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Certified Public Accountants, A.C.

**VILLAGE OF VERSAILLES
DARKE COUNTY
Regular Audit**

For the Years Ended December 31, 2015 and 2014

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...“bringing more to the table”

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

Village Council
Village of Versailles
177 North Center Street
Versailles, Ohio 45380

We have reviewed the *Independent Auditor's Report* of the Village of Versailles, Darke County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2014 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Versailles is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 28, 2016

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VILLAGE OF VERSAILLES
DARKE COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 22, 2016

Village of Versailles
Darke County
177 North Center Street
P.O. Box 288
Versailles, Ohio 45380

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the **Village of Versailles**, Darke County, (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Versailles, Darke County, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 83,816	\$ 84,887	\$ -	\$ -	\$ 168,703
Municipal Income Tax	1,442,957	721,385	-	-	2,164,342
Intergovernmental	270,626	301,239	-	-	571,865
Special Assessments	649	23,034	-	-	23,683
Charges for Services	-	435,611	-	-	435,611
Fines, Licenses and Permits	25,334	718	-	-	26,052
Earnings on Investments	25,718	377	-	-	26,095
Miscellaneous	49,832	36,193	-	8,612	94,637
<i>Total Cash Receipts</i>	<u>1,898,932</u>	<u>1,603,444</u>	<u>-</u>	<u>8,612</u>	<u>3,510,988</u>
Cash Disbursements					
Current:					
Security of Persons and Property	553,730	363,114	-	-	916,844
Public Health Services	14,892	28,947	-	-	43,839
Leisure Time Activities	-	100,488	-	-	100,488
Community Environment	16,470	-	-	-	16,470
Transportation	-	350,313	-	-	350,313
General Government	216,950	-	-	2,647	219,597
Capital Outlay	118,625	1,042,334	-	-	1,160,959
Debt Service:					
Principal Retirement	-	-	80,834	4,000	84,834
Interest and Fiscal Charges	-	8	75,684	-	75,692
<i>Total Cash Disbursements</i>	<u>920,667</u>	<u>1,885,204</u>	<u>156,518</u>	<u>6,647</u>	<u>2,969,036</u>
<i>Excess of Receipts Over Disbursements</i>	<u>978,265</u>	<u>(281,760)</u>	<u>(156,518)</u>	<u>1,965</u>	<u>541,952</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	25,750	-	-	-	25,750
Transfers In	-	191,600	155,855	-	347,455
Transfers Out	(1,145,882)	(41,855)	-	-	(1,187,737)
Other Financing Uses	(21,927)	-	-	-	(21,927)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,142,059)</u>	<u>149,745</u>	<u>155,855</u>	<u>-</u>	<u>(836,459)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(163,794)</u>	<u>(132,015)</u>	<u>(663)</u>	<u>1,965</u>	<u>(294,507)</u>
<i>Fund Cash Balances, January 1</i>	<u>2,488,749</u>	<u>2,148,796</u>	<u>115,753</u>	<u>92,764</u>	<u>4,846,062</u>
Fund Cash Balances, December 31					
Restricted	-	2,016,781	-	-	2,016,781
Assigned	668,929	-	115,090	94,729	878,748
Unassigned	1,656,026	-	-	-	1,656,026
<i>Fund Cash Balances, December 31</i>	<u>\$ 2,324,955</u>	<u>\$ 2,016,781</u>	<u>\$ 115,090</u>	<u>\$ 94,729</u>	<u>\$ 4,551,555</u>

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 7,434,856	\$ -	\$ 7,434,856
Earnings on Investments (trust funds only)	-	1	1
Miscellaneous	20,868	-	20,868
<i>Total Operating Cash Receipts</i>	<u>7,455,724</u>	<u>1</u>	<u>7,455,725</u>
Operating Cash Disbursements			
Personal Services	830,561	-	830,561
Travel Transportation	241,368	-	241,368
Contractual Services	4,846,737	-	4,846,737
Supplies and Materials	279,575	-	279,575
<i>Total Operating Cash Disbursements</i>	<u>6,198,241</u>	<u>-</u>	<u>6,198,241</u>
<i>Operating Income</i>	<u>1,257,483</u>	<u>1</u>	<u>1,257,484</u>
Non-Operating Receipts (Disbursements)			
Capital Outlay	(305,834)	-	(305,834)
Principal Retirement	(787,269)	-	(787,269)
Interest and Other Fiscal Charges	(208,596)	-	(208,596)
Other Financing Sources	2,938	-	2,938
Other Financing Uses	(5,052)	-	(5,052)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,303,813)</u>	<u>-</u>	<u>(1,303,813)</u>
<i>Income before Transfers</i>	(46,330)	1	(46,329)
Transfers In	859,107	-	859,107
Transfers Out	(18,825)	-	(18,825)
<i>Net Change in Fund Cash Balances</i>	793,952	1	793,953
<i>Fund Cash Balances, January 1</i>	<u>4,536,973</u>	<u>694</u>	<u>4,537,667</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 5,330,925</u>	<u>\$ 695</u>	<u>\$ 5,331,620</u>

