<b>FUND BALANCE</b>			
Reserved	-	-	-
Unreserved	231,480	462,718	694,198
 Total Fund Balance	 231,480	 462,718	 694,198
 Total Liabilities and Fund Balance	 \$ 266,480	 \$ 462,718	 \$ 729,198



**CITY OF VERSAILLES, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**for the year ended June 30, 2010**

	Municipal Road Aid Fund	Permanent Fund	Total Non-Major Governmental
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental revenues	146,106	-	146,106
Charges for services	-	5,330	5,330
Other income	1,597	44,205	45,802
Sale of assets	-	-	-
	-	-	-
Total Revenues	147,703	49,535	197,238
<b>EXPENDITURES</b>			
General government	-	-	-
Police department	-	-	-
Fire department	-	-	-
Street department	-	-	-
Cemetery department	-	2,863	2,863
Program expenses	-	-	-
Debt Service	-	-	-
Capital outlay	-	-	-
	-	-	-
Total Expenditures	-	2,863	2,863
Excess of Revenues Over (Under) Expenditures	147,703	46,672	194,375
Other Sources			
Operating transfers in	-	-	-
Operating transfers out	-	(17,674)	(17,674)
	-	-	-
Total Other Sources	-	(17,674)	(17,674)
Excess of Revenues and Other Sources Over (Under) Expenditures	147,703	28,998	176,701
Fund Balance-July 1, 2009	83,777	433,720	517,497
<b>Fund Balance--June 30, 2010</b>	<b>\$ 231,480</b>	<b>\$ 462,718</b>	<b>\$ 694,198</b>

CITY OF VERSAILLES, KENTUCKY  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2010

---

	Agency Fund	Private Purpose Trust	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 421,006	\$ -	\$ 421,006
Accounts receivable	53,162		53,162
Investments	-	79,682	79,682
Other receivables	50,697	-	50,697
Total assets	\$ 524,865	\$ 79,682	\$ 604,547
<b>LIABILITIES</b>			
Accounts payable	\$ 377,992	\$ -	\$ 377,992
Other liabilities	146,039	-	146,039
Total liabilities	524,031	-	524,031
<b>NET ASSETS</b>			
Held in trust for payroll and other purposes	\$ 834	\$ 79,682	\$ 80,516

CITY OF VERSAILLES, KENTUCKY  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
for the year ended June 30, 2010

	Agency Fund	Private Purpose Trust	Totals
<b>ADDITIONS</b>			
Investment income	\$ 1,801	\$ 9,133	\$ 10,934
Total investment earnings	1,801	9,133	10,934
Less investment expense			
Trust fees	-	776	776
Transfers	-	2,406	2,406
Miscellaneous	-	554	554
Total investment expenses	-	3,736	3,736
Net investment earnings	1,801	5,397	7,198
Total additions	1,801	5,397	7,198
Beginning net assets	(967)	74,285	73,318
Ending net assets	\$ 834	\$ 79,682	\$ 80,516

**CITY OF VERSAILLES, KENTUCKY**  
**ENTERPRISE FUND**  
**WATER AND SEWER REVENUE BOND AMORTIZATION SCHEDULE**  
**SERIES OF 1999**

<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>
2010-2011	4.200%	\$ 345,000	\$ 7,245	-	\$ 352,245
		<u>\$ 345,000</u>	<u>\$ 7,245</u>	<u>-</u>	<u>\$ 352,245</u>

**CITY OF VERSAILLES, KENTUCKY  
ENTERPRISE FUND  
WATER AND SEWER REVENUE BOND AMORTIZATION SCHEDULE  
SERIES OF 2001**

<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>
2010-11	4.000%	\$ 445,000	\$ 151,501	\$ 142,601	\$ 739,102
2011-12	4.050%	460,000	142,601	133,286	735,887
2012-13	4.150%	480,000	133,286	123,326	736,612
2013-14	4.250%	500,000	123,326	112,701	736,027
2014-15	4.250%	525,000	112,701	101,545	739,246
2015-16	4.350%	545,000	101,545	89,691	736,236
2016-17	4.450%	570,000	89,691	77,009	736,700
2017-18	4.550%	595,000	77,009	63,473	735,482
2018-19	4.650%	625,000	48,941	63,473	737,414
2019-20	4.700%	655,000	33,550	48,941	737,491
2020-21	4.750%	685,000	33,549	17,280	735,829
2021-22	4.800%	720,001	17,280	-	737,281
		<u>\$ 6,805,001</u>	<u>\$ 1,064,980</u>	<u>\$ 973,326</u>	<u>\$ 8,843,307</u>

CITY OF VERSAILLES, KENTUCKY  
ENTERPRISE FUND  
WATER AND SEWER REVENUE BOND AMORTIZATION SCHEDULE  
SERIES OF 2004

Fiscal Year	Interest Rate	Principal Payable by December 1	Interest Payable by December 1	Interest Payable by June 1	Total Principal and Interest
2010-11	Various Rate	\$ 30,000	\$ 184,460	\$ 183,965	\$ 398,425
2011-12		395,000	183,965	177,053	756,018
2012-13		405,000	177,053	169,661	751,714
2013-14		425,000	169,661	161,586	756,247
2014-15		435,000	161,586	153,104	749,690
2015-16		455,000	153,104	144,004	752,108
2016-17		475,000	144,004	134,266	753,270
2017-18		495,000	134,266	123,871	753,137
2018-19		515,000	123,871	112,799	751,670
2019-20		540,000	112,799	100,919	753,718
2020-21		565,000	100,919	88,206	754,125
2021-22		590,000	88,206	74,931	753,137
2022-23		1,000,000	74,931	51,181	1,126,112
2023-24		1,050,000	51,181	26,244	1,127,425
2024-25		<u>1,105,000</u>	<u>26,244</u>	<u>-</u>	<u>1,131,244</u>
Totals		<u>\$ 8,480,000</u>	<u>\$ 1,886,250</u>	<u>\$ 1,701,790</u>	<u>\$ 12,068,040</u>

**CITY OF VERSAILLES, KENTUCKY  
ENTERPRISE FUND  
WATER AND SEWER REVENUE BOND AMORTIZATION SCHEDULE  
SERIES OF 2005**

Fiscal Year	Interest Rate	Principal Payable by December 1	Interest Payable by December 1	Interest Payable by June 1	Total Principal and Interest
2010-11	3.750%	\$ 230,000	\$ 149,084	\$ 144,772	\$ 523,856
2011-12	3.750%	235,000	144,772	140,366	520,138
2012-13	3.750%	245,000	140,366	135,772	521,138
2013-14	3.750%	255,000	135,772	130,991	521,763
2014-15	3.750%	265,000	130,991	126,022	522,013
2015-16	3.750%	275,000	126,022	120,866	521,888
2016-17	3.750%	285,000	120,866	115,522	521,388
2017-18	3.750%	295,000	115,522	109,991	520,513
2018-19	3.750%	310,000	109,991	104,178	524,169
2019-20	3.875%	320,000	104,178	97,978	522,156
2020-21	3.875%	330,000	97,978	91,584	519,562
2021-22	3.875%	345,000	91,584	84,900	521,484
2022-23	4.000%	730,000	84,900	70,300	885,200
2023-24	4.000%	760,000	70,300	55,100	885,400
2024-25	4.000%	785,000	55,100	39,400	879,500
2025-26	4.000%	<u>1,970,000</u>	<u>39,400</u>	<u>-</u>	<u>2,009,400</u>
Totals		<u>\$ 7,635,000</u>	<u>\$ 1,716,826</u>	<u>\$ 1,567,742</u>	<u>\$ 10,919,568</u>

CITY OF VERSAILLES, KENTUCKY  
 COMPONENT UNIT - PUBLIC PROPERTIES CORPORATION  
 REVENUE BONDS  
 SERIES OF 2006

<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>
2010-11	4.000%	\$ 275,000	\$ 101,391	\$ 95,891	\$ 472,282
2011-12	4.000%	285,000	95,891	90,191	471,082
2012-13	4.000%	300,000	90,191	84,191	474,382
2013-14	4.000%	310,000	84,191	77,991	472,182
2014-15	4.000%	320,000	77,991	71,591	469,582
2015-16	4.000%	335,000	71,591	64,891	471,482
2016-17	4.000%	350,000	64,891	57,891	472,782
2017-18	4.000%	360,000	57,891	50,691	468,582
2018-19	4.000%	375,000	50,691	43,191	468,882
2019-20	4.000%	395,000	43,191	35,291	473,482
2020-21	4.000%	415,000	35,291	26,991	477,282
2021-22	4.000%	425,000	26,991	18,491	470,482
2022-23	4.000%	445,000	18,491	9,591	473,082
2023-24	4.125%	<u>465,000</u>	<u>9,591</u>	<u>-</u>	<u>474,591</u>
		<u>\$ 5,055,000</u>	<u>\$ 828,274</u>	<u>\$ 726,883</u>	<u>\$ 6,610,157</u>



**CITY OF VERSAILLES, KENTUCKY  
 COMPONENT UNIT - PUBLIC PROPERTIES CORPORATION  
 REVENUE BONDS  
 SERIES OF 2006B**

Fiscal Year	Interest Rate	Principal Payable by January 1	Interest Payable by January 1	Interest Payable by July 1	Total Principal and Interest
2010-11	4.000%	\$ 90,000	\$ 33,713	\$ 33,713	\$ 157,426
2011-12	4.000%	95,000	31,913	31,913	158,826
2012-13	4.000%	95,000	30,013	30,013	155,026
2013-14	4.000%	100,000	28,113	28,113	156,226
2014-15	4.000%	105,000	26,113	26,113	157,226
2015-16	4.000%	110,000	24,013	24,013	158,026
2016-17	4.000%	115,000	21,813	21,813	158,626
2017-18	4.100%	120,000	19,513	19,513	159,026
2018-19	4.100%	125,000	17,053	17,053	159,106
2019-20	4.100%	130,000	14,490	14,490	158,980
2020-21	4.100%	135,000	11,825	11,825	158,650
2021-22	4.100%	140,000	9,058	9,058	158,116
2022-23	4.125%	145,000	6,188	6,188	157,376
2023-24	4.125%	155,000	3,197	3,197	161,394
	Totals	<u>\$ 1,660,000</u>	<u>\$ 277,015</u>	<u>\$ 277,015</u>	<u>\$ 2,214,030</u>

CITY OF VERSAILLES, KENTUCKY  
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

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Honorable Fred Siegelman, Mayor  
and City Council  
City of Versailles, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Versailles, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the City of Versailles, Kentucky's basic financial statements and have issued our report thereon November 1, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

