



Certified Public Accountants, A.C.

**VILLAGE OF VERSAILLES
DARKE COUNTY
Regular Audit
For the Years Ended December 31, 2017 and 2016**

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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, 2016 through December 31, 2017. 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

October 2, 2018

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VILLAGE OF VERSAILLES
DARKE COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 27, 2018

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 **Village of Versailles**, Darke County, (the Village) as of and for the years ended December 31, 2017 and 2016.

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 2 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, 2017 and 2016, 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Versailles, Darke County as of December 31, 2017 and 2016, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2018, 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 & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 93,095	\$ 264,852	\$ -	\$ -	\$ 357,947
Municipal Income Tax	1,558,773	779,270	-	-	2,338,043
Intergovernmental	290,293	327,447	-	-	617,740
Special Assessments	423	10,800	-	-	11,223
Charges for Services	-	268,731	-	-	268,731
Fines, Licenses and Permits	17,729	738	-	-	18,467
Earnings on Investments	73,246	2,050	-	-	75,296
Miscellaneous	60,926	56,265	-	15,770	132,961
<i>Total Cash Receipts</i>	<u>2,094,485</u>	<u>1,710,153</u>	<u>-</u>	<u>15,770</u>	<u>3,820,408</u>
Cash Disbursements					
Current:					
Security of Persons and Property	469,047	362,408	-	-	831,455
Public Health Services	15,419	31,890	-	-	47,309
Leisure Time Activities	-	79,046	-	-	79,046
Community Environment	15,892	-	-	-	15,892
Transportation	-	387,057	-	-	387,057
General Government	230,385	-	-	19,762	250,147
Capital Outlay	121,544	654,080	-	656	776,280
Debt Service:					
Principal Retirement	-	-	1,477,000	-	1,477,000
Interest and Fiscal Charges	-	-	75,867	-	75,867
<i>Total Cash Disbursements</i>	<u>852,287</u>	<u>1,514,481</u>	<u>1,552,867</u>	<u>20,418</u>	<u>3,940,053</u>
<i>Excess of Receipts Over Disbursements</i>	<u>1,242,198</u>	<u>195,672</u>	<u>(1,552,867)</u>	<u>(4,648)</u>	<u>(119,645)</u>
Other Financing Receipts (Disbursements)					
Sale of Bonds	-	-	1,468,000	-	1,468,000
Transfers In	-	327,500	116,000	-	443,500
Transfers Out	(1,203,544)	-	-	-	(1,203,544)
Other Financing Uses	(111,609)	-	(29,380)	-	(140,989)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,315,153)</u>	<u>327,500</u>	<u>1,554,620</u>	<u>-</u>	<u>566,967</u>
<i>Net Change in Fund Cash Balances</i>	<u>(72,955)</u>	<u>523,172</u>	<u>1,753</u>	<u>(4,648)</u>	<u>447,322</u>
<i>Fund Cash Balances, January 1</i>	<u>2,271,442</u>	<u>2,705,157</u>	<u>115,167</u>	<u>34,104</u>	<u>5,125,870</u>
Fund Cash Balances, December 31					
Restricted	-	3,228,329	-	-	3,228,329
Assigned	257,639	-	116,920	29,456	404,015
Unassigned	1,940,848	-	-	-	1,940,848
<i>Fund Cash Balances, December 31</i>	<u>\$ 2,198,487</u>	<u>\$ 3,228,329</u>	<u>\$ 116,920</u>	<u>\$ 29,456</u>	<u>\$ 5,573,192</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 (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 8,435,033	\$ -	\$ 8,435,033
Miscellaneous	64,898	-	64,898
<i>Total Operating Cash Receipts</i>	<u>8,499,931</u>	<u>-</u>	<u>8,499,931</u>
Operating Cash Disbursements			
Personal Services	808,038	-	808,038
Travel Transportation	249,821	-	249,821
Contractual Services	5,770,576	-	5,770,576
Supplies and Materials	383,451	-	383,451
<i>Total Operating Cash Disbursements</i>	<u>7,211,886</u>	<u>-</u>	<u>7,211,886</u>
<i>Operating Income</i>	<u>1,288,045</u>	<u>-</u>	<u>1,288,045</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments	1,117	-	1,117
Sale of Notes	720,000	-	720,000
Premium and Accrued Interest on Debt	6,826	-	6,826
Capital Outlay	(345,172)	-	(345,172)
Principal Retirement	(1,665,130)	-	(1,665,130)
Interest and Other Fiscal Charges	(175,912)	-	(175,912)
Other Financing Sources	8,323	-	8,323
Other Financing Uses	(4,635)	-	(4,635)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,454,583)</u>	<u>-</u>	<u>(1,454,583)</u>
<i>Income before Transfers</i>	<u>(166,538)</u>	<u>-</u>	<u>(166,538)</u>
Transfers In	779,924	-	779,924
Transfers Out	(19,880)	-	(19,880)
<i>Net Change in Fund Cash Balances</i>	<u>593,506</u>	<u>-</u>	<u>593,506</u>
<i>Fund Cash Balances, January 1</i>	<u>6,483,622</u>	<u>695</u>	<u>6,484,317</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 7,077,128</u>	<u>\$ 695</u>	<u>\$ 7,077,823</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 YEAR ENDED DECEMBER 31, 2017**