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

VILLAGE OF VERSAILLES
DARKE COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 78,443	\$ 84,351	\$ -	\$ -	\$ 162,794
Municipal Income Tax	1,374,528	687,784	-	-	2,062,312
Intergovernmental	264,111	969,685	-	-	1,233,796
Special Assessments	-	27,325	-	-	27,325
Charges for Services	-	345,377	-	-	345,377
Fines, Licenses and Permits	16,706	721	-	-	17,427
Earnings on Investments	18,088	300	-	-	18,388
Miscellaneous	45,580	21,112	-	8,611	75,303
<i>Total Cash Receipts</i>	<u>1,797,456</u>	<u>2,136,655</u>	<u>-</u>	<u>8,611</u>	<u>3,942,722</u>
Cash Disbursements					
Current:					
Security of Persons and Property	479,710	376,570	-	-	856,280
Public Health Services	14,851	29,801	-	-	44,652
Leisure Time Activities	-	80,197	-	-	80,197
Community Environment	17,546	-	-	-	17,546
Transportation	-	391,425	-	-	391,425
General Government	193,086	-	-	1,295	194,381
Capital Outlay	82,834	1,122,333	-	-	1,205,167
Debt Service:					
Principal Retirement	-	-	79,510	4,000	83,510
Interest and Fiscal Charges	-	21	78,747	-	78,768
<i>Total Cash Disbursements</i>	<u>788,027</u>	<u>2,000,347</u>	<u>158,257</u>	<u>5,295</u>	<u>2,951,926</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,009,429</u>	<u>136,308</u>	<u>(158,257)</u>	<u>3,316</u>	<u>990,796</u>
Other Financing Receipts					
Sale of Capital Assets	52,507	-	-	-	52,507
Transfers In	4,006	245,000	156,855	-	405,861
Transfers Out	(1,190,045)	(41,855)	-	(4,006)	(1,235,906)
Advances In	-	400,000	-	-	400,000
Advances Out	-	(400,000)	-	-	(400,000)
Other Financing Uses	(26,604)	-	-	-	(26,604)
<i>Total Other Financing Receipts</i>	<u>(1,160,136)</u>	<u>203,145</u>	<u>156,855</u>	<u>(4,006)</u>	<u>(804,142)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(150,707)</u>	<u>339,453</u>	<u>(1,402)</u>	<u>(690)</u>	<u>186,654</u>
<i>Fund Cash Balances, January 1 (Restated, See Note 14)</i>	<u>2,639,456</u>	<u>1,809,343</u>	<u>117,155</u>	<u>93,454</u>	<u>4,659,408</u>
Fund Cash Balances, December 31					
Restricted		2,148,796			2,148,796
Assigned	189,868	-	115,753	92,764	398,385
Unassigned	2,298,881	-	-	-	2,298,881
<i>Fund Cash Balances, December 31</i>	<u>\$ 2,488,749</u>	<u>\$ 2,148,796</u>	<u>\$ 115,753</u>	<u>\$ 92,764</u>	<u>\$ 4,846,062</u>

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 6,894,945	\$ -	\$ 6,894,945
Miscellaneous	500	-	500
<i>Total Operating Cash Receipts</i>	<u>6,895,445</u>	<u>-</u>	<u>6,895,445</u>
Operating Cash Disbursements			
Personal Services	831,869	-	831,869
Travel Transportation	236,238	-	236,238
Contractual Services	5,062,990	-	5,062,990
Supplies and Materials	254,334	-	254,334
<i>Total Operating Cash Disbursements</i>	<u>6,385,431</u>	<u>-</u>	<u>6,385,431</u>
<i>Operating Income</i>	<u>510,014</u>	<u>-</u>	<u>510,014</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	11,520	-	11,520
Capital Outlay	(293,360)	-	(293,360)
Principal Retirement	(773,461)	-	(773,461)
Interest and Other Fiscal Charges	(217,319)	-	(217,319)
Other Financing Sources	5,970	-	5,970
Other Financing Uses	(4,221)	-	(4,221)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,270,871)</u>	<u>-</u>	<u>(1,270,871)</u>
<i>Income before Transfers</i>	<u>(760,857)</u>	<u>-</u>	<u>(760,857)</u>
Transfers In	846,145	-	846,145
Transfers Out	(16,100)	-	(16,100)
<i>Net Change in Fund Cash Balances</i>	<u>69,188</u>	<u>-</u>	<u>69,188</u>
<i>Fund Cash Balances, January 1 (Restated, See Note 14)</i>	<u>4,467,785</u>	<u>694</u>	<u>4,468,479</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 4,536,973</u>	<u>\$ 694</u>	<u>\$ 4,537,667</u>

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Versailles, Darke County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer and electric utilities, refuse services, park operations, and police, fire, and emergency medical services.