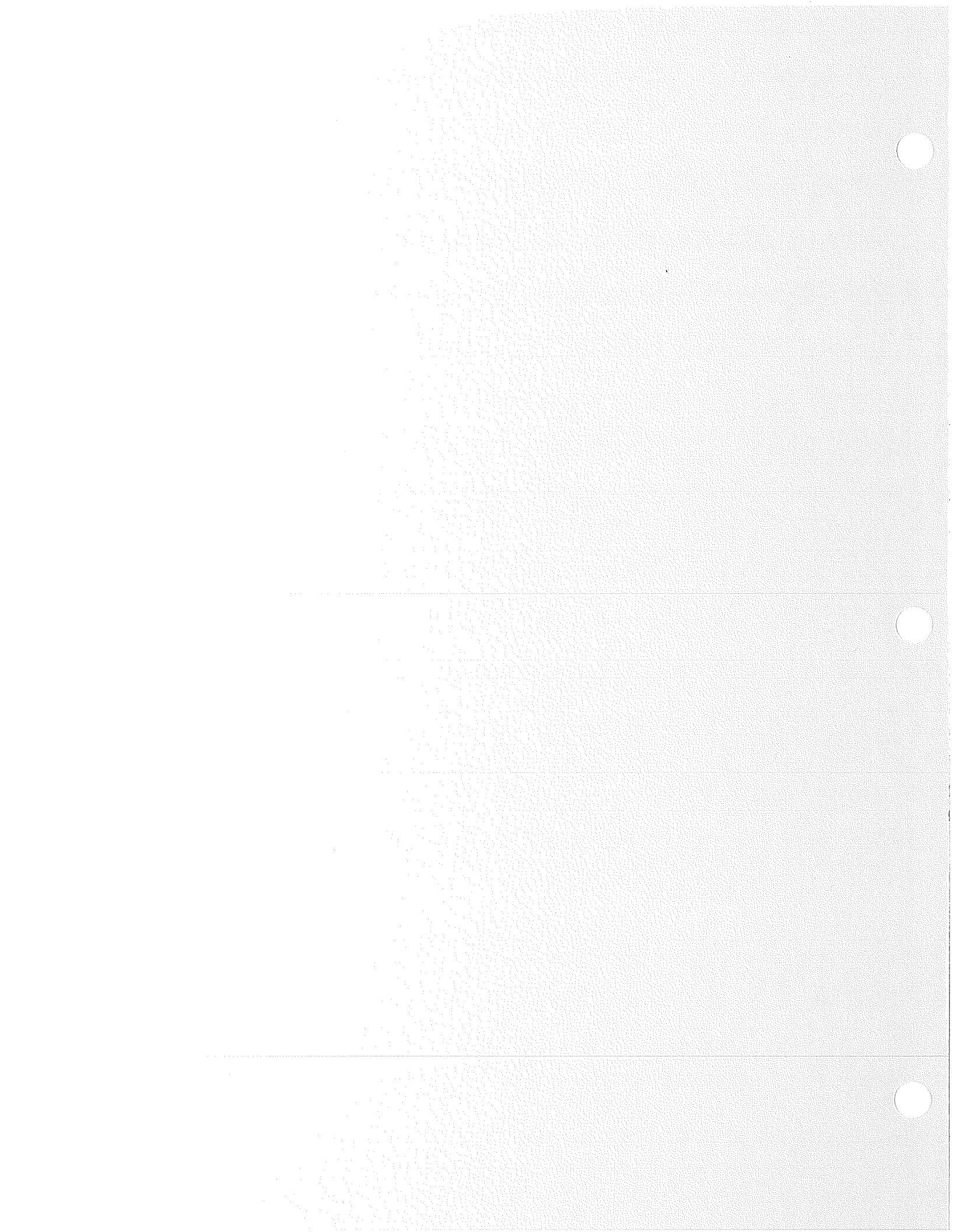
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Ray, Foley, Hensley & Company*  
Ray, Foley, Hensley & Company, PLLC  
November 1, 2010







**CITY OF VERSAILLES**  
Versailles, Kentucky

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**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION**  
June 30, 2011

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City of Versailles, Kentucky  
Management's Discussion and Analysis (MD&A)  
June 30, 2011

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, 2011. Please read the following in conjunction with the auditors' report on page 12 and the City's financial statements, which begin on page 14.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 14 and 15) 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 16. 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 benefits of those outside the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 3 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 Assets 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 taken into account regardless of when cash is received or paid.

These two statements report the net assets of the City and the changes in them. One can think of the City's net assets—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 assets 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 Assets and the Statement of Activities, we divide the City into two kinds of activities:

**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 7. The fund financial statements begin on page 16 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, 2011

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 of 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 Assets 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 payroll and 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 21 and 22. 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 required supplementary information concerning budgetary comparison schedules for the general fund.

City of Versailles, Kentucky  
Management's Discussion and Analysis (MD&A)(Continued)  
June 30, 2011

Financial Analysis of the City as a Whole

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
	Current & Other Assets	\$ 4.3	\$ 3.5	\$ 2.2	\$ 2.6	\$ 6.5
Capital Assets	4.4	6.2	46.9	49.4	51.3	55.6
<b>Total Assets</b>	<b>8.7</b>	<b>9.7</b>	<b>49.1</b>	<b>52.0</b>	<b>57.8</b>	<b>61.7</b>
Long Term Debt Outstanding	0.2	0.2	22.3	22.7	22.5	22.9
Current Liabilities	0.7	0.4	1.6	2.0	2.3	2.4
<b>Total Liabilities</b>	<b>0.9</b>	<b>0.6</b>	<b>23.9</b>	<b>24.7</b>	<b>24.8</b>	<b>25.3</b>
Invested in Capital Assets,						
Net of Debt	4.4	6.2	19.3	21.7	23.7	27.9
Restricted	0.7	0.7	3.9	3.6	4.6	4.3
Unrestricted	2.7	2.2	2.0	2.0	4.7	4.2
<b>Total Net Assets</b>	<b>\$ 7.8</b>	<b>\$ 9.1</b>	<b>\$ 25.2</b>	<b>\$ 27.3</b>	<b>\$ 33.0</b>	<b>\$ 36.4</b>

The City's total governmental net assets increased from \$7.8 at 2010 to \$9.1 at 2011. This fluctuation is largely due to current year capital projects such as Crossfield Drive and Dan Court/Dan Drive. These projects were funded by grant revenues from the State of Kentucky.

In the business-type activity (Enterprise Fund), total net assets increased by approximately \$2.1 million, primarily due to current year capital projects such as the Clifton/McCracken Pike water line extension, interceptor sewer system and pump stations and the purchase of the Grassy Springs Farm property. These projects were funded by current year grant proceeds from the State of Kentucky and/or with prior year funds designated for capital projects.

City of Versailles, Kentucky  
Management's Discussion and Analysis (MD&A)(Continued)  
June 30, 2011

Changes in net assets 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.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
	<b>Revenues:</b>					
<b>Program Revenues</b>						
Charges for services	\$ 0.1	\$ 0.1	\$ 5.2	\$ 5.6	\$ 5.3	\$ 5.7
Operating Grants & Contributions	1.6	1.6	0.0	0.0	1.6	1.6
Capital Grants & Contributions	0.4	2.2	0.1	1.2	0.5	3.4
Investment Earnings	0.1	0.1	0.1	0.1	0.2	0.2
<b>General Revenues</b>						
Taxes	0.6	0.6	0.0	0.0	0.6	0.6
Licenses	4.2	4.3	0.0	0.0	4.2	4.3
Intergovernmental	0.6	0.5	0.0	0.0	0.6	0.5
Other Revenues	0.1	0.1	0.0	0.0	0.1	0.1
<b>Total Revenue</b>	<b>\$ 7.7</b>	<b>\$ 9.5</b>	<b>\$ 5.4</b>	<b>\$ 6.9</b>	<b>\$ 13.1</b>	<b>\$ 16.4</b>
<b>Expenses:</b>						
<b>Program Expenses</b>						
General Government	\$ 1.6	\$ 1.5	\$ -	\$ -	\$ 1.6	\$ 1.5
Police & 911	4.5	4.5	0.0	0.0	4.5	4.5
Fire	1.0	1.0	0.0	0.0	1.0	1.0
Streets	0.8	1.0	0.0	0.0	0.8	1.0
Cemetery	0.3	0.3	0.0	0.0	0.3	0.3
Water/Sewer/Sanitation	0.0	0.0	4.8	4.9	4.8	4.9
<b>Total Expenses</b>	<b>8.2</b>	<b>8.3</b>	<b>4.8</b>	<b>4.9</b>	<b>13.0</b>	<b>13.2</b>
<b>Change in Net Assets</b>	<b>\$ (0.50)</b>	<b>\$ 1.20</b>	<b>\$ 0.60</b>	<b>\$ 2.00</b>	<b>\$ 0.10</b>	<b>\$ 3.20</b>

Governmental activity revenue increased by approximately \$1.8 million from 2010 to 2011; as shown in Table A-2. The increase in revenue was a result of capital grant revenue.

Business-type activity (enterprise) revenues increased from \$5.4 million in 2010 to \$6.9 million in 2011, mainly due to an increase in water, sewer and sanitation rates. Additionally, the City received \$1.2 million in grant revenue for capital projects.

Overall, governmental activity expenses increased from \$8.2 million to \$8.3 million, which was mainly attributable to the increase in the employee benefit retirement contribution rate and other overall economic inflationary factors. Business-type activity expenses increased from \$4.8 in 2010, to \$4.9 in 2011. This increase is also a reflection in an overall inflationary increase in general operating expenses.

City of Versailles, Kentucky  
Management's Discussion and Analysis (MD&A)(Continued)  
June 30, 2011

Governmental Activities

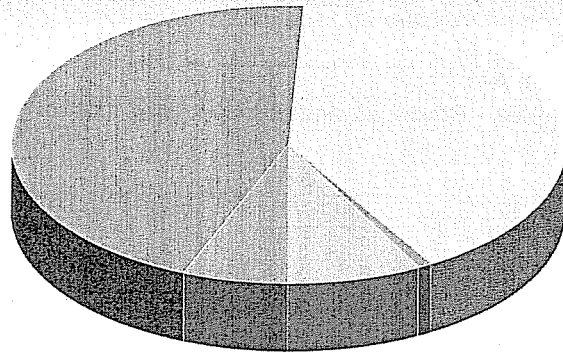
Table A-3 details a condensed statement of the fiscal year's governmental activities according to the governmental fund statements shown on pages 16 and 17 and in the supplementary information on page 42.

Table A-3				
Condensed Governmental Activities - Revenues and Expenditures				
	2010		2011	Change
<b>Revenues:</b>				
Taxes	\$ 583,832		\$ 579,291	\$ (4,541)
Licenses and Permits	4,262,805		4,237,619	(25,186)
Intergovernmental	2,015,936		3,826,107	1,810,171
Charges for Services	79,201		83,827	4,626
Other Income	811,213		729,754	(81,459)
<b>Total Revenues</b>	<b>\$ 7,752,987</b>		<b>\$ 9,456,598</b>	<b>\$ 1,703,611</b>
<b>Expenditures:</b>				
General Government	\$ 1,427,840		\$ 1,417,245	\$ (10,595)
Police Department	3,484,390		3,500,451	16,061
Other Police and Grants	111,510		83,600	(27,910)
911 Communications	583,753		591,367	7,614
Fire Department	918,946		939,112	20,166
Street Department	754,231		884,986	130,755
Cemetery Department	285,865		294,587	8,722
Capital Outlay	391,630		2,309,798	1,918,168
Debt Service	25,598		25,598	0
<b>Total Expenditures</b>	<b>\$ 7,983,763</b>		<b>\$ 10,046,744</b>	<b>\$ 2,062,981</b>

The information above shows that revenues for governmental fund increased by approximately \$1.7 million from 2010 to 2011. As previously stated, this increase was a result of an increase in grant money received related to capital projects.