Note 1 - Reporting Entity

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

Joint Ventures and Long Term Purchase Commitments

The Village participates in two joint venture organizations and four long term purchase commitments. Notes 11 and 12 to the financial statements provide additional information for these organizations.

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

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

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 money for constructing, maintaining, and repairing Village streets.

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

VILLAGE OF VERSAILLES
DARKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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 property tax money for street construction and major repair purposes consisting of storm drainage improvements, sanitary sewer improvements, waterline improvements and maintenance.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

Capital Projects 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 Fund:

Economic Development Fund – This fund receives miscellaneous receipts used to purchase land used for economic development within the Village.

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.

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.

Basis of Accounting

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).

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or 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.

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 approve estimated resources.

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 reappropriated.

A summary of 2017 budgetary activity appears in Note 3.

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.

Capital Assets

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

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.

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:

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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.

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.

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.

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.

Note 3 – Budgetary Activity

Budgetary activity for the years ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,051,196	\$ 2,094,485	\$ 43,289
Special Revenue	2,004,369	2,037,653	33,284
Debt Service	1,584,000	1,584,000	-
Capital Projects	12,000	15,770	3,770
Enterprise	9,957,414	10,016,121	58,707
Total	\$ 15,608,979	\$ 15,748,029	\$ 139,050

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 3 – Budgetary Activity (Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,456,614	\$ 2,236,562	\$ 220,052
Special Revenue	2,014,075	1,656,040	358,035
Debt Service	1,582,248	1,582,247	1
Capital Projects	35,504	22,431	13,073
Enterprise	10,911,209	10,191,896	719,313
Total	\$ 16,999,650	\$ 15,689,176	\$ 1,310,474

Note 4 – Deposits

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

	2017
Demand Deposits	\$ 4,151,015
Certificates of Deposit	8,500,000
Total Deposits	\$ 12,651,015

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool. Starting in November 2017, deposits are collateralized by the Ohio Pooled Collateral System (OPCS) as required by the Ohio Revised Code.

Note 5 – Taxes

Property Taxes

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.

Income Taxes

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.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 6 - Risk Management

The Village obtained commercial insurance for the following risks:

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

Note 7 - Transfers

During 2017, the Village transferred money from the General Fund to various other funds for operating and debt service expenses. The transfer from the Refuse & Recycling Fund to the Refuse Truck Fund was for the future purchase of refuse trucks. These transfers were determined to be appropriate and in compliance with the Ohio Revised Code.

	Transfers In	Transfers Out
General	\$ -	\$ (1,203,544)
Cemetery Care Fund	3,500	-
Police Pension Fund	46,000	-
SCMR Fund	230,000	-
Cemetery Fund	23,000	-
Park Fund	25,000	-
Wastewater Treatment Fund	234,044	-
Water Supply Development Fund	526,000	-
Emergency Services Facility Fund	116,000	-
Refuse & Recycling Fund	-	(19,880)
Refuse Truck Fund	19,880	-
Total	\$ 1,223,424	\$ (1,223,424)

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All full-time and part-time employees that are not a certified full-time Police Officer belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 8 - Defined Benefit Pension Plans (Continued)

Ohio Police and Fire Retirement System (Continued)