The Village participates in two joint venture organizations and four long term purchase commitments. Notes 9 and 11 to the financial statements provide additional information for these organizations. The organizations are:

Joint Venture Organizations:

Ohio Municipal Electric Generation Agency Joint Venture 2 (OMEGA JV2)
Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5)

Long Term Purchase Commitments:

AMP Fremont Energy Center (AFEC)
Combined Hydroelectric Projects
Meldahl Hydroelectric Project and Greenup
Prairie State Energy Campus

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

The Village uses fund accounting to segregate deposits and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and recorded in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance, and Repair Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

State Highway Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing state highways that run through the Village.

EMS Fund – This fund receives fees from ambulance runs for operation and upkeep of the Emergency Medical Services operation.

Fire Fund – This fund receives property tax money and contract money from various townships which the Village Fire Department covers for the operation and upkeep of the Fire Department.

.5% Income Tax Fund – This fund receives income tax money for street construction and major repair purposes consisting of storm drainage improvements, sanitary sewer improvements, waterline improvements, and maintenance.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

Fire Truck Debt Service Fund – This fund receives Fire Fund property tax money, which is used to repay the debt of the fire truck bond.

Emergency Services Facility Fund – This fund receives transfers from the General Fund to repay the debt related to the emergency services building.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Funds:

Economic Development Fund – This fund receives miscellaneous receipts used to repay a loan through the Chamber of Commerce and purchase land used for economic development within the Village.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund – This fund receives charges for services from residents to cover water service costs.

Sewer Fund – This fund receives charges for services from residents to cover sewer service costs.

Electric Fund – This fund receives charges for services from residents to cover the cost of providing electric service.

6. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

The Village's private purpose trust fund is from proceeds from residents for bicentennial and tri-centennial celebration for Village residents.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	<u>2015</u>	<u>2014</u>
Demand Deposits	\$ 1,383,175	\$ 883,729
Certificates of Deposit	8,500,000	8,500,000
Total Deposits	<u>\$ 9,883,175</u>	<u>\$ 9,383,729</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,920,869	\$ 1,924,682	\$ 3,813
Special Revenue	1,786,016	1,795,044	9,028
Debt Service	155,855	155,855	-
Capital Projects	8,600	8,612	12
Enterprise	8,222,519	8,317,769	95,250
Total	<u>\$ 12,093,859</u>	<u>\$ 12,201,962</u>	<u>\$ 108,103</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,369,510	\$ 2,127,298	\$ 242,212
Special Revenue	2,331,711	1,972,160	359,551
Debt Service	156,518	156,743	(225)
Capital Projects	7,438	6,647	791
Enterprise	8,764,799	8,357,458	407,341
Total	<u>\$ 13,629,976</u>	<u>\$ 12,620,306</u>	<u>\$ 1,009,670</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,844,675	\$ 1,853,969	\$ 9,294
Special Revenue	2,775,278	2,381,655	(393,623)
Debt Service	156,855	156,855	-
Capital Projects	8,615	8,611	(4)
Enterprise	7,773,224	7,759,080	(14,144)
Total	<u>\$ 12,558,647</u>	<u>\$ 12,160,170</u>	<u>\$ (398,477)</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,321,212	\$ 2,194,544	\$ 126,668
Special Revenue	3,362,999	2,295,355	1,067,644
Debt Service	158,260	158,257	3
Capital Projects	10,716	10,029	687
Enterprise	9,319,886	7,825,928	1,493,958
Total	<u>\$ 15,173,073</u>	<u>\$ 12,484,113</u>	<u>\$ 2,688,960</u>

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one and a half (1.5) percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Elevated Storage Tank Loan - OWDA #3737	\$ 431,857	3.39%
Water Treatment Plant - OWDA #3974	4,502,511	3.26%
Water Treatment Plant - OPWC	356,250	0.00%
Chamber of Commerce Loan	4,000	0.00%
Emergency Services Facility Bonds	1,490,000	3.7-5%
Wastewater Treatment Plant - OWDA #5175	2,792,996	1.00%
Wastewater Treatment Plant - OPWC	725,000	0.00%
OMEGA JV2 Loan	127,255	Variable
OMEGA JV5 Loan	111,154	Variable
Total	<u>\$ 10,541,023</u>	

The Elevated Storage Tank loan was issued on September 26, 2002 with a maturity date of January 1, 2024. The Ohio Water Development Authority (OWDA) loan is for the construction of a water tower. The OWDA issued \$893,628 in loans to the Village for this project. The Village will repay the loan in semiannual installments of \$30,945, including interest. An amortization schedule for this loan was not provided by OWDA.