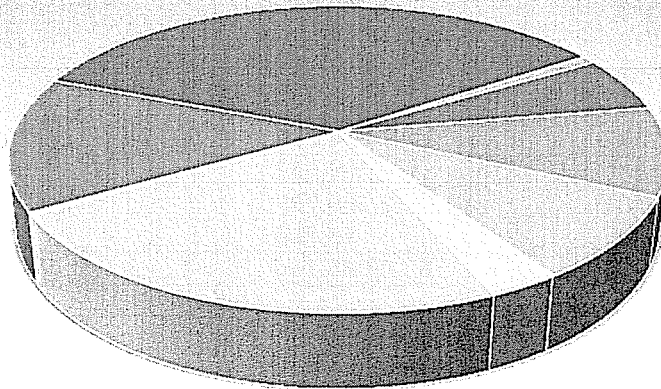
Expenses increased by approximately \$2.1 million from 2010 to 2011. As previously stated, the bulk of the increase was attributable to the increase in additional capital outlay projects totaling approximately \$1.9 million. Also of note to the Street Department expenses, the Municipal Aid Road Fund monies in the amount of \$148,898 were not expended during the fiscal year. When this is taken into consideration, the Street Department's net affect is a change of (\$18,143).

### General Fund Revenue-June 30, 2011



- Property Taxes (6%)
- Licenses & Permits (45%)
- Intergovernmental Revenues (40%)
- Charges for Services (1%)
- Other Income (8%)

### General Fund Expenditures-June 30, 2011



- General Government (14%)
- Merged Police Operations (35%)
- Other Police Grants (<1%)
- 911 Communications (6%)
- Fire Department (9%)
- Street Department (9%)
- Cemetery Department (3%)
- Capital Outlay (23%)
- Debt Service (<1%)

#### Budget Highlights

The City's fiscal year budget was amended mid-year to include additional revenues received in the amount approximately \$750,000 for the Crossfield Drive project, the 2010 Firefighters Assistance Grant revenue and various police department grant revenue sources. Total amended revenues for General Fund were approximately \$1.3 million. Operating and/or Capital Expenses of the General Fund were amended to Crossfield Drive related expenses, Grassy Springs related purchase expenses and amendments to existing operating budget line-items such as road salt, motor fuels and overtime expenses related to salt spreading. In the Enterprise Fund, the budget was also amended to include a portion of Grassy Springs Farm purchase expense, final payment for the sewer flush truck, as well as adjusting existing operating budget line items due to inflation.

City of Versailles, Kentucky  
Management's Discussion and Analysis (MD&A)(Continued)  
June 30, 2011

Table A-4  
General Fund - Budget & Actual

	Budget	Actual	Difference
Property Taxes	\$ 608,000	\$ 579,291	\$ (28,709)
Licenses and Permits	4,176,000	4,237,619	61,619
Intergovernmental	3,695,056	3,660,509	(34,547)
Charges for Services	71,000	76,937	5,937
Other Income	1,034,000	678,710	(355,290)
<b>Total Revenues</b>	<b>\$ 9,584,056</b>	<b>\$ 9,233,066</b>	<b>\$ (350,990)</b>
<b>General Fund - Expenditures</b>			
General Government	\$ 1,571,168	\$ 1,417,245	\$ (153,923)
Merged Police Operations	3,791,595	3,500,451	(291,144)
Other Police Grants	0	83,600	83,600
911 Communications	642,994	591,367	(51,627)
Fire Department	941,960	939,112	(2,848)
Street Department	839,700	736,088	(103,612)
Cemetery Department	316,850	291,565	(25,285)
Capital Outlay	2,186,853	2,309,798	122,945
Debt Service	0	25,598	25,598
<b>Total Expenditures</b>	<b>\$ 10,291,120</b>	<b>\$ 9,894,824</b>	<b>\$ (396,296)</b>

The City budgeted \$9.5 million in revenues for 2011 and generated \$9.3 million. Licenses and permits revenue showed an increase of \$61,619 which was a result of increase enforcement and check and balance processes put in place with the Kentucky Department of Insurance to further review insurance premium tax. Also, bank and utility franchise taxes were increased. There was a decrease in the collection of property taxes most attributable to foreclosures and economic factors. Budgeted amounts for "Other Income" included show a budget line-item for "carry-over" from 2010 for the 911 cash account in the amount of \$370,000. This item is required to be reported by the State as a budget line item, but are not actual anticipated revenues to be received by the City. When the \$370,000 is netted against the total "difference" amount of (\$350,990) as shown above, the net effect of total revenues (budgeted to actual) is a positive \$19,010.

The City budgeted \$10.2 million in expenditures, but actually expended only \$9.8. Contributing factors to expenses being decreased as a whole, was partly due to salaries and benefits being below their budgeted amounts in the Clerk's office and Police Department. There were several budgeted line-item expenses in the various General Fund departments that were under budget, which would indicate that each department was conservative in administering their fiscal year budgets.

Other factors contributing to the expenditures being less than budgeted would include the asset forfeiture revenues and expenses, which cannot be anticipated at budget preparation time. Additionally, Capital Outlay expenditures show an increase of \$122,945 (budget versus actual), which ultimately occurs because of the purchase of Grassy Springs property, which expended both funds from General Fund and Enterprise Fund.

City of Versailles, Kentucky  
Management's Discussion and Analysis (MD&A)(Continued)  
June 30, 2011

	Budget	Actual	Difference
Charges for Services	\$ 5,046,500	\$ 5,510,090	\$ 463,590
Grants/Bond Sources	2,840,000	1,121,901	(1,718,099)
Interest Income	18,000	110,224	92,224
Other Income	60,000	87,639	27,639
<b>Total Revenues</b>	<b>\$ 7,964,500</b>	<b>\$ 6,829,854</b>	<b>\$ (1,134,646)</b>

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

	Budget	Actual	Difference
Salaries	\$ 575,500	\$ 572,898	\$ (2,602)
Payroll Taxes	45,000	40,051	(4,949)
Employee benefits	139,900	132,558	(7,342)
Advertising and printing	6,500	1,869	(4,631)
Professional and technical	15,000	16,544	1,544
Repairs and maintenance	102,000	112,215	10,215
Utilities	275,000	362,286	87,286
Telephone and postage	22,500	21,825	(675)
Insurance	49,900	47,901	(1,999)
Chemicals	140,000	138,185	(1,815)
Uniforms	3,500	2,703	(797)
Motor fuel	20,000	27,337	7,337
Office supplies	3,000	3,731	731
Other materials	17,000	25,910	8,910
Other expenses	143,600	107,653	(35,947)
Purchase of water	10,000	16,067	6,067
Training/travel	5,000	5,732	732
Lab analysis	22,000	20,634	(1,366)
Purchase of water meters	20,000	27,714	7,714
Misc expense	20,000	3,075	(16,925)
<b>Total Expenditure</b>	<b>\$ 1,635,400</b>	<b>\$ 1,686,888</b>	<b>\$ 51,488</b>

City of Versailles, Kentucky  
Management's Discussion and Analysis (MD&A)(Continued)  
June 30, 2011

Table A-7				
Enterprise Fund - Sewer Department Expenditures - Budget & Actual				
	Budget		Actual	Difference
Salaries	\$ 432,000		\$ 399,964	\$ (32,036)
Payroll Taxes	33,500		28,613	(4,887)
Employee benefits	107,400		99,793	(7,607)
Advertising and printing	5,000		1,970	(3,030)
Professional and technical	20,000		6,289	(13,711)
Repairs and maintenance	150,000		134,004	(15,996)
Utilities	150,000		184,429	34,429
Telephone and postage	20,700		18,708	(1,992)
Insurance	32,000		33,783	1,783
Chemicals	32,000		42,631	10,631
Uniforms	3,000		1,843	(1,157)
Motor fuel	17,000		19,238	2,238
Office supplies	1,500		1,773	273
Other materials	2,500		8,410	5,910
Other expenses	58,600		8,986	(49,614)
Sludge removal	69,000		101,257	32,257
Misc expense	10,000		70	(9,930)
Training/travel	3,500		2,356	(1,144)
Lab analysis	30,000		23,042	(6,958)
Dumpster collection	3,000		2,481	(519)
<b>Total Expenditures</b>	<b>\$ 1,180,700</b>		<b>\$ 1,119,640</b>	<b>\$ (61,060)</b>



City of Versailles, Kentucky  
Management's Discussion and Analysis (MD&A)(Continued)  
June 30, 2011

	Budget	Actual	Difference
Salaries	\$ 227,500	\$ 227,982	\$ 482
Payroll Taxes	17,800	16,519	(1,281)
Employee benefits	60,100	51,780	(8,320)
Advertising and printing	3,000	1,809	(1,191)
Repairs and maintenance	20,000	15,487	(4,513)
Utilities	3,000	3,347	347
Telephone and postage	7,900	8,206	306
Insurance	22,000	20,334	(1,666)
Uniforms	2,000	1,830	(170)
Motor fuel	25,000	24,743	(257)
Other materials	3,000	2,829	(171)
Landfill expense	153,000	162,585	9,585
<b>Total Expenditures</b>	<b>\$ 544,300</b>	<b>\$ 537,451</b>	<b>\$ (6,849)</b>

Capital Assets

Table A-1 showed summary totals for a broad range of capital assets, including police and fire equipment and vehicles, buildings, land, roads, storm sewers, and all of the equipment and materials involved in the operation of water, sewer and sanitary utilities. Table A-9 shows the breakdown of capital assets net of depreciation for both governmental and business-type activities.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
	Land	\$1.5	\$1.5	\$0.2	\$2.1	\$1.7
Buildings & Improvements	0.8	1.0	28.1	27.3	28.9	28.3
Equipment	0.9	0.8	0.6	0.4	1.5	1.2
Vehicles	0.7	0.5	0.1	0.1	0.8	0.6
Construction in Progress	0.5	2.4	13.7	15.5	14.2	17.9
<b>Total Capital Assets</b>	<b>\$4.4</b>	<b>\$6.2</b>	<b>\$42.7</b>	<b>\$45.4</b>	<b>\$47.1</b>	<b>\$51.6</b>

City of Versailles, Kentucky  
 Management's Discussion and Analysis (MD&A)(Continued)  
 June 30, 2011

Debt

Table A-10  
 Table A-6 provides a summary of all the City's outstanding indebtedness.

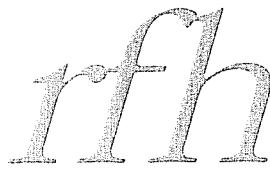
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
	Notes Payable	\$ 0.1	\$ -	\$ -	\$ -	\$ 0.1
Bonds Payable	-	-	23.3	23.8	23.3	23.8
<b>Total Debt Outstanding</b>	<b>\$ 0.1</b>	<b>\$ -</b>	<b>\$ 23.3</b>	<b>\$ 23.8</b>	<b>\$ 23.4</b>	<b>\$ 23.8</b>

Economic Factors and Next Year's Budget and Rates

The City's elected officials and Mayor considered many factors when setting the fiscal year 2011 budget. Some of the contributing factors were the local economy and trend, anticipated grant revenues, and the ever-rising costs of retirement and health insurance expenses.

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 Allison White at 196 South Main Street, Versailles, Kentucky.



# Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

## INDEPENDENT AUDITOR'S REPORT

Honorable Fred Siegelman, Mayor  
and the City Council  
City of Versailles, Kentucky

Stephen R. Allen, CPA/PFS  
Dennis H. England, CPA  
Michael D. Foley, CPA  
Lyman Hager, Jr., CPA/PFS  
Jerry W. Hensley, CPA

J. Carroll Luby, CPA

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 City of Versailles, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Versailles, Kentucky's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2011, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 11 and 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Versailles, Kentucky's financial statements as a whole. The combining nonmajor fund financial statements, and long-term debt schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining nonmajor fund financial statements, long-term debt schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Ray, Foley, Hensley & Company*

Ray, Foley, Hensley & Company, PLLC  
December 31, 2011

**CITY OF VERSAILLES, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	Primary Government			Component Unit Public Properties
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 557,723	\$ 415,054	\$ 972,777	\$ 1,809
Investments	2,508,054	400,000	2,908,054	-
Accounts receivable (net)	1,069,712	702,620	1,772,332	-
Grants receivable	82,971	98,143	181,114	-
Accrued interest receivable	-	592	592	-
Current lease receivable (net)	-	-	-	411,058
Other receivables	137,089	-	137,089	-
Inventories	-	109,963	109,963	-
Internal balances	(833,091)	833,091	-	-
Total current assets	<u>3,522,458</u>	<u>2,559,463</u>	<u>6,081,921</u>	<u>412,867</u>
Noncurrent assets				
Restricted cash and cash equivalents	-	1,917,690	1,917,690	787,829
Restricted investments	-	1,708,846	1,708,846	-
Capital assets				
Construction in progress	2,389,639	15,463,477	17,853,116	-
Land and improvements	1,529,735	2,106,509	3,636,244	-
Plant and utility systems, net	-	27,844,775	27,844,775	-
Depreciable buildings, property, and equipment, net	2,252,984	-	2,252,984	-
Long term lease receivable (net)	-	-	-	5,676,214
Other assets	-	367,956	367,956	121,590
Total noncurrent assets	<u>6,172,358</u>	<u>49,409,253</u>	<u>55,581,611</u>	<u>6,585,633</u>
<b>Total assets</b>	<u>\$ 9,694,816</u>	<u>\$ 51,968,716</u>	<u>\$ 61,663,532</u>	<u>\$ 6,998,500</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 95,137	\$ 522,254	\$ 617,391	\$ 3,349
Accrued leave payable	900	14,433	15,333	-
Accrued payroll liabilities	32,402	8,614	41,016	-
Other accrued liabilities	39,038	18,438	57,476	-
Accrued interest payable	-	90,683	90,683	47,255
Deposits	-	219,978	219,978	-
Deferred revenue	174,886	-	174,886	541,989
Current portion of long-term obligation	24,609	1,181,387	1,205,996	371,228
Total current liabilities	<u>366,972</u>	<u>2,055,787</u>	<u>2,422,759</u>	<u>963,821</u>
Noncurrent liabilities				
Noncurrent portion of long-term obligations				
Compensated absences	241,000	57,000	298,000	-
Bonds and notes payable	-	22,608,614	22,608,614	5,873,507
<b>Total liabilities</b>	<u>607,972</u>	<u>24,721,401</u>	<u>25,329,373</u>	<u>6,837,328</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	6,172,358	21,624,760	27,797,118	-
Restricted for				
Debt service and construction	-	3,612,036	3,612,036	-
Other purposes	748,908	-	748,908	161,172
Unrestricted	2,165,578	2,010,519	4,176,097	-
<b>Total net assets</b>	<u>9,086,844</u>	<u>27,247,315</u>	<u>36,334,159</u>	<u>161,172</u>
<b>Total liabilities and net assets</b>	<u>\$ 9,694,816</u>	<u>\$ 51,968,716</u>	<u>\$ 61,663,532</u>	<u>\$ 6,998,500</u>

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

**CITY OF VERSAILLES, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
for the year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Public Properties
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
<b>Primary government</b>								
<b>Governmental activities</b>								
General government	\$ 1,480,266	\$ -	\$ -	\$ -	\$ (1,480,266)	\$ -	\$ (1,480,266)	
Police operations	3,876,534	3,827	1,469,980	42,454	(2,360,273)	-	(2,360,273)	
Disptach	610,454	-	-	-	(610,454)	-	(610,454)	
Fire department	1,011,787	-	-	59,702	(952,085)	-	(952,085)	
Street department	974,039	-	164,703	2,092,268	1,282,932	-	1,282,932	
Cemetery	306,134	80,000	-	-	(226,134)	-	(226,134)	
Interest on long-term debt	1,968	-	-	-	(1,968)	-	(1,968)	
Total governmental activities	8,261,182	83,827	1,634,683	2,194,424	(4,348,248)	-	(4,348,248)	
<b>Business type activities</b>								
Utilities-Water, sewer & sanitation	4,908,612	5,597,729	-	1,121,901	-	1,811,018	1,811,018	
Total business-type activities	4,908,612	5,597,729	-	1,121,901	-	1,811,018	1,811,018	
<b>Total primary government</b>	<b>\$ 13,169,794</b>	<b>\$ 5,681,556</b>	<b>\$ 1,634,683</b>	<b>\$ 3,316,325</b>	<b>(4,348,248)</b>	<b>1,811,018</b>	<b>(2,537,230)</b>	
<b>Component Unit</b>								
Public Properties Corporation	\$ 348,052	\$ 67,784	\$ -	\$ -				\$ (280,268)

General revenue				
Taxes				
Property taxes, levied for general purposes	579,291	-	579,291	-
License fees				
Franchise	272,470	-	272,470	-
Payroll	2,177,807	-	2,177,807	-
Insurance premiums	1,456,908	-	1,456,908	-
Net profits	298,396	-	298,396	-
Occupational	32,038	-	32,038	-
E911 wireless funding fees	523,917	-	523,917	-
Investment earnings	97,565	110,224	207,789	241,405
Miscellaneous	108,272	-	108,272	-
Total general revenues	5,546,664	110,224	5,656,888	241,405
Transfers	-	-	-	-
Gain(loss) on disposal of assets	(5,864)	-	(5,864)	-
Total general revenues, transfers and losses	5,540,800	110,224	5,651,024	241,405
Change in Net Assets	1,192,552	1,921,242	3,113,794	(38,863)
Net assets-beginning, as restated	7,894,292	25,326,073	33,220,365	200,035
<b>NET ASSETS-ENDING</b>	<b>\$ 9,086,844</b>	<b>\$ 27,247,315</b>	<b>\$ 36,334,159</b>	<b>\$ 161,172</b>

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

**CITY OF VERSAILLES, KENTUCKY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 523,259	\$ 34,464	\$ 557,723
Investments	2,008,254	499,800	2,508,054
Accounts receivable, net	1,031,696	23,016	1,054,712
Other receivables	137,089	-	137,089
Grants receivable	82,971	-	82,971
Due from other funds	-	191,628	191,628
 Total Assets	\$ 3,783,269	\$ 748,908	\$ 4,532,177
<b>LIABILITIES</b>			
Accounts payable	\$ 95,137	\$ -	\$ 95,137
Accrued payroll liabilities	32,402	-	32,402
Other accrued liabilities	39,038	-	39,038
Compensated absences	900	-	900
Deferred revenue	174,886	-	174,886
Due to other funds	1,024,719	-	1,024,719
 Total Liabilities	1,367,082	-	1,367,082
<b>FUND BALANCE</b>			
Fund Balance			
Restricted	-	748,908	748,908
Unassigned	2,416,187	-	2,416,187
 Total Fund Balance	2,416,187	748,908	3,165,095
 Total Liabilities and Fund Balance	\$ 3,783,269	\$ 748,908	\$ 4,532,177

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

Fund balances reported above \$ 3,165,095

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 6,172,358

Long-term receivables for property taxes are not current financial resources and are therefore are not reported in the funds. 15,000

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (265,609)

**\$ 9,086,844**

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

**CITY OF VERSAILLES, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
for the year ended June 30, 2011

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 579,291	\$ -	\$ 579,291
Licenses and permits	4,237,619	-	4,237,619
Intergovernmental revenues	3,660,509	165,598	3,826,107
Charges for services	76,937	6,890	83,827
Other income	<u>678,710</u>	<u>51,044</u>	<u>729,754</u>
 Total Revenues	 <u>9,233,066</u>	 <u>223,532</u>	 <u>9,456,598</u>
<b>EXPENDITURES</b>			
Current			
General government	1,417,245	-	1,417,245
Merged police operations	3,500,451	-	3,500,451
Other police operations/grants	83,600	-	83,600
911 communications	591,367	-	591,367
Fire department	939,112	-	939,112
Street department	736,088	148,898	884,986
Cemetery department	291,565	3,022	294,587
Capital outlay	2,309,798	-	2,309,798
Debt service	<u>25,598</u>	<u>-</u>	<u>25,598</u>
 Total Expenditures	 <u>9,894,824</u>	 <u>151,920</u>	 <u>10,046,744</u>
Excess of Revenues Over (Under) Expenditures	(661,758)	71,612	(590,146)
Other Sources			
Transfers in (out)	16,902	(16,902)	-
Proceeds from sale of assets	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Net change in fund balances	(639,856)	54,710	(585,146)
Fund Balance, beginning of year, as restated - Note 15	<u>3,056,043</u>	<u>694,198</u>	<u>3,750,241</u>
<b>Fund Balance end of year</b>	<b><u>\$ 2,416,187</u></b>	<b><u>\$ 748,908</u></b>	<b><u>\$ 3,165,095</u></b>
Net change in fund balances			\$ (585,146)
Add: Capital outlay			2,309,798
Add: Contributed fixed assets			3,000
Add: Debt service			25,598
Less: Change in long term compensated absences			(32,300)
Less: Loss on disposal of capital asset			(10,865)
Less: Depreciation on governmental activities			(515,565)
Less: Interest on long term debt			<u>(1,968)</u>
Change in net assets			<u>\$ 1,192,552</u>

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



**CITY OF VERSAILLES, KENTUCKY  
BALANCE SHEET  
PROPRIETARY FUNDS  
JUNE 30, 2011**

	<b>Business Type Activities</b>
	<b>Water, Sewer &amp; Sanitation</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 415,054
Investments	400,000
Accounts receivable, net	702,620
Grants receivable	98,143
Accrued interest receivable	592
Due from other funds	833,091
Inventory	109,963
Total current assets	2,559,463
Noncurrent assets	
Restricted assets	
Cash and cash equivalents	1,917,690
Investments	1,708,846
Construction in progress	15,463,477
Land	2,106,509
Property and equipment	40,148,528
Less accumulated depreciation	(12,303,753)
Bond issue costs, net	367,956
Total noncurrent assets	49,409,253
 Total assets	 \$ 51,968,716
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	\$ 522,254
Accrued leave	14,433
Accrued payroll	8,614
Other accrued liabilities	18,438
Accrued interest	90,683
Deposits	219,978
Due to other funds	-
Current portion-long term debt	1,181,387
Total current liabilities	2,055,787
Noncurrent liabilities	
Compensated absences	57,000
Long term debt	22,608,614
Total noncurrent liabilities	22,665,614
Total liabilities	24,721,401
<b>NET ASSETS</b>	
Invested in capital assets, net of debt	21,624,760
Restricted for debt service and construction	3,612,036
Unrestricted	2,010,519
Total net assets	27,247,315
 Total liabilities and net assets	 \$ 51,968,716

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

**CITY OF VERSAILLES, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET ASSETS**  
**PROPRIETARY FUND**  
for the year ended June 30, 2011