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Social Security

Some Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 1 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 10 - Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Elevated Storage Tank Loan - OWDA #3737	\$ 341,052	3.39%
Water Treatment Plant - OWDA #3974	3,758,464	3.26%
Water Treatment Plant - OPWC	300,000	0.00%
Refunded Emergency Services Facility Bonds	1,436,000	3.20%
Wastewater Treatment Plant - OWDA #5175	2,478,420	1.00%
Wastewater Treatment Plant - OPWC	625,000	0.00%
OMEGA JV2 Loan	3,033	Variable
OMEGA JV5 Loan	698,553	Variable
Electric Improvement Bond Anticipation Note	720,000	2.25%
Total	<u>\$ 10,360,522</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. Payments are made from the Water Supply Development Fund.

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. Payments are made from the Water Supply Development Fund.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 10 – 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. Payments are made from the Water Supply Development Fund.

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. This bond was refunded in December 2017.

The Refunded Emergency Services Facility Bonds were issued in December 2017, with a maturity date of December 1, 2036. The bond refunded \$1,468,000 of the 2007 Emergency Services Facility Bonds that 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 bonds in annual installments ranging from \$105,952 to \$96,736, including interest. Payments are made from the Emergency Services Facility Bonds Debt Service Fund.

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 \$184,044, including interest. Payments are made from the Wastewater Treatment Debt Fund.

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. Payments are made from the Wastewater Treatment Debt Fund.

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.

On April 6, 2017 the Village paid off \$840,000 in bond anticipation notes and issued a one year bond anticipation note in the amount of \$720,000, with an interest rate of 2.25%. The Village intends to retire a portion of the note each year, and refinance the balance until the note is retired. Payments are made from the Electric Fund.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 10 – Debt (Continued)

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

Year ending December 31:	Elevated Storage Tank OWDA #3737	Water Treatment Plant Loan OWDA #3974	Water Treatment Plant Loan OPWC #CK02G	Refunded Emergency Services Facilities Bond	Wastewater Treatment Plant OWDA #5175
2018	\$ 57,620	\$ 500,312	\$ 37,500	\$ 105,952	\$ 184,044
2019	57,808	501,336	37,500	103,032	184,044
2020	58,002	502,393	37,500	106,144	184,044
2021	58,203	503,484	37,500	103,096	184,044
2022	58,411	504,612	37,500	101,080	184,044
2023-2027	88,021	1,775,568	112,500	514,048	920,220
2028-2032	-	-	-	505,952	828,198
2033-2037	-	-	-	392,280	-
Total	<u>\$ 378,065</u>	<u>\$ 4,287,705</u>	<u>\$ 300,000</u>	<u>\$ 1,931,584</u>	<u>\$ 2,668,638</u>

Year ending December 31:	Wastewater Treatment Plant OPWC #CK11L	Electric Improvement Bond Anticipation Note
2018	\$ 50,000	\$ 736,200
2019	50,000	-
2020	50,000	-
2021	50,000	-
2022	50,000	-
2023-2027	250,000	-
2028-2032	125,000	-
Total	<u>\$ 625,000</u>	<u>\$ 736,200</u>

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 5,000 kilowatts of a total 771,281 kilowatts, giving the Village a 0.65 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014 of the impaired costs is \$860,451. The Village received a credit of \$283,700 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$226,124 related to the AMPGS costs deemed to have future benefit for the project participants. Additionally, the Village made payments of \$533,570, leaving an estimated net credit balance of impaired costs of \$182,943. The Village has opted to leave the credit balance with AMP to offset any additional AMPGS Project costs in the future. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact, either positively or negatively, the Village's credit balance. These amounts will be recorded as they become estimable.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 10 – Debt (Continued)

The Village made payments in 2017 totaling \$24,634 applied to reduce the Village's allocated share of AMPGS costs deemed to have future benefit for the project.

Note 11 – Long Term Purchase Commitments

A. Combined Hydroelectric Projects

AMP owns and operates 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 is in commercial operation and consists of run-of-the-river hydroelectric generating facilities on existing Army Corps dams and includes associated transmission facilities. AMP holds the licenses from FERC for the Combined Hydroelectric Projects.