The Water Treatment Plant loan was issued on October 30, 2003, with a maturity date of January 1, 2026. The Ohio Water Development Authority (OWDA) loan is for the construction of a water treatment plant. The OWDA issued a loan of \$7,448,105 for this project. The Village will repay the loan in semiannual installments of \$254,916, including interest.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

6. DEBT (Continued)

The Water Treatment Plant loan was issued on October 1, 2005, with a maturity date of July 1, 2025. Ohio Public Works Commission (OPWC) (Issue II) loan is for the construction of the water treatment plant. OPWC approved \$750,000 in interest free loan to the Village for this project. The Village will repay the loan in semiannual installments of \$18,750.

The Chamber of Commerce Loan was issued on March 24, 2011, with a maturity of March 24, 2016. The Chamber of Commerce Loan is for the extension of a gas line to the Versailles Industrial Park North. The loan will be repaid in five equal annual installments of \$4,000.

The Emergency Services Facility Bonds were issued on June 7, 2007, with a maturity date of December 1, 2036. The bonds were issued for the purpose of constructing, improving, furnishing and equipping an Emergency Services Facility with related facilities and site improvements. The Village will repay the loan in annual installments ranging from \$119,825 to \$110,250, including interest.

The Wastewater Treatment Plant loan with OWDA began in September 2009. OWDA approved a loan up to \$7,820,870 for this project. The Village also received \$4,473,196 in American Recovery and Reinvestment Act (ARRA) money to offset their loan with OWDA. The Village began to make semiannual installment payments beginning in 2012. The annual loan payment is \$183,021, including interest. An amortization schedule for this loan was not provided by OWDA. The prior audit report did not properly disclose the principal amount outstanding as of 12/31/13. The proper outstanding amount was \$3,101,359.

The Wastewater Treatment Plant Loan with OPWC was issued on October 19, 2009 for \$1,000,000, with a maturity date of 2030. The Village will repay the loan in semiannual installments of \$25,000.

The Fire Equipment bonds were issued on October 1, 2009 with a maturity date of October 1, 2015 for the purchase of a new truck. The Village will repay the loan in semiannual installments ranging from \$17,175 to \$20,927, including interest. This loan was repaid during 2015.

In addition to the debt described above, the OMEGA JV5 Project consists of governmental entities that have joined together to finance a municipal electric generation facilities. Bonded debt was issued in the amount of \$153,415,000 for the entire project. The Village pays the principal and interest amounts as invoiced based on their ownership interest in the venture, which changes as new entities join. The debt is repaid through the purchase price of the electricity and is financed through user charges.

Similarly, the Village is part of the OMEGA JV2 Project which also consists of governmental entities that have joined together to finance a municipal electric facility. Bonded debt was issued in the amount of \$50,260,000 for the entire project. The Village pays the principal and interest amounts as invoiced based on their ownership interest in the venture, which changes as new entities join. The debt is repaid through the purchase price of the electricity and is financed through user charges.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

6. DEBT (Continued)

Amortization of the Village's debt principal and interest is scheduled as follows:

Year ending December 31:	Water Treatment Plant Loan (OWDA)	Water Treatment Plant Loan (OPWC)	Chamber of Commerce Loan	Emergency Services Facilities Bond	Wastewater Treatment Plant Loan (OPWC)
2016	\$ 509,832	\$ 37,500	\$ 4,000	\$ 117,923	\$ 50,000
2017	509,832	37,500	-	115,965	50,000
2018	509,832	37,500	-	119,008	50,000
2019	509,832	37,500	-	116,633	50,000
2020	509,832	37,500	-	119,258	50,000
2021-2025	2,549,160	168,750	-	580,873	250,000
2026-2030	254,916	-	-	575,040	225,000
2031-2035	-	-	-	562,750	-
2036	-	-	-	110,250	-
Total	<u>\$ 5,353,236</u>	<u>\$ 356,250</u>	<u>\$ 4,000</u>	<u>\$ 2,417,700</u>	<u>\$ 725,000</u>

7. RETIREMENT SYSTEMS

The Village's certified full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For January 1, 2014 – June 30, 2014, OP&F participants contributed 10.75% of their wages. For July 1, 2014 – June 30, 2015, OP&F participants contributed 11.5% of their wages. For July 1, 2015 – December 31, 2015, OP&F participants contributed 12.25% of their wages. For 2014 and 2015, the Village contributed to OP&F an amount equal to 19.5% of full time police members' wages. For 2015 and 2014, OPERS members contributed 10.0% of their gross salaries, and the Village contributed an amount equaling 14.0% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Law Enforcement;
- Inland Marine;
- Boiler;
- Electronic Data Processing.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