	<b>Business Type Activities</b>
	<b>Water, Sewer &amp; Sanitation</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 5,510,090
Other revenues	87,639
	5,597,729
<b>OPERATING EXPENSES</b>	
Salaries	1,200,844
Payroll taxes	85,183
Employee benefits	284,131
Advertising and printing	5,648
Professional and technical	22,833
Repairs and maintenance	261,706
Utilities	550,062
Telephone and postage	48,739
Insurance	102,018
Chemicals	180,816
Technical supplies	1,773
Uniforms	6,376
Motor fuel	71,318
Office supplies	3,731
Other materials	37,149
Other expenses	119,771
Purchase of water	16,067
Landfill expense	162,585
Sludge removal	101,257
Depreciation and amortization	960,220
Training/travel	8,088
Lab analysis	43,676
Purchase of water meters	27,714
Dumpster collection	2,481
	4,304,186
Total operating expenses	
Operating income (loss)	1,293,543
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment income	110,224
Interest expense	(604,426)
Gain on sale of assets	-
	-
Excess of nonoperating revenues over expenses	(494,202)
<b>CAPITAL CONTRIBUTIONS</b>	
Contributed capital	-
Capital grant proceeds	1,121,901
	1,121,901
Net income (loss)	1,921,242
Beginning net assets, as restated - Note 15	25,326,073
<b>NET ASSETS ENDING</b>	<b>\$ 27,247,315</b>

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, 2011

	<u>Business Type</u> <u>Activities</u> <u>Water, Sewer</u> <u>&amp; Sanitation</u>
<b>Cash Flows from Operating Activities:</b>	
Receipts from customers	\$ 5,645,592
Cash payments to employees	(1,554,565)
Internal activity - payments to other funds	(394,408)
Cash payments to others for services	<u>(1,585,520)</u>
Net cash provided by operating activities	<u>2,111,099</u>
<b>Cash flows from capital and related financing activities:</b>	
Purchase of construction in progress	(1,088,793)
Purchase of property, plant and equipment	(367,261)
Gain on sale of assets	-
Grant revenue	1,023,758
Payment of bond principal	(1,094,494)
Interest expense	<u>(1,027,105)</u>
Net cash (used) by capital and related financing activities	<u>(2,553,895)</u>
<b>Cash flows from investing activities:</b>	
Purchase of investments	(96,358)
Investment income	<u>109,909</u>
Net cash provided by in investing activities	<u>13,551</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(429,245)</u>
Cash and cash equivalents July 1, 2010	<u>2,761,989</u>
<b>Cash and cash equivalents June 30, 2011</b>	<u>\$ 2,332,744</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 1,293,543
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	960,220
Loss on disposal	-
Changes in assets and liabilities:	
Receivables, net	47,864
Due from other funds	-
Inventory	17,734
Accounts payable	188,827
Payroll liabilities	15,592
Other liabilities	(18,273)
Due to other funds	<u>(394,408)</u>
Net provided by operating activities	<u>\$ 2,111,099</u>
Reconciliation of total cash and cash equivalents	
Current assets - cash and cash equivalents	\$ 415,054
Restricted assets - cash and cash equivalents	<u>1,917,690</u>
Total cash and cash equivalents	<u>\$ 2,332,744</u>
Land purchased with note payable	<u>\$ 1,575,000</u>

The accompanying notes are an integral part of the financial statements

CITY OF VERSAILLES, KENTUCKY  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2011

	Agency Fund	Private Purpose Trust	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 194,702	\$ -	\$ 194,702
Accounts receivable	-		-
Investments	-	83,343	83,343
Other receivables	-	-	-
 Total assets	 \$ 194,702	 \$ 83,343	 \$ 278,045
<b>LIABILITIES</b>			
Accounts payable	\$ 35,033	\$ -	\$ 35,033
Other liabilities	158,835	-	158,835
 Total liabilities	 193,868	 -	 193,868
<b>NET ASSETS</b>			
Held in trust for payroll and other purposes	\$ 834	\$ 83,343	\$ 84,177

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

CITY OF VERSAILLES, KENTUCKY  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
for the year ended June 30, 2011

	Agency Fund	Private Purpose Trust	Totals
<b>ADDITIONS</b>			
Investment income	\$ -	\$ 12,462	\$ 12,462
Total investment earnings	<u>-</u>	<u>12,462</u>	<u>12,462</u>
Less investment expense			
Trust fees	-	700	700
Transfers	-	2,214	2,214
Miscellaneous	<u>-</u>	<u>490</u>	<u>490</u>
Total investment expenses	<u>-</u>	<u>3,404</u>	<u>3,404</u>
Net investment earnings	<u>-</u>	<u>9,058</u>	<u>9,058</u>
Total additions	<u>-</u>	<u>9,058</u>	<u>9,058</u>
Beginning net assets	<u>834</u>	<u>74,285</u>	<u>75,119</u>
Ending net assets	<u>\$ 834</u>	<u>\$ 83,343</u>	<u>\$ 84,177</u>

The accompanying notes are an integral  
part of the financial statements

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Versailles, Kentucky operates under the City Council form of government and has budgetary authority over the following functional areas: public safety, public service, water and sewer, and 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 units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government.

**Discretely Presented Component Units** – The component units 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 units are included in the City's reporting entity because the primary government is able to impose its will on the organizations.

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

**B. Basis of Presentation**

The City's financial statements are presented in accordance with the provisions of Governmental Accounting Standards Board Statement No 34, "***Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments***" which consists of the following:

Management's discussion and analysis (required supplementary information);  
Basic Financial Statements  
    Government-wide financial statements  
    Fund financial statements  
    Notes to the financial statements

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, continued

**Government-wide Financial Statements**

The government-wide financial statements include a statement of net assets 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 recipient for the goods or services offered by the program and grants or contributions that are restricted to the program. Revenues which are not classified as program revenues are presented as general revenues of the City. The primary government is reported separately from certain legally separate component units.

**Fund Financial Statements**

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

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 one special revenue funds – Road Fund that accounts for the municipal road aid program.

**Permanent Fund** – The permanent fund is used to account for the Versailles Cemetery Perpetual and Rose Crest 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 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, 2011

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, continued

**Proprietary Funds, 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 applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails. The City enterprise operations include the following:

**Enterprise Fund** – The enterprise fund is used to account for water, sewer, sanitation, the operations of which are financed by user charges.

**Fiduciary Fund** – The fiduciary funds consist of Agency Funds and Private Purpose Trusts. The agency fund is used to report information from the payroll fund. The private purpose fund provides information for the expendable cemetery trust.

C. Basis of Accounting

The basis of accounting refers to when revenues and expenditures 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 applies.

Government-wide Financial Statements

The Statement of Net Assets 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 financials 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, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Accounting, continued**

Fund Financial Statements, 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. 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.

**G. Inventory**

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

**H. 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

**I. Interfund Balances**

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

CITY OF VERSAILLES, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**J. 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, the noncurrent portion of capital leases, 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.

**K. Compensated Absences**

City employees are allowed to accumulate unlimited sick leave and vacation time equal to two 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 1/12<sup>th</sup> of the annual rate per month of employment.

**L. Fund Balances**

As of June 30, 2011, the City of Versailles implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions. Fund balances of the governmental funds are 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 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, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council or the finance committee has provided otherwise in its commitment or assignment actions

**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**L. Fund Balances (continued)**

As of June 30, 2011 fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:			
Road surface repairs	\$ -	\$ 249,108	\$ 249,108
Cemetery permanent fund		499,800	499,800
Unassigned	<u>2,416,187</u>	<u>-</u>	<u>2,416,187</u>
Total fund balances	<u>\$ 2,416,187</u>	<u>\$ 748,908</u>	<u>\$ 3,165,095</u>

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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.

**N. Accounts Receivable**

The Water and Sewer accounts receivable are for services to customers. If a customer fails to pay within 25 days after the prior month's bill, 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.

**O. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general-purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**P. 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.

**Q. Proprietary Revenues**

Proprietary funds report all revenues and expenses as operating, except interest income, interest expense, amortization, and capital contributions.

**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**R. Management's Review of Subsequent Events**

The City has evaluated and considered the need to recognize or disclose subsequent events through December 31, 2011, 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, 2011, have not been evaluated by the City.

**2. CASH AND INVESTMENTS**

Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. and of its agencies, obligations backed by the full faith and credit of the U.S. or a U.S. government agency, obligations of any corporation of the U.S. government, certificates of deposit or other interest-bearing accounts issued by institutions insured by the Federal Deposit Insurance Corporation (FDIC) or similarly collateralized institutions, and bonds and securities of states, local governments, or related agencies in the U.S. rated in one of the three highest categories by a nationally recognized rating agency. 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, 2011 the City held investments in three municipal bonds. Ratings of the municipal bonds were as follows :

<u>Municipal Security</u>	<u>Rating</u>
Kentucky Asset/Liability General Fund Revenue Bonds	Aa3
Rhode Island St Economic Dev. Corp Bonds	Aa3
Morehead St University Build America Bonds	Aa3
Kentucky Association of Counties Series A	not available
Henderson County Kentucky Build America Bonds	not available

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**

The City's bank deposits were substantially covered by federal depository insurance or by collateral held by the custodial banks in the City's name. The carrying amount of the City's deposits totaled \$7,507,367 and the bank balances totaled \$7,540,971. As of June 30, 2011 \$5,872,401 was held as collateral by the custodial banks in the City's name.

**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**2. CASH AND INVESTMENTS (continued)**

COMPONENT UNIT

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 carrying amount of the Corporation's deposits totaled \$789,638, and the bank balances totaled \$789,638. As of June 30, 2011, \$1,076,588 was held as collateral by the custodial banks in the Corporation's name.