To provide financing for the Combined Hydroelectric Projects, AMP has issued eight series of its Combined Hydroelectric Projects Revenue Bonds (the "*Combined Hydroelectric Bonds*"), in an original aggregate principal amount of \$2,254,955,000 and consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Combined Hydroelectric Bonds are 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. As of December 31, 2017, \$2,150,625,294 aggregate principal amount of the Combined Hydroelectric Bonds and approximately \$126.9 million aggregate principal amount of subordinate obligations, consisting of notes evidencing draws on the Line of Credit, were outstanding under the indenture securing the Combined Hydroelectric Bonds.

The Village of Versailles has executed a take-or-pay power sales contract with AMP as a participant of the Combined Hydroelectric Projects of 1,099 kW or 0.53% of capacity and associated energy from the Combined Hydroelectric Projects.

B. Meldahl Hydroelectric Project

AMP owns and, together with the City of Hamilton, Ohio, an AMP Member, developed and constructed a 108.8 MW, three-unit hydroelectric generation facility on the Captain Anthony Meldahl Locks and Dam, an existing Army Corps dam on the Ohio River, and related equipment and associated transmission facilities (the "*Meldahl Project*"). The Meldahl Project is operated by the City of Hamilton.

In order to finance the construction of the Meldahl Project and related costs, AMP issued seven series of its Meldahl Hydroelectric Project Revenue Bonds ("*Meldahl Bonds*") in an original aggregate principal amount of \$820,185,000 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. As of December 31, 2017, \$694,280,000 aggregate principal amount of the Meldahl Bonds and approximately \$15 million aggregate principal amount of subordinate obligations, consisting of notes evidencing draws on the Line of Credit, were outstanding under the indenture securing the Meldahl Bonds.

The Village of Versailles has executed a take-or-pay power sales contract with AMP as a participant of the Meldahl Project of 383 kW or 0.36% of capacity and associated energy from the Meldahl Project.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 11 – Long Term Purchase Commitments (Continued)

C. Greenup Hydroelectric Project

In connection with the development of the Meldahl Project, Hamilton agreed to sell and AMP agreed to purchase a 48.6% undivided ownership interest (the “AMP Interest”) in the Greenup Hydroelectric Facility. On May 11, 2016, AMP issued \$125,630,000 aggregate principal amount of its Greenup Hydroelectric Project Revenue Bonds, Series 2016A (the “2016 Greenup Bonds”) and, with a portion of the proceeds thereof, acquired the AMP Interest. The 2016 Greenup Bonds are secured by a separate power sales contract that has been executed by the same Members (with the exception of Hamilton, which retained title to a 51.4% ownership interest in the Greenup Hydroelectric Facility) that executed the Meldahl Power Sales Contract. As of December 31, 2017, \$125,630,000 aggregate principal amount of the 2016 Greenup Bonds and approximately \$2.6 million aggregate principal amount of subordinate obligations, consisting of notes evidencing draws on the Line of Credit, were outstanding under the indenture securing the 2016 Greenup Bonds.

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

D. Prairie State Energy Campus (PSEC)

On December 20, 2007, AMP acquired a 23.26% undivided ownership interest (the “PSEC Ownership Interest”) in the Prairie State Energy Campus (“PSEC”), a two-unit, supercritical coal-fired power plant designed to have a net rated capacity of approximately 1,582 MW 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. Unit 1 of the PSEC commenced operations in the second quarter of 2012 and Unit 2 of the PSEC commenced operations in the fourth quarter of 2012.

From July 2008 through September 2010, AMP issued five series of Prairie State Energy Campus Revenue Bonds (collectively, the “Initial Prairie State Bonds”) to finance PSEC project costs and PSEC related expenses. The Initial Prairie State Bonds consist of tax-exempt, taxable and tax advantaged Build America Bonds issued in the original aggregate principal amount of \$1,696,800,000. On January 14, 2015 and November 30, 2017, AMP issued bonds to refund all of the callable tax-exempt Initial Prairie State Bonds issued in 2008 and 2009. As of December 31, 2017, AMP had \$1,552,270,000 aggregate principal amount of Prairie State Bonds.