9. JOINT VENTURES

Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2)

The Village of Versailles is a Financing Participant and an Owner Participant with percentages of liability and ownership of 1.58% and 1.24% respectively and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement (Agreement), the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the Agreement.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2015 the Village of Versailles has met their debt coverage obligation.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2015, the outstanding debt was \$8,052,470. The Village's net obligation for this amount at December 31, 2015 was \$127,229. The net investment in OMEGA JV2 was \$205,367 at December 31, 2015. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

9. JOINT VENTURES (Continued)

Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2) (Continued)

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2015 are:

Municipality	Percent Ownership	Kw Entitlement	Municipality	Percent Ownership	Kw Entitlement
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.79%	1,066	Custar	0.00%	4
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

Ohio Municipal Electric Generation Agency Joint Venture 2 (JV5)

The Village of Versailles is a Financing Participant with an ownership percentage of 1.10 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

9. JOINT VENTURES (Continued)

Ohio Municipal Electric Generation Agency Joint Venture 2 (JV5) (Continued)

Also pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2015 Versailles has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. Due to scheduled principal repayments, the resulting note receivable has been reduced at December 31, 2015 to \$49,803,187.* AMP will continue to collect debt service from the OMEGA JV5 participants until the note is paid in full.

The Village's net investment to date in OMEGA JV5 was \$32,867 at December 31, 2015. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

* Subsequent to year end, on January 19, 2016, OMEGA JV5 issued the Beneficial Interest Refunding Certificates, Series 2016 (the "2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

10. SEGMENT INFORMATION

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note 9. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village's Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

	<u>2015</u>	<u>2014</u>
Total Assets	\$ 3,760,947	\$ 2,974,535
Total Liabilities	238,409	386,113
Condensed Operating Information:		
Operating Receipts		
Charges for Services	6,488,788	6,049,486
Total Operating Receipts	6,488,788	6,049,486
Operating Expenses	<u>5,397,216</u>	<u>5,666,201</u>
Operating Income (Loss)	1,091,572	383,285
Non-Operating Receipts (Disbursements)		
Principal Payments	(147,704)	(164,233)
Interest Payments	(8,293)	(14,226)
Other Nonoperating Receipts (Disbursements)	<u>(149,163)</u>	<u>(52,555)</u>
Change in Fund Cash Balance	786,412	152,271
Beginning Fund Cash Balance	2,974,535	2,822,264
Ending Fund Cash Balance	<u>\$ 3,760,947</u>	<u>\$ 2,974,535</u>

	<u>2015</u>	<u>2014</u>
Condensed Cash Flows Information:		
Net Cash Provided (Used) by:		
Operating Activities	\$ 1,091,572	\$ 383,285
Capital and Related Financing Activities		
Principal Payments on Capital and Related Debt	(147,704)	(164,233)
Interest Payments on Capital and Related Debt	(8,293)	(14,226)
Other Capital and Related Financing Activities	<u>(149,163)</u>	<u>(52,555)</u>
Net Cash Provided (Used) by		
Capital and Related Financing Activities	(305,160)	(231,014)
Net Increase (Decrease)	786,412	152,271
Beginning Fund Cash Balance	2,974,535	2,822,264
Ending Fund Cash Balance	<u>\$ 3,760,947</u>	<u>\$ 2,974,535</u>

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

11. LONG-TERM PURCHASE COMMITMENTS

A. AMP Fremont Energy Center (AFEC)

On February 3, 2011 American Municipal Power, Inc. (AMP) entered into a non-binding memorandum of understanding (MOU) with FirstEnergy Corp. regarding the Fremont Energy Center ("AFEC"). AFEC is a 707 MW natural gas fired combined cycle generation plant, located near the Village of Fremont, Ohio. The closing date to purchase was July 28, 2011. AMP's acquisition of the plant was financed with draws on an additional line of credit for \$600,000,000 secured solely for the purpose of purchasing the plant.

To provide permanent financing for the AFEC Project on June 29, 2012 AMP issued in two series \$546,085,000 of its AMP Fremont Center Project Revenue Bonds consisting of taxable and tax-exempt obligations to (i) with other available funds, to repay the \$600,000,000 principal amount of an interim loan that financed the acquisition of the AMP Fremont Energy Center ("AFEC") and development costs and completion of construction and commissioning of AFEC; (ii) to make deposits to the Construction Accounts under the Indenture to finance additional capital expenditures allocable to AMP's 90.69% undivided ownership interest in AFEC; (iii) to fund deposits to certain reserve accounts; and (iv) to pay the costs of issuance of the Series 2012 Bonds.