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, 2011 are as follows:

<u>Investment Type</u>	<u>Fair 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>
Certificates of deposit	\$ 2,527,942	\$ 2,310,000	\$ 217,942	\$ -	\$ -
U.S. govt. obligations	8,052	8,052	-	-	-
Mutual funds	386,560	386,560	-	-	-
Municipal bonds	<u>1,694,346</u>	<u>757,596</u>	<u>936,750</u>	-	-
Total	<u>\$ 4,616,900</u>	<u>\$ 3,462,208</u>	<u>\$ 1,154,692</u>	<u>\$ -</u>	<u>\$ -</u>

**3. ACCOUNTS RECEIVABLE**

Receivables at year end 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 Total
Governmental Funds:			
Taxes	\$ 46,469	\$ -	\$ 46,469
Licenses, permits, billings	989,341	-	989,341
Charges for Service	-	-	-
Intergovernmental	20,765	23,016	43,781
Other	<u>4,121</u>	<u>-</u>	<u>4,121</u>
Gross receivables	1,060,696	23,016	1,083,712
Less: allowance for uncollectible	<u>(29,000)</u>	<u>-</u>	<u>(29,000)</u>
Net receivables	<u>\$ 1,031,696</u>	<u>\$ 23,016</u>	<u>\$ 1,054,712</u>
Business Type Activities:	Total		
Customer	\$ 685,247		
Other	24,373		
Less: allowance for uncollectible	<u>(7,000)</u>		
Net receivables	<u>\$ 702,620</u>		

**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**4. CAPITAL ASSETS**

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

<u>Governmental activities</u>	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 1,529,735	\$ -	\$ -	\$ 1,529,735
Construction in progress	<u>516,414</u>	<u>2,120,998</u>	<u>(247,773)</u>	<u>2,389,639</u>
Total	<u>2,046,149</u>	<u>2,120,998</u>	<u>(247,773)</u>	<u>3,919,374</u>
Capital assets being depreciated:				
Buildings and Improvements	2,633,694	291,127	-	2,924,821
Equipment	2,301,286	53,037	(27,072)	2,327,251
Vehicles	<u>2,544,558</u>	<u>95,410</u>	<u>(84,083)</u>	<u>2,555,885</u>
Total	<u>7,479,538</u>	<u>439,574</u>	<u>(111,155)</u>	<u>7,807,957</u>
Total capital assets	<u>9,525,687</u>	<u>2,560,572</u>	<u>(358,928)</u>	<u>11,727,331</u>
Less accumulated depreciation				
Buildings and improvements	1,861,528	91,320	-	1,952,848
Equipment	1,409,964	178,398	(27,071)	1,561,291
Vehicles	<u>1,868,204</u>	<u>245,847</u>	<u>(73,217)</u>	<u>2,040,834</u>
Total accumulated depreciation	<u>5,139,696</u>	<u>515,565</u>	<u>(100,288)</u>	<u>5,554,973</u>
Governmental activities capital assets, net	<u>\$ 4,385,991</u>	<u>\$ 2,045,007</u>	<u>\$ (258,640)</u>	<u>\$ 6,172,358</u>
<u>Business-Type Activities</u>				
Capital assets not depreciated:				
Land	\$ 170,642	\$ 1,935,867	\$ -	\$ 2,106,509
Construction in progress	<u>13,716,925</u>	<u>1,746,552</u>	<u>-</u>	<u>15,463,477</u>
Total	<u>13,887,567</u>	<u>3,682,419</u>	<u>-</u>	<u>17,569,986</u>
Capital assets being depreciated:				
Buildings	15,576,265	-	-	15,576,265
Equipment	1,364,439	6,393	-	1,370,832
Vehicles	277,620	-	-	277,620
Improvements	<u>22,923,811</u>	<u>-</u>	<u>-</u>	<u>22,923,811</u>
Total	<u>40,142,135</u>	<u>6,393</u>	<u>-</u>	<u>40,148,528</u>
Total capital assets	<u>54,029,702</u>	<u>3,688,812</u>	<u>-</u>	<u>57,718,514</u>
Less accumulated depreciation				
Buildings	1,825,754	308,876	-	2,134,630
Equipment	825,882	89,352	-	915,234
Vehicles	146,789	28,411	-	175,200
Improvements	<u>8,580,398</u>	<u>498,291</u>	<u>-</u>	<u>9,078,689</u>
Total accumulated depreciation	<u>11,378,823</u>	<u>924,930</u>	<u>-</u>	<u>12,303,753</u>
Business-type activities capital assets, net	<u>\$ 42,650,879</u>	<u>\$ 2,763,882</u>	<u>\$ -</u>	<u>\$ 45,414,761</u>

Current year additions to construction in progress include capitalized interest of \$430,483.

**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**4. CAPITAL ASSETS (continued)**

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

Governmental activities:		Business-type activities:	
General government	\$ 60,450	Water	\$ 597,708
Police operations	276,463	Sewer	295,866
Dispatch	19,087	Sanitation	<u>31,356</u>
Fire department	68,033	Total	<u>\$ 924,930</u>
Street department	81,021		
Cemetery	<u>10,511</u>		
Total	<u>\$ 515,565</u>		

Under GASB 34, the City of Versailles has elected to not report major infrastructure retroactively. Capital assets acquired are recorded at cost or estimated cost. Depreciation of capital assets is provided over the estimated useful lives of the respective assets using the straight-line basis. The estimated useful lives are as follows:

Infrastructure	5-40 years
Buildings	25-40 years
Improvements	10-20 years
Vehicles	5-20 years
Machinery and equipment	5-10 years

**5. LONG TERM DEBT**

**GOVERNMENTAL ACTIVITIES**

NOTES PAYABLE

On August 13, 2009 the City entered into an agreement to finance the City's portion of the cost of repairs on the Falling Springs Arts and Recreation Center for \$70,000. The loan bears interest at a rate of 4.0% and is uncollateralized. Payments are due on December 13<sup>th</sup> of each year and the loan matures on December 13, 2011.

The annual requirements to amortize all notes outstanding as of June 30, 2011, are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	<u>\$ 24,609</u>	<u>\$ 1,004</u>	<u>\$ 25,613</u>

The changes in long term debt during 2011 are as follows:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2011</u>
Falling Springs Note	\$ 48,239	\$ -	\$ (23,630)	\$ 24,609
Compensated Absences	<u>208,700</u>	<u>32,300</u>	<u>-</u>	<u>241,000</u>
Total	<u>\$ 256,939</u>	<u>\$ 32,300</u>	<u>\$ (23,630)</u>	<u>\$ 265,609</u>

**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**5. LONG TERM DEBT (continued)**

**BUSINESS-TYPE-ACTIVITIES**

**BONDS AND NOTES PAYABLE**

On August 1, 2005 the City of Versailles issued \$8,465,000 of Water and Sewer Revenue Series Bonds. The Series 2005 bonds are a fixed rate debt with the first interest payment due June 1, 2006 and the first principal payment due December 1, 2006. The bonds mature on December 1, 2025. Interest is paid semiannually, with principal due on December 1, of each year.

On August 26, 2008 the City entered into an agreement to finance the purchase of a sewer flush truck for \$155,000. The loan bears interest at a rate of 4.0% and it collateralized by the flush truck. Payments are due on January 1<sup>st</sup> of each year and the loan matures on January 1, 2011.

On February 7, 2011 the City entered into an agreement to purchase land previously operated by the City as a landfill. The City issued two separate promissory notes for \$1,525,000 and \$50,000 respectively. Both notes bear interest at a rate of 3.5% and are collateralized by the land. The \$1,525,000 note is due in quarterly payments beginning on July 1, 2011. A final balloon payment will be due on April 1, 2016. The \$50,000 note is due in full on March 1, 2012.

At June 30, 2011, the business type activities had the following bonds and notes payable outstanding:

<u>Description</u>	<u>Series</u>	<u>Amount</u>	<u>Current Portion</u>
Revenue Bonds	2001	\$ 6,360,000	\$ 460,000
Revenue Bonds	2004	8,450,000	395,000
Revenue Bonds	2005	7,405,001	235,000
Flush Truck Note Payable		-	-
Note Payable (\$1,525,000)		1,525,000	41,387
Note Payable (\$50,000)		<u>50,000</u>	<u>50,000</u>
Total payable		23,790,001	<u>\$ 1,181,387</u>
Less: current portion payable		<u>(1,181,387)</u>	
Total long-term portion		<u>\$ 22,608,614</u>	

The annual requirements to amortize all revenue bonds and notes outstanding as of June 30, 2011, are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,181,387	\$ 983,661	\$ 2,165,048
2013	1,171,050	930,194	2,101,244
2014	1,222,487	883,332	2,105,819
2015	1,257,839	821,946	2,079,785
2016	2,642,238	795,307	3,437,545
2017-2021	7,260,000	2,796,621	10,056,621
2022-2026	<u>9,055,000</u>	<u>2,745,386</u>	<u>11,800,386</u>
	<u>\$ 23,790,001</u>	<u>\$ 9,956,447</u>	<u>\$ 33,746,448</u>



**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**5. LONG TERM DEBT (continued)**

The changes in long term debt during 2011 are as follows:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2011</u>
W & S Revenue Bonds	\$ 23,265,001	\$ -	\$ 1,050,000	\$ 22,215,001
Flush Truck Note	80,195	-	80,195	-
Notes Payable	-	1,575,000	-	1,575,000
Compensated Absences	<u>60,000</u>	<u>-</u>	<u>3,000</u>	<u>57,000</u>
Total	<u>\$ 23,405,196</u>	<u>\$ 1,575,000</u>	<u>\$ 1,133,195</u>	<u>\$ 23,847,001</u>

**COMPLIANCE WITH BOND ORDINANCES**

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

Water and Sewer Revenue Bond and Interest Redemption Account

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

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.

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 fund 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.

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.

**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**5. LONG TERM DEBT (continued)**

COMPLIANCE WITH BOND ORDINANCES (continued)

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 UNITS**

On June 14, 2006, the Public Properties Corporation issued \$6,050,000 in Series 2006 Bonds to advance refund previously issued 2003 Kentucky Area Development District debt. The net proceeds of \$5,918,851 (after payment of underwriting fees, insurance and other issuance costs) were used to fund the escrow account. The escrow account was used to purchase US government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2003 Series bonds. As a result, the 2003 Series bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt.

On October 19, 2006 the Public Properties Corporation issued \$1,970,000 in Series 2006B Revenue Bonds to continue complete Phase II on the building leased to the Kentucky Community and Technical College System. The bonds are a fixed rate debt with the first principal and interest payment beginning on July 1, 2007.

Principal payments on the outstanding on the Revenue Bonds, Series 2006, are payable on December 1 of each year and interest is payable on December 1 and June 1. Interest payments are due on January 1 and July 1 for the Revenue Bonds, Series 2006B, bond and principal is payable on January 1.

At June 30, 2011, the Corporation had the following bonds and leases payable outstanding:

<u>Description</u>	<u>Series</u>	<u>Amount</u>	<u>Current Portion</u>
Revenue Bonds	2006	\$ 4,780,000	\$ 285,000
Revenue Bonds	2006B	<u>1,570,000</u>	<u>95,000</u>
Total payable at par		6,350,000	380,000
Less: unamortized defeasance costs		<u>(96,493)</u>	<u>(8,772)</u>
		6,253,507	<u>\$ 371,228</u>
Less: current portion payable		<u>(380,000)</u>	
Total long-term portion		<u>\$ 5,873,507</u>	

The annual requirements to amortize all revenue bonds and leases outstanding as of June 30, 2011, are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 380,000	\$ 249,906	\$ 629,906
2013	395,000	234,406	629,406
2014	410,000	218,406	628,406
2015	425,000	201,806	626,806
2016	445,000	184,506	629,506
2017-2021	2,520,000	635,391	3,155,391
2021-2023	<u>1,775,000</u>	<u>205,970</u>	<u>1,980,970</u>
	<u>\$ 6,350,000</u>	<u>\$ 1,930,391</u>	<u>\$ 8,280,391</u>

**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**5. LONG TERM DEBT (continued)**

The changes in long term debt during 2011 are as follows:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2011</u>
KCTCS Revenue Bonds	\$ 6,715,000	\$ -	\$ 365,000	\$ 6,350,000

**6. PROJECT FINANCING**

In June 2006 the City issued \$6,050,000 of City of Versailles, Kentucky Public Properties Corporation First Mortgage Revenue Refunding Bonds, Series 2006, to refund in advance of maturity the outstanding principal of the original \$6,330,000 Lease Purchase Agreement dated March 25, 2003, between the City of Versailles Public Properties Corporation and the Kentucky Area Development Districts Financing. The original financing was used for acquisition, construction, and installation of necessary improvements on real property for the occupancy of KCTCS. In October 2006 the City issued \$1,970,000 of City of Versailles, Kentucky Public Properties Corporation First Mortgage Revenue Bonds, Series 2006B, to finance the cost of additional improvements on real property for the occupancy of KCTCS. Both bond issues are 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.