AMP sells the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract with 68 Members (the “Prairie State Participants”). 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 as a participant of the PSEC of 3,981 kW or 1.08% of capacity and associated energy from the PSEC.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 11 – Long Term Purchase Commitments (Continued)

E. AMP Fremont Energy Center (AFEC)

On July 28, 2011, AMP acquired from FirstEnergy Generation Corporation (“FirstEnergy”) the Fremont Energy Center (“AFEC”), then nearing completion of construction and located in Fremont, Sandusky County, Ohio. Following completion of the commissioning and testing, AMP declared AFEC to be in commercial operation as of January 20, 2012. The AMP Fremont Energy Center is a natural gas fired, combined cycle, electric power generation plant with a capacity of 512 MW (unfired)/675 MW (fired), consisting of two combustion turbines, two heat recovery steam generators and one steam turbine and condenser.

AMP subsequently sold a 5.16% undivided ownership interest in AFEC to Michigan Public Power Agency and entered into a power sales contract with the Central Virginia Electric Cooperative for the output associated with a 4.15% undivided ownership interest in AFEC. The output of AFEC associated with the remaining 90.69% undivided ownership interest (the “90.69% Interest”) is sold to AMP Members pursuant to a take-or-pay power sales contract with 87 of its members (the “AFEC Power Sales Contract”).

To provide permanent financing for the 90.69% Interest, in 2012, AMP issued, in two series \$546,085,000 of its AMP Fremont Energy Center Project Revenue Bonds (the “AFEC Bonds”), consisting of taxable and tax-exempt obligations. The AFEC Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under the AFEC Power Sales Contract. On December 20, 2017, AMP issued bonds to refund all of the callable tax-exempt AFEC Bonds issued in 2012. As of December 31, 2017, \$508,465,000 aggregate principal amount of AFEC Bonds was outstanding.

The Village of Versailles has executed a take-or-pay power sales contract with AMP as a participant of the AFEC of 2,640 kW or 0.57% of capacity and associated energy from the AFEC.

Note 12 – Joint Ventures

A. 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.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 12 – Joint Ventures (Continued)

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

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, 2017 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, 2017, the outstanding debt was \$188,606. The Village's net obligation for this amount at December 31, 2017 was \$2,979. The net investment in OMEGA JV2 was \$124,535 at December 31, 2017. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

B. Ohio Municipal Electric Generation Agency Joint Venture 5 (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 YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 12 – Joint Ventures (Continued)

B. Ohio Municipal Electric Generation Agency Joint Venture 5 (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, 2017 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. On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates ("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 as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

The Village's net investment to date in OMEGA JV5 was \$32,867 at December 31, 2017. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

Note 13 – 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 12. 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:

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 13 – Segment Information (Continued)

	2017
Fund Cash Balance	\$ 4,933,778
Total Long-Term Debt	1,421,586
Condensed Operating Information:	
Operating Receipts	
Charges for Services	7,142,204
Other Operating Receipts	30,158
Total Operating Receipts	7,172,362
Operating Expenses	
Personal Services	506,065
Employee Fringe Benefits	149,872
Contractual Services	5,547,103
Supplies and Materials	150,425
Total Operating Expenses	6,353,465
Operating Income (Loss)	818,897
Non-Operating Receipts (Disbursements)	
Investment Income	1,117
Principal Payments	(995,354)
Interest Payments	(17,385)
Other Nonoperating Receipts (Disbursements)	491,217
Change in Fund Cash Balance	298,492
Beginning Fund Cash Balance	4,635,286
Ending Fund Cash Balance	\$ 4,933,778
 Condensed Cash Flows Information:	
	2017
Net Cash Provided (Used) by:	
Operating Activities	\$ 818,897
Capital and Related Financing Activities	
Principal Payments on Capital and Related Debt	(995,354)
Interest Payments on Capital and Related Debt	(17,385)
Other Capital and Related Financing Activities	492,334
Net Cash Provided (Used) by	
Capital and Related Financing Activities	(520,405)
Net Increase (Decrease)	298,492
Beginning Fund Cash Balance	4,635,286
Ending Fund Cash Balance	\$ 4,933,778

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 14 – Construction and Contractual Commitments

As of December 31, 2017, the Village has an outstanding encumbrance of \$60,000 for engineering services to be provided by Access Engineering Solutions for the Woodland Drive Reconstruction project.

Note 15 – 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.