On January 21, 2012 the AMP Fremont Energy Center ("AFEC") began commercial operation. The total cost of construction of the AFEC at the date it was placed in service was \$582,200,642. This amount included a development fee of \$35,535,448 paid by AFEC participants for the account of AMP Generating Station participants who are also AFEC participants. The amount was previously recorded as a noncurrent regulatory asset at December 31, 2011. In June 2012, AMP sold 5.16% undivided ownership interest in AFEC to Michigan Public Power Agency ("MPPA") and entered into a power sales contract with Central Virginia Electric Cooperative ("CVEC") for the output of a 4.15% interest in AFEC. AMP has sold the output of the remaining 90.69% interest to the AFEC participants, which consist of 87 of its members, pursuant to a take-or-pay power sales contract.

As of December 31, 2015 the outstanding debt associated with AFEC Project on AMP's books was \$529,225,000. The Village of Versailles has executed a take-or-pay power sales contract with AMP for a Project Share of 2,640 kW or 0.57% of capacity and associated energy from the AFEC facility.

B. Combined Hydroelectric Projects (79 Members)

AMP is currently developing three hydroelectric projects, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the "Combined Hydroelectric Projects"), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Projects entails the installation of run-of-the-river hydroelectric generating facilities on existing United States Army Corps of Engineers' dams and includes associated transmission facilities. The Combined Hydroelectric Projects, including associated transmission facilities, will be constructed and operated by AMP. AMP holds the licenses from FERC for the Combined Hydroelectric Projects. AMP received the last of the material permits needed to begin construction on the Cannelton hydroelectric facility and Smithland hydroelectric facility, respectively in 2009. Ground breaking ceremonies were held for Cannelton on August 25, 2009 and for Smithland on September 1, 2010. AMP received the last of the material permits for the Willow Island hydroelectric facility in the last quarter of 2010 and ground breaking ceremonies took place on July 21, 2011.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

11. LONG-TERM PURCHASE COMMITMENTS

B. Combined Hydroelectric Projects (79 Members)

The Village of Versailles has executed a take-or-pay power sales contract with AMP for a Project Share of 1,099 kW or 0.53% of capacity and associated energy from the hydro facilities.

All major contracts for the projects which include the turbines, the powerhouse construction, the powerhouse gates, the powerhouse cranes, and the transformers have been awarded for the Cannelton, Smithland, and Willow Island facilities. And property right-of-way acquisitions for the transmission lines have been completed for all three projects.

On February 12, 2015, AMP reached agreement with Barnard Construction Company, Inc. ("Barnard") to serve as the replacement powerhouse contractor on AMP's Smithland Hydroelectric Project ("Smithland Project"), which is one of the three projects constituting the Combined Hydroelectric Projects replacing C.J. Mahan whose contract was terminated by mutual agreement between AMP and C.J. Mahan. Barnard is a highly experienced hydropower construction contractor. AMP and Barnard are working together to achieve an orderly transition of the Smithland Project from the prior powerhouse contractor. Nearly all of the subcontractors currently working on the Smithland Project have been retained. The Project Engineer, MWH Americas, Inc., all owner furnished equipment suppliers and all other prime contractors remain in place.

AMP now projects that the Combined Hydroelectric Projects are expected to enter into commercial operation as follows: Willow Island (2 Units) – first unit and second unit are currently in commercial operation, Cannelton (3 Units) – first and second units are currently in commercial operation and the third unit in May 2016; Smithland (3 Units) – first unit in September 2016 and second in October 2016 and third unit in November 2016.

Please note that these projected commercial operation dates set forth above are, and the other information herein is, subject to change and are dependent on a number of factors affecting each Project's overall remaining construction schedule, including weather. As a result, the commercial operation dates may occur earlier or later than the time frames set forth above.

To provide financing for the Combined Hydroelectric Projects, in 2009 and 2010 AMP has issued in seven series \$2,045,425,000 of its Combined Hydroelectric Projects Revenue Bonds (the "Combined Hydroelectric Bonds"), consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). As of December 31, 2015 the total outstanding Hydro Project debt on AMP's books was approximately \$2,017,829,118. The Combined Hydroelectric Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its Members.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

11. LONG-TERM PURCHASE COMMITMENTS (Continued)

C. Meldahl Hydroelectric Project (48 Members) and Greenup (47 Members)

AMP is currently constructing a three unit hydroelectric generation facility on the Captain Anthony Meldahl Locks and Dam, an existing dam, on the Ohio River, constructed by the United States Army Corps of Engineers and of related equipment and associated transmission facilities (the "Meldahl Project"). When the Meldahl Project enters commercial operation, it is projected to have a generating capacity of approximately 105 MW. The City of Hamilton, Ohio, a Member of AMP and a participant in the Meldahl Project, and AMP hold, as co-licensees, the Federal Energy Regulatory Commission license necessary to construct and operate the Meldahl Project. Pursuant to the various agreements between Hamilton and AMP, the Meldahl Project will be owned by Meldahl, LLC, a single member, Delaware not-for-profit limited liability company ("Meldahl, LLC"), and will be operated by Hamilton. AMP, acting as agent of Meldahl LLC, is financing the development, acquisition, construction and equipping of the Meldahl Project. In order to finance the construction of the Meldahl Project and related costs, in 2010 and 2011 AMP issued six series of its Meldahl Hydroelectric Project Revenue Bonds (the "Meldahl Bonds") in the amount of \$685,100,000 consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Meldahl Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 48 of its Members.