The restated lease commenced on July 1, 2007 and is automatically renewed for seven additional periods of two years each. During 2010 additional payments were made on the lease resulting in the lease ending on May 1, 2023. KCTCS agrees to pay to the Public Properties Corporation monthly payments equal to the principal and interest due on both Bond Series. The lease is an absolute net lease under which KCTCS pays, in addition to rent any and all expenses related to the leased premises. The property shall become the property of KCTCS upon performance of all obligations under the lease.

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

<u>June 30</u>	
2012	\$ 637,020
2013	637,020
2014	637,020
2015	637,020
2016	637,020
2017-2021	3,185,100
2022-2023	<u>1,220,955</u>
Net minimum lease payments	7,591,155
Less amount representing interest	<u>(1,503,883)</u>
Present value of minimum lease payments	<u>\$ 6,087,272</u>

**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

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**7. RETIREMENT PLAN**

**County Employees' Retirement System**

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 Retirement Systems administers the CERS.

The plan issues separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

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, 2011, plan members were required to contribute 5.00% of wages for non-hazardous job classifications and 8.00% of wages for hazardous job classifications. Employees hired after September 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 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2011, participating employers contributed 16.93% of each employee's wages for non-hazardous classifications and 33.25% for hazardous job classifications, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The required contribution (employee and employer) and the actual percentage contributed for the City for the current and previous two years are as follows:

<u>Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2011	\$ 1,496,888	100%
2010	\$ 1,527,304	100%
2009	\$ 1,416,496	100%

**Kentucky Deferred Compensation Plan**

The City of Versailles also allows its employees to participate in the Kentucky Deferred Compensation (KDC) plan, which is authorized under Kentucky Revised Statutes 18A.230 – 18A.275. All state, public school and university employees, and employees of local political subdivisions that have elected to participate are eligible to join this tax-deferred supplemental retirement plan. The Kentucky Public Employees' Deferred Compensation Authority administers KDC, under the direction of a Board of Trustees. Employees are allowed to contribute to a 457 retirement plan or to a variety of 401(k) retirement plans. The plan consists only of employee contributions. Participating employees are required to contribute a minimum monthly contribution of \$30. During the fiscal year, employees contributed \$52,812 to the plan.

**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**8. COMMITMENTS AND CONTINGENCIES**

On February 1, 2000, the City entered into an interlocal cooperation agreement with the County of Woodford, Kentucky ("County"). The City and the County have agreed to share on an equal basis the costs of construction, acquisition, installation, maintenance, operation and financing of a community recreation and fine arts complex to be situated in the City, within the County. The agreement cannot be terminated by either party so long as debt and/or interest thereon, remains outstanding and unpaid.

During the year the City was involved in various litigation. One suit involving sewer line easements and a condemnation action has been settled subsequent to June 30, 2011 and the City has agreed to pay \$111,764 related to the settlement. The entire amount has been accrued as of June 30, 2011 as a result of the settlement.

**9. CONCENTRATIONS**

The City has a concentration of revenue for occupational tax and water, sewer and sanitation. Five industrial companies generated approximately 53% of the City's occupational tax revenue. Three users generated approximately 25% of the utility operation's service revenue. Also, at June 30, 2011, approximately 15% of the utility operation's accounts receivable was due from four users.

**10. PROPERTY TAX CALENDAR**

Property taxes for fiscal year 2011 were levied in September 2010 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:

<b>Description</b>	<b>Date</b>
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

**11. 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.

**12. INTERFUND RECEIVABLES AND PAYABLES**

Interfund Receivables and Payables as of June 30, 2011 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds	\$ 191,628	\$ 1,024,719
Business-type funds	<u>833,091</u>	<u>-</u>
	<u>\$ 1,024,719</u>	<u>\$ 1,024,719</u>

**CITY OF VERSAILLES, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**13. POLICE OPERATING EXPENDITURES**

The City entered into an Interlocal Cooperation Agreement pertaining to the operation of police services of the County with the Woodford Fiscal Court in September of 2007. This agreement calls for the County to reimburse the City for 38% of all police operating expenditures and 50% of all capital expenditures, as defined in the agreement. Police department expenditures that qualify under this agreement are as follows:

	Budget	Actual	Variance Favorable (Unfavorable)
Police Operating	\$ 3,791,595	\$ 3,500,451	\$ 291,144
Police Capital	<u>79,000</u>	<u>78,908</u>	<u>92</u>
Total cost shared with County	<u>\$ 3,870,595</u>	<u>\$ 3,579,359</u>	<u>\$ 291,236</u>

**14. SUBSEQUENT EVENTS**

On July 14, 2011 the City issued \$6,460,000 of Water and Sewer Refunding Revenue Bonds. These bonds refunded the remaining Water and Sewer Revenue Bonds of 2001. The bonds mature on December 1, 2021.

**15. RESTATEMENT OF NET ASSETS**

Fund balance of the General Fund and Water and Sewer Fund as of June 30, 2010 has been restated. The City has determined that in prior years insurance expense was overstated in both funds due to a change in the schedule and timing of payments. In addition, the City determined that intergovernmental revenue from the police merger was overstated due to an error in how the calculation was recorded. The City was not properly matching expenses with revenue.

	<b>General</b>	<b>Water, Sewer &amp; Sanitation</b>
Fund Balances, June 30, 2010, as previously reported	\$ 2,943,154	\$ 25,230,054
Decrease in police merger revenue	(175,907)	-
Decrease in prior year insurance expense	<u>288,796</u>	<u>96,019</u>
Fund balances, June 30, 2010, as restated	<u>\$ 3,056,043</u>	<u>\$ 25,326,073</u>

**SUPPLEMENTAL INFORMATION**

CITY OF VERSAILLES, KENTUCKY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISONS  
GENERAL FUND  
for the year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 608,000	\$ 608,000	\$ 579,291	\$ (28,709)
License and permits	4,176,000	4,176,000	4,237,619	61,619
Intergovernmental revenues	2,347,823	3,695,056	3,660,509	(34,547)
Charges for services	71,000	71,000	76,937	5,937
Other income	<u>1,034,000</u>	<u>1,034,000</u>	<u>678,710</u>	<u>(355,290)</u>
Total revenues	<u>8,236,823</u>	<u>9,584,056</u>	<u>9,233,066</u>	<u>(350,990)</u>
Expenditures				
Current				
General government	1,571,168	1,571,168	1,417,245	153,923
Merged police operations	3,791,595	3,791,595	3,500,451	291,144
Other police operations/grants	-	-	83,600	(83,600)
911 communications	642,994	642,994	591,367	51,627
Fire department	941,960	941,960	939,112	2,848
Street department	785,700	839,700	736,088	103,612
Cemetery department	311,350	316,850	291,565	25,285
Capital outlay	442,500	2,186,853	2,309,798	(122,945)
Debt service	<u>-</u>	<u>-</u>	<u>25,598</u>	<u>(25,598)</u>
Total expenditures	<u>8,487,267</u>	<u>10,291,120</u>	<u>9,894,824</u>	<u>396,296</u>
Excess of Revenues Over (Under) Expenditures	<u>(250,444)</u>	<u>(707,064)</u>	<u>(661,758)</u>	<u>45,306</u>
Other Financing Sources (uses)				
Proceeds from Sale of Assets	-	-	5,000	5,000
Transfers	<u>-</u>	<u>-</u>	<u>16,902</u>	<u>16,902</u>
Total Other Financing Sources (uses)	<u>-</u>	<u>-</u>	<u>21,902</u>	<u>21,902</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>(250,444)</u>	<u>(707,064)</u>	<u>(639,856)</u>	<u>67,208</u>
Fund Balance July 1, 2010	<u>3,056,043</u>	<u>3,056,043</u>	<u>3,056,043</u>	<u>-</u>
Fund Balance June 30, 2011	<u>\$ 2,805,599</u>	<u>\$ 2,348,979</u>	<u>\$ 2,416,187</u>	<u>\$ 67,208</u>



**CITY OF VERSAILLES, KENTUCKY  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2011**

	Municipal Road Aid Fund	Permanent Fund	Total Non-Major Governmental
<b>ASSETS</b>			
Cash and cash equivalents	\$ 34,464	\$ -	\$ 34,464
Investments	-	499,800	499,800
Accounts receivable	23,016	-	23,016
Due from other funds	191,628	-	191,628
 Total Assets	 \$ 249,108	 \$ 499,800	 \$ 748,908
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Compensated absences	-	-	-
Deferred revenue	-	-	-
Due to other funds	-	-	-
 Total Liabilities	 -	 -	 -
<b>FUND BALANCE</b>			
Restricted	249,108	499,800	748,908
Unrestricted	-	-	-
 Total Fund Balance	 249,108	 499,800	 748,908
 Total Liabilities and Fund Balance	 \$ 249,108	 \$ 499,800	 \$ 748,908

**CITY OF VERSAILLES, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**for the year ended June 30, 2011**

	<u>Municipal Road Aid Fund</u>	<u>Permanent Fund</u>	<u>Total Non-Major Governmental</u>
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental revenues	165,598	-	165,598
Charges for services	-	6,890	6,890
Other income	<u>928</u>	<u>50,116</u>	<u>51,044</u>
			-
Total Revenues	<u>166,526</u>	<u>57,006</u>	<u>223,532</u>
<b>EXPENDITURES</b>			
General government	-	-	-
Police department	-	-	-
Fire department	-	-	-
Street department	148,898	-	148,898
Cemetery department	-	3,022	3,022
Program expenses	-	-	-
Debt Service	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>148,898</u>	<u>3,022</u>	<u>151,920</u>
Excess of Revenues Over (Under) Expenditures	<u>17,628</u>	<u>53,984</u>	<u>71,612</u>
Other Sources			
Operating transfers in	-	-	-
Operating transfers out	<u>-</u>	<u>(16,902)</u>	<u>(16,902)</u>
			-
Total Other Sources	<u>-</u>	<u>(16,902)</u>	<u>(16,902)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	17,628	37,082	54,710
Fund Balance-July 1, 2010	<u>231,480</u>	<u>462,718</u>	<u>694,198</u>
<b>Fund Balance--June 30, 2011</b>	<u>\$ 249,108</u>	<u>\$ 499,800</u>	<u>\$ 748,908</u>

CITY OF VERSAILLES, KENTUCKY  
ENTERPRISE FUND  
WATER AND SEWER REVENUE BOND AMORTIZATION SCHEDULE  
SERIES OF 2001

Fiscal Year	Interest Rate	Principal	Interest Payable by December 1	Interest Payable by June 1	Total Principal and Interest
2011-12	4.050%	\$ 460,000	\$ 142,601	\$ 133,286	\$ 735,887
2012-13	4.150%	480,000	133,286	123,326	736,612
2013-14	4.250%	500,000	123,326	112,701	736,027
2014-15	4.250%	525,000	112,701	101,545	739,246
2015-16	4.350%	545,000	101,545	89,691	736,236
2016-17	4.450%	570,000	89,691	77,009	736,700
2017-18	4.550%	595,000	77,009	63,473	735,482
2018-19	4.650%	625,000	48,941	63,473	737,414
2019-20	4.700%	655,000	33,550	48,941	737,491
2020-21	4.750%	685,000	33,549	17,280	735,829
2021-22	4.800%	720,001	17,280	-	737,281
		<u>\$ 6,360,001</u>	<u>\$ 913,479</u>	<u>\$ 830,725</u>	<u>\$ 8,104,205</u>