Note 16 – Tax Abatements

Community Reinvestment Area (CRA)

Ohio Revised Code sections 5709.61-5709.69 allow for the designation of enterprise zones at the request of local legislative bodies and upon the approval of the director of development. After an area is certified as an enterprise zone, the legislative authority may enter into agreements with businesses to provide tax incentives in exchange for new investment in this area. An enterprise zone agreement allows for the exemption for a specified number of years, not to exceed fifteen, of a specified portion, up to 75%, of the increase in the assessed valuation of real property at the site. As part of the agreement, businesses must make specific commitments to investment and job creation or retention. If for any three-year period of the agreement the business fails to meet at least 75% of the employment commitment, the business must repay any taxes abated during that three-year period. If the business fails to comply with the terms of the agreement, other than the employment commitment, the agreement will be terminated and the business may have to repay all taxes that have been abated.

The Village of Versailles has entered into six enterprise zone agreements with local businesses. The agreements exempt 100% of the new real property investment of the businesses from taxation for a period of fifteen years. For the year ended December 31, 2017, the Village abated property taxes totaling \$14,824 under this program.

Note 17 – Subsequent Events

In January 2018, the Village was awarded a grant through the Jobs & Economic Development Program of \$200,000 towards the total estimated North West Street Extension project cost of \$552,305.

VILLAGE OF VERSAILLES
DARKE COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 86,313	\$ 260,165	\$ -	\$ -	\$ 346,478
Municipal Income Tax	1,649,987	824,870	-	-	2,474,857
Intergovernmental	274,998	323,261	-	-	598,259
Special Assessments	899	15,242	-	-	16,141
Charges for Services	-	288,931	-	-	288,931
Fines, Licenses and Permits	22,493	360	-	-	22,853
Earnings on Investments	42,047	886	-	-	42,933
Miscellaneous	61,785	38,447	-	20,737	120,969
<i>Total Cash Receipts</i>	<u>2,138,522</u>	<u>1,752,162</u>	<u>-</u>	<u>20,737</u>	<u>3,911,421</u>
Cash Disbursements					
Current:					
Security of Persons and Property	471,577	366,566	-	-	838,143
Public Health Services	15,190	25,543	-	-	40,733
Leisure Time Activities	-	77,557	-	-	77,557
Community Environment	14,967	-	-	-	14,967
Transportation	-	397,405	-	-	397,405
General Government	230,259	-	-	29,917	260,176
Capital Outlay	120,085	513,215	-	125,445	758,745
Debt Service:					
Principal Retirement	-	-	45,000	4,000	49,000
Interest and Fiscal Charges	-	-	72,923	-	72,923
<i>Total Cash Disbursements</i>	<u>852,078</u>	<u>1,380,286</u>	<u>117,923</u>	<u>159,362</u>	<u>2,509,649</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,286,444</u>	<u>371,876</u>	<u>(117,923)</u>	<u>(138,625)</u>	<u>1,401,772</u>
Other Financing Receipts					
Sale of Capital Assets	-	-	-	48,000	48,000
Transfers In	-	316,500	118,000	30,000	464,500
Transfers Out	(1,304,782)	-	-	-	(1,304,782)
Other Financing Uses	(35,175)	-	-	-	(35,175)
<i>Total Other Financing Receipts</i>	<u>(1,339,957)</u>	<u>316,500</u>	<u>118,000</u>	<u>78,000</u>	<u>(827,457)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(53,513)</u>	<u>688,376</u>	<u>77</u>	<u>(60,625)</u>	<u>574,315</u>
<i>Fund Cash Balances, January 1</i>	<u>2,324,955</u>	<u>2,016,781</u>	<u>115,090</u>	<u>94,729</u>	<u>4,551,555</u>
Fund Cash Balances, December 31					
Restricted	-	2,705,157	-	-	2,705,157
Assigned	411,733	-	115,167	34,104	561,004
Unassigned	1,859,709	-	-	-	1,859,709
<i>Fund Cash Balances, December 31</i>	<u>\$ 2,271,442</u>	<u>\$ 2,705,157</u>	<u>\$ 115,167</u>	<u>\$ 34,104</u>	<u>\$ 5,125,870</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 (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 8,172,915	\$ -	\$ 8,172,915
Miscellaneous	117,386	-	117,386
<i>Total Operating Cash Receipts</i>	<u>8,290,301</u>	<u>-</u>	<u>8,290,301</u>
Operating Cash Disbursements			
Personal Services	800,054	-	800,054
Travel Transportation	275,162	-	275,162
Contractual Services	5,286,130	-	5,286,130
Supplies and Materials	393,407	-	393,407
<i>Total Operating Cash Disbursements</i>	<u>6,754,753</u>	<u>-</u>	<u>6,754,753</u>
<i>Operating Income</i>	<u>1,535,548</u>	<u>-</u>	<u>1,535,548</u>
Non-Operating Receipts (Disbursements)			
Sale of Notes	840,000	-	840,000
Premium and Accrued Interest on Debt	3,788	-	3,788
Capital Outlay	(1,079,908)	-	(1,079,908)
Principal Retirement	(808,711)	-	(808,711)
Interest and Other Fiscal Charges	(179,002)	-	(179,002)
Other Financing Sources	4,757	-	4,757
Other Financing Uses	(4,057)	-	(4,057)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,223,133)</u>	<u>-</u>	<u>(1,223,133)</u>
<i>Income before Transfers</i>	312,415	-	312,415
Transfers In	859,412	-	859,412
Transfers Out	(19,130)	-	(19,130)
<i>Net Change in Fund Cash Balances</i>	1,152,697	-	1,152,697
<i>Fund Cash Balances, January 1</i>	<u>5,330,925</u>	<u>695</u>	<u>5,331,620</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 6,483,622</u>	<u>\$ 695</u>	<u>\$ 6,484,317</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 YEAR ENDED DECEMBER 31, 2016**