All major contracts for the project which include the turbine, the powerhouse construction, the powerhouse gate, the powerhouse crane, and the transformer have been awarded for the Meldahl facility. And the property right-of-way acquisitions for the transmission line have been completed for this project.

AMP has confirmed that the Meldahl Project's three units are currently in commercial operation. The Village of Versailles has executed a take-or-pay power sales contract with AMP for a Project Share of 383 kW or 0.36% of capacity and associated energy from the Meldahl Project. As of December 31, 2015, the outstanding debt for the Medahl Hydroelectric Projects facility on AMP's books was approximately \$630,065,000.

The referenced agreements with Hamilton respecting the Meldahl Project also provided that Hamilton would sell to AMP a 48.6% undivided ownership interest in the Greenup Hydroelectric Facility ("Greenup"), a 70.2 MW run-of-the river hydroelectric generating facility located on the Greenup Locks and Dam on the Ohio River, in commercial operation since 1988. The sale is contingent upon the placement of the Meldahl Project into commercial operation. Based on the estimated commercial operation date for the Meldahl Project, AMP currently estimates that it will issue bonds to finance its undivided ownership interest in Greenup in the fourth quarter of 2015. AMP's Greenup bonds will be secured by a separate power sales contract that has been executed by the same Members (all except Hamilton which will retain title to the remaining 51.4% ownership interest in Greenup) that executed the Meldahl power sales contract. Hamilton will continue to operate Greenup.

The Village of Versailles has executed a take-or-pay power sales contract with AMP for 251 kW or 0.74% of capacity and associated energy from the Greenup Project.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

11. LONG-TERM PURCHASE COMMITMENTS (Continued)

D. Prairie State Energy Campus (68 Members)

On December 20, 2007, AMP acquired 368,000kW or an effective 23.26% undivided ownership interest (the "*PSEC Ownership Interest*") in the Prairie State Energy Campus ("PSEC"), a planned 1,600 MW coal-fired power plant and associated facilities in southwest Illinois. The PSEC Ownership Interest is held by AMP 368 LLC, a single-member Delaware limited liability company ("*AMP 368 LLC*"). AMP is the owner of the sole membership interest in AMP 368 LLC. Construction of the PSEC commenced in October 2007.

On June 12, 2012, Unit 1 of the PSEC began commercial operation and on November 2, 2012 Unit 2 of the PSEC began commercial operation.

AMP sells the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract (the "Prairie State Power Sales Contract") with 68 Members (the "Prairie State Participants"). The Prairie State Power Sales Contract is, in all material respects, comparable to the Power Sales Contract for the Project. The Prairie State Bonds are net revenue obligations of AMP, secured by a master trust indenture, payable primarily from the payments to be made by the Prairie State Participants under the terms of the Prairie State Power Sales Contract.

The Village of Versailles has executed a take-or-pay power sales contract with AMP for a Project Share of 3,981kW or 1.08% kW of capacity and associated energy from the Prairie State facility.

AMP's share of the total Project costs, including AMP's share of PSEC capital improvements through 2016, resulted in the issuance by AMP of approximately \$1.697 billion of debt. As of December 31, 2015 the total outstanding Prairie State debt on AMP's books was approximately \$1,590,590,000. These costs include (i) AMP's costs of acquisition of its Ownership Interest and its share of the cost of construction of the PSEC, including an allowance for contingencies, (ii) capitalized interest during and after the scheduled in service dates of the two PSEC Units, (iii) costs of issuance associated with both the interim and long-term financing for the Project and (iv) deposits to the Parity Common Reserve Account for the Bonds issued to permanently finance the Project.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

12. TRANSFERS AND ADVANCES

During 2015, the following transfers were made:

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ (1,145,882)
Perpetual Care Fund	3,500	-
Police Pension Fund	49,100	-
SCMR Fund	120,000	-
Cemetery Fund	19,000	-
Wastewater Treatment Fund	234,044	-
Water Supply Development Fund	606,238	-
Emergency Services Facility Fund	114,000	-
Refuse & Recycling Fund	-	(18,825)
Refuse Truck Fund	18,825	-
Fire Fund	-	(41,855)
Fire Truck Debt Service Fund	41,855	-
Total	<u>\$ 1,206,562</u>	<u>\$ (1,206,562)</u>

During 2015, the Village transferred money from the General Fund to various other funds for operating expenses. The transfer from the Refuse & Recycling Fund to the Refuse Truck Fund was for the future purchase of refuse trucks. The transfer from the Fire Fund to the Fire Truck Debt Service Fund was to make debt payments. These transfers were determined to be appropriate and in compliance with the Ohio Revised Code.