CITY OF VERSAILLES, KENTUCKY  
ENTERPRISE FUND  
WATER AND SEWER REVENUE BOND AMORTIZATION SCHEDULE  
SERIES OF 2004

Fiscal Year	Interest Rate	Principal Payable by December 1	Interest Payable by December 1	Interest Payable by June 1	Total Principal and Interest
2011-12	Various Rate	\$ 395,000	\$ 183,965	\$ 177,053	\$ 756,018
2012-13		405,000	177,053	169,661	751,714
2013-14		425,000	169,661	161,586	756,247
2014-15		435,000	161,586	153,104	749,690
2015-16		455,000	153,104	144,004	752,108
2016-17		475,000	144,004	134,266	753,270
2017-18		495,000	134,266	123,871	753,137
2018-19		515,000	123,871	112,799	751,670
2019-20		540,000	112,799	100,919	753,718
2020-21		565,000	100,919	88,206	754,125
2021-22		590,000	88,206	74,931	753,137
2022-23		1,000,000	74,931	51,181	1,126,112
2023-24		1,050,000	51,181	26,244	1,127,425
2024-25		<u>1,105,000</u>	<u>26,244</u>	<u>-</u>	<u>1,131,244</u>
	Totals	<u>\$ 8,450,000</u>	<u>\$ 1,701,790</u>	<u>\$ 1,517,825</u>	<u>\$ 11,669,615</u>

CITY OF VERSAILLES, KENTUCKY  
ENTERPRISE FUND  
WATER AND SEWER REVENUE BOND AMORTIZATION SCHEDULE  
SERIES OF 2005

Fiscal Year	Interest Rate	Principal Payable by December 1	Interest Payable by December 1	Interest Payable by June 1	Total Principal and Interest
2011-12	3.750%	\$ 235,000	\$ 144,772	\$ 140,366	\$ 520,138
2012-13	3.750%	245,000	140,366	135,772	521,138
2013-14	3.750%	255,000	135,772	130,991	521,763
2014-15	3.750%	265,000	130,991	126,022	522,013
2015-16	3.750%	275,000	126,022	120,866	521,888
2016-17	3.750%	285,000	120,866	115,522	521,388
2017-18	3.750%	295,000	115,522	109,991	520,513
2018-19	3.750%	310,000	109,991	104,178	524,169
2019-20	3.875%	320,000	104,178	97,978	522,156
2020-21	3.875%	330,000	97,978	91,584	519,562
2021-22	3.875%	345,000	91,584	84,900	521,484
2022-23	4.000%	730,000	84,900	70,300	885,200
2023-24	4.000%	760,000	70,300	55,100	885,400
2024-25	4.000%	785,000	55,100	39,400	879,500
2025-26	4.000%	<u>1,970,000</u>	<u>39,400</u>	<u>-</u>	<u>2,009,400</u>
Totals		<u>\$ 7,405,000</u>	<u>\$ 1,567,742</u>	<u>\$ 1,422,970</u>	<u>\$ 10,395,712</u>

**CITY OF VERSAILLES, KENTUCKY**  
**COMPONENT UNIT - PUBLIC PROPERTIES CORPORATION**  
**REVENUE BONDS**  
**SERIES OF 2006**

<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>
2011-12	4.000%	\$ 285,000	\$ 95,891	\$ 90,191	\$ 471,082
2012-13	4.000%	300,000	90,191	84,191	474,382
2013-14	4.000%	310,000	84,191	77,991	472,182
2014-15	4.000%	320,000	77,991	71,591	469,582
2015-16	4.000%	335,000	71,591	64,891	471,482
2016-17	4.000%	350,000	64,891	57,891	472,782
2017-18	4.000%	360,000	57,891	50,691	468,582
2018-19	4.000%	375,000	50,691	43,191	468,882
2019-20	4.000%	395,000	43,191	35,291	473,482
2020-21	4.000%	415,000	35,291	26,991	477,282
2021-22	4.000%	425,000	26,991	18,491	470,482
2022-23	4.000%	445,000	18,491	9,591	473,082
2023-24	4.125%	<u>465,000</u>	<u>9,591</u>	<u>-</u>	<u>474,591</u>
		<u>\$ 4,780,000</u>	<u>\$ 726,883</u>	<u>\$ 630,992</u>	<u>\$ 6,137,875</u>

**CITY OF VERSAILLES, KENTUCKY  
 COMPONENT UNIT - PUBLIC PROPERTIES CORPORATION  
 REVENUE BONDS  
 SERIES OF 2006B**

Fiscal Year	Interest Rate	Principal Payable by January 1	Interest Payable by January 1	Interest Payable by July 1	Total Principal and Interest
2011-12	4.000%	\$ 95,000	\$ 31,913	\$ 31,913	\$ 158,826
2012-13	4.000%	95,000	30,013	30,013	155,026
2013-14	4.000%	100,000	28,113	28,113	156,226
2014-15	4.000%	105,000	26,113	26,113	157,226
2015-16	4.000%	110,000	24,013	24,013	158,026
2016-17	4.000%	115,000	21,813	21,813	158,626
2017-18	4.100%	120,000	19,513	19,513	159,026
2018-19	4.100%	125,000	17,053	17,053	159,106
2019-20	4.100%	130,000	14,490	14,490	158,980
2020-21	4.100%	135,000	11,825	11,825	158,650
2021-22	4.100%	140,000	9,058	9,058	158,116
2022-23	4.125%	145,000	6,188	6,188	157,376
2023-24	4.125%	<u>155,000</u>	<u>3,197</u>	<u>3,197</u>	<u>161,394</u>
	Totals	<u>\$ 1,570,000</u>	<u>\$ 243,302</u>	<u>\$ 243,302</u>	<u>\$ 2,056,604</u>

**CITY OF VERSAILLES, KENTUCKY  
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**

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Honorable Fred Siegelman, Mayor  
and City Council  
City of Versailles, Kentucky

We have audited 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, 2011, which collectively comprise the City of Versailles, Kentucky's basic financial statements and have issued our report thereon dated December 31, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Versailles, Kentucky's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Versailles, Kentucky's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting (2011-1). 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Versailles, Kentucky's financial statements are free of 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 determination of financial statement amounts. 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 instances 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 responses as item 2011-1.

We noted certain matters that we reported to management of City of Versailles, Kentucky, in a separate letter dated December 31, 2011.

City of Versailles, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit City of Versailles, Kentucky's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Ray, Foley, Hensley & Company*

Ray, Foley, Hensley & Company, PLLC  
December 31, 2011



**CITY OF VERSAILLES, KENTUCKY  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2011**

**FINDING:**  
2011-1

The City is required to have internal controls over purchasing that enable it to properly initiate, authorize, and record all items purchased. In addition, Kentucky Revised Statute (KRS) 65.140 requires all local governments to pay for goods or services purchased within 30 days of receipt of the vendor's invoice.

Currently department heads are responsible for approving all invoices and coding them to the correct account. Each department head is then responsible for forwarding the approved invoices to the City Clerk's office for payment on a timely basis. There are currently no controls in place to ensure that these procedures are being followed. In addition, there are no controls in place to ensure the purchases given to the City Clerk for payment have been appropriately approved by the City Council, if applicable.

During the current year audit unpaid invoices were found in a department head's office that were both delinquent and not approved. The invoices were found and brought to our attention by City personnel. Many of these invoices were outside of the 30 day window set by KRS 65.140. In addition, several invoices were found to include project change orders that were not appropriately approved by the City Council.

We recommend the City review the purchasing policy and procedures and incorporate changes to ensure additional oversight and monitoring of purchases. This will ensure that all invoices are appropriately initiated, authorized and paid in a timely fashion.

**RESPONSE:**

The City agrees with the finding and has modified its procedures regarding the processing of invoices for payment. Newly implemented procedures include changes in how mail is opened and disseminated to department heads and additional procedures for tracking invoices received. The City Clerk's office now maintains a log of all invoices received to ensure all invoices are approved and paid timely. In addition, the City Clerk's office will now verify that all invoices that include change orders are appropriately approved by the City Council by cross referencing the change order with the official minutes. These additional procedures will help ensure that all invoices are appropriately initiated, authorized and paid in a timely fashion.

**CITY OF VERSAILLES, KENTUCKY  
INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE  
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Mayor and City Council  
City of Versailles, Kentucky

Compliance

We have audited City of Versailles, Kentucky's compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2011. City of Versailles, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Versailles, Kentucky's management. Our responsibility is to express an opinion City of Versailles, Kentucky's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Versailles, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Versailles, Kentucky's compliance with those requirements.

In our opinion, City of Versailles, Kentucky, complied, in all material respects, with the 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, 2011.

Internal Control over Compliance

Management of City of Versailles, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Versailles, Kentucky's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Versailles, Kentucky's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Ray, Foley, Hensley & Company*

Ray, Foley, Hensley & Company, PLLC  
December 31, 2011

CITY OF VERSAILLES, KENTUCKY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 June 30, 2011

Federal Grantor Program Title	Federal CFDA Number	Pass Through Contract Number	Federal Expenditures
U. S. Department of Agriculture Emergency Watershed Protection Program	10.923	68-5C16-11-015	\$ 82,395
Department of Transportation State and Community Highway Safety Cluster (Note 2)	20.600	PT-11-46	14,148
Department of Homeland Security Assistance to Firefighters Grant	97.044	EMW-2010-FO-05640	51,452
Flood Mitigation Assistance (Note 3)	97.029	FMA-PJ-04-KY-2008-004	44,479
Hazard Mitigation Grant (Note 3)	97.039	DR-1757-0004	371,369 *
Recovery Act - Homeland Security Grant Program Cluster (Note 1)	97.067	P02 094 1100002208 1	<u>14,800</u>
Total Department of Homeland Security			482,100
U.S. Department of Justice Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG)	16.804	2009-DJ-BX-1230	<u>9,860</u>
Total Federal Financial Assistance			<u>\$ 588,503</u>

**\*Denotes Major Program**

Notes:

- (1) Pass Through Grantor -Kentucky Office of Homeland Security
- (2) Pass Through Grantor - Commonwealth of Kentucky, Transportation Cabinet, Office of Highway Safety
- (3) Pass Through Grantor - Commonwealth of Kentucky, Kentucky Division of Emergency Management

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Fayette County Attorney and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of **OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations**. Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from these numbers.

**CITY OF VERSAILLES, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
for the year ended June 30, 2011**

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**I. SUMMARY OF AUDITORS' RESULTS**

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified  Yes  No

Significant deficiencies identified that are not  
considered to be material weaknesses  Yes  No

Non-compliance material to financial statements noted  Yes  No

Federal Awards:

Internal control over major programs:

Material weaknesses identified  Yes  No

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

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

Unqualified for all major programs.

Any audit findings disclosed that are required to be reported in  
accordance with Section 510(a) of Circular A-133?  Yes  No

Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.039	Hazard Mitigation Grant

Dollar threshold used to distinguish between type A  
and type B programs: \$ 300,000

Auditee qualified as a low-risk auditee?  Yes  No

**II. FINDINGS RELATED TO FINANCIAL STATEMENTS**

2011-1

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

NONE

**IV. PRIOR AUDIT FINDINGS**

NONE