Note 1 - Reporting Entity

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

Joint Ventures and Long Term Purchase Commitments

The Village participates in two joint venture organizations and four long term purchase commitments. Notes 11 and 12 to the financial statements provide additional information for these organizations.

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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 money for constructing, maintaining, and repairing Village streets.

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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 property tax money for street construction and major repair purposes consisting of storm drainage improvements, sanitary sewer improvements, waterline improvements and maintenance.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

Capital Projects 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 Fund:

Economic Development Fund – This fund receives miscellaneous receipts used to purchase land used for economic development within the Village.

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.

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.

Basis of Accounting

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).

VILLAGE OF VERSAILLES
DARKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or 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.

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 approve estimated resources.

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 reappropriated.

A summary of 2016 budgetary activity appears in Note 3.

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.

Capital Assets

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

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.

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:

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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.

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.

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.

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.

Note 3 – Budgetary Activity

Budgetary activity for the years ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,108,421	\$ 2,138,522	\$ 30,101
Special Revenue	2,027,034	2,068,662	41,628
Debt Service	118,000	118,000	-
Capital Projects	102,100	98,737	(3,363)
Enterprise	10,004,200	9,998,258	(5,942)
Total	\$ 14,359,755	\$ 14,422,179	\$ 62,424

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 3 – Budgetary Activity (Continued)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,442,562	\$ 2,255,664	\$ 186,898
Special Revenue	1,795,150	1,450,923	344,227
Debt Service	117,923	117,923	-
Capital Projects	171,225	167,366	3,859
Enterprise	10,238,926	9,625,132	613,794
Total	\$ 14,765,786	\$ 13,617,008	\$ 1,148,778

Note 4 – Deposits

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

	2016
Demand Deposits	\$ 3,110,187
Certificates of Deposit	8,500,000
Total Deposits	\$ 11,610,187

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

Note 5 – Taxes

Property Taxes

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.

Income Taxes

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.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 6 - Risk Management

The Village obtained commercial insurance for the following risks:

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

Note 7 - Transfers

During 2016, the Village transferred money from the General Fund to various other funds for operating and debt service expenses. The transfer from the Refuse & Recycling Fund to the Refuse Truck Fund was for the future purchase of refuse trucks. These transfers were determined to be appropriate and in compliance with the Ohio Revised Code.

	Transfers In	Transfers Out
General	\$ -	\$ (1,304,782)
Cemetery Care Fund	3,500	-
Police Pension Fund	46,000	-
SCMR Fund	225,000	-
Cemetery Fund	22,000	-
Park Fund	20,000	-
Wastewater Treatment Fund	234,044	-
Water Supply Development Fund	606,238	-
Economic Development Fund	30,000	-
Emergency Services Facility Fund	118,000	-
Refuse & Recycling Fund	-	(19,130)
Refuse Truck Fund	19,130	-
Total	\$ 1,323,912	\$ (1,323,912)

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All full-time and part-time employees that are not a certified full-time Police Officer belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 8 - Defined Benefit Pension Plans (Continued)

Ohio Police and Fire Retirement System (Continued)

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Social Security

Some Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 10 - Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Elevated Storage Tank Loan - OWDA #3737	\$ 387,217	3.39%
Water Treatment Plant - OWDA #3974	4,136,502	3.26%
Water Treatment Plant - OPWC	337,500	0.00%
Emergency Services Facility Bonds	1,445,000	3.7-5%
Wastewater Treatment Plant - OWDA #5175	2,636,493	1.00%
Wastewater Treatment Plant - OPWC	675,000	0.00%
OMEGA JV2 Loan	65,493	Variable
OMEGA JV5 Loan	791,447	Variable
Electric Improvement Bond Anticipation Note	840,000	1.25%
Total	<u>\$ 11,314,652</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. Payments are made from the Water Supply Development Fund.

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. Payments are made from the Water Supply Development Fund.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 10 – 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. Payments are made from the Water Supply Development Fund. The prior audit report improperly disclosed the outstanding balance on this loan. The amount outstanding as of December 31, 2015 was \$375,000.

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. This loan was paid in full during 2016.

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 \$184,044, including interest. Payments are made from the Wastewater Treatment Debt Fund.

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. Payments are made from the Wastewater Treatment Debt Fund.

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. The prior audit report improperly disclosed the outstanding balance on this loan. The amount outstanding as of December 31, 2015 was 883,744.

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.

On April 7, 2016 the Village issued a one year bond anticipation note in the amount of \$840,000 with an interest rate of 1.25% to upgrade the municipal electric system substation from 4kV to 12kV. The Village intends to retire a portion of the note each year, and refinance the balance until the note is retired. Payments are made from the Electric Fund.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 10 – Debt (Continued)

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

Year ending December 31:	Elevated Storage Tank OWDA #3737	Water Treatment Plant Loan OWDA #3974	Water Treatment Plant Loan OPWC #CK02G	Emergency Services Facilities Bond	Wastewater Treatment Plant OWDA #5175
2017	\$ 57,439	\$ 499,222	\$ 37,500	\$ 115,965	\$ 184,044
2018	57,620	500,312	37,500	119,007	184,044
2019	57,808	501,336	37,500	116,632	184,044
2020	58,002	502,393	37,500	119,257	184,044
2021	58,203	503,484	37,500	116,645	184,044
2022-2026	146,432	2,280,180	150,000	581,337	920,220
2027-2031	-	-	-	571,430	920,220
2032-2036	-	-	-	559,500	92,022
Total	<u>\$ 435,504</u>	<u>\$ 4,786,927</u>	<u>\$ 337,500</u>	<u>\$ 2,299,773</u>	<u>\$ 2,852,682</u>

Year ending December 31:	Wastewater Treatment Plant OPWC #CK11L	Electric Improvement Bond Anticipation Note
2018	\$ 50,000	\$ 850,500
2019	50,000	-
2020	50,000	-
2021	50,000	-
2022	50,000	-
2023-2027	250,000	-
2028-2032	175,000	-
Total	<u>\$ 675,000</u>	<u>\$ 850,500</u>

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 5,000 kilowatts of a total 771,281 kilowatts, giving the Village a 0.65 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014 of the impaired costs is \$860,451. The Village received a credit of \$283,700 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$226,124 related to the AMPGS costs deemed to have future benefit for the project participants. Additionally, the Village made payments of \$533,570, leaving an estimated net credit balance of impaired costs of \$182,943. The Village has opted to leave the credit balance with AMP to offset any additional AMPGS Project costs in the future.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 10 – Debt (Continued)

Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact, either positively or negatively, the Village's credit balance. These amounts will be recorded as they become estimable.

The Village made payments in 2016 totaling \$0 applied to reduce the Village's allocated share of AMPGS costs deemed to have future benefit for the project.

Note 11 – Long Term Purchase Commitments

A. Combined Hydroelectric Projects

AMP owns and operates 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 is in commercial operation and consists of run-of-the-river hydroelectric generating facilities on existing Army Corps dams and includes associated transmission facilities. AMP