During 2014, the following transfers were made:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ (1,190,045)
Perpetual Care Fund	3,500	-
Police Pension Fund	50,000	-
SCMR Fund	110,000	-
Cemetery Fund	11,500	-
Park Fund	70,000	-
Wastewater Treatment Fund	234,045	-
Water Supply Development Fund	596,000	-
Emergency Services Facility Fund	115,000	-
Refuse & Recycling Fund	-	(16,100)
Refuse Truck Fund	16,100	-
FEMA Fund	-	(4,006)
General Fund	4,006	-
Fire Fund	-	(41,855)
Fire Truck Debt Service Fund	41,855	-
Total	<u>\$ 1,252,006</u>	<u>\$ (1,252,006)</u>

During 2015, the Village transferred money from the General Fund to various other funds for operating expenses. The transfer from the Refuse & Recycling Fund to the Refuse Truck Fund was for the future purchase of refuse trucks. The transfer from the Fire Fund to the Fire Truck Debt Service Fund was to make debt payments. The transfer from the FEMA Fund to the General Fund was to transfer back monies originally transferred from this fund as part of the Village's match on a FEMA grant and the grant was closed out during the year. These transfers were determined to be appropriate and in compliance with the Ohio Revised Code.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

12. TRANSFERS AND ADVANCES (Continued)

During 2014, the following advances were made:

	<u>Advances In</u>	<u>Advances Out</u>
1/2% Income Tax Fund	\$ 400,000	\$ -
State Highway Fund	-	(400,000)
Total	<u>\$ 400,000</u>	<u>\$ (400,000)</u>

This advance was made to repay an advance that was made in 2013.

13. CONTINGENT LIABILITIES

The Village participates in several state assisted grants that are subject to financial and compliance audits by grantor agencies or their representatives. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The Village believes that disallowed claims, if any, will not have a material adverse effect on the Village's financial condition.

14. RESTATEMENT NOTE

The restatement is due to the Refuse Trucks Fund being recorded as a Capital Projects Fund and is more appropriately recorded as an Enterprise Fund. The Refuse Trucks Fund is recorded as an Enterprise Fund in 2015 and 2014.

	<u>Capital Projects Fund</u>	<u>Enterprise Fund</u>
Fund Balance at December 31, 2013	\$ 251,492	\$ 4,309,747
Change in Fund Balance	(158,038)	158,038
Adjusted Fund Balance at January 1, 2014	<u>\$ 93,454</u>	<u>\$ 4,467,785</u>



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St. Clairsville, OH 43950
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

June 22, 2016

Village of Versailles
Darke County
177 North Center Street
P.O. Box 288
Versailles, Ohio 45380

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Village of Versailles**, Darke County, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 22, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.



...*"bringing more to the table"*

Tax- Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll
Litigation Support - Financial Investigations

Members: American Institute of Certified Public Accountants

• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •

• Association of Certified Anti - Money Laundering Specialists •



Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 22, 2016.

Village's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of audit findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

VILLAGE OF VERSAILLES
DARKE COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2015-001

Material Weakness

Fund Balance Classification

Fund balances should be properly classified based on Governmental Accounting Standards Statement No. 54.

During 2015 fund balances were not always classified correctly. The following errors were noted:

- Subsequent year's appropriations exceeded estimated revenues in the General Fund in the amount of \$479,061 for 2015. This amount should have been classified as assigned fund balance rather than unassigned fund balance in the General Fund;
- Fund balance in the Debt Service Fund was improperly classified as Restricted instead of Assigned in 2015 and 2014.

Not classifying fund balances accurately resulted in the financial statements requiring reclassification. The financial statements reflect the reclassification.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all fund balances are accurately classified.

We recommend the Fiscal Officer refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying fund balances.

Management's Response – Being new to the Fiscal Officer position and going through my first audit, I have gained knowledge on the importance of fund balance classifications reported on the Annual Financial Report. I will use the guidelines set forth in preparing the report.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Fund Balance Classifications	No	Partially Corrected; Repeated as Finding 2015-001
2013-002	Financial Statement Errors	No	Partially Corrected; Moved to Management Letter
2013-003	Reporting of Schedule of Expenditures of Federal Awards	Yes	Finding No Longer Valid



Dave Yost • Auditor of State

VILLAGE OF VERSAILLES

DARKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 9, 2016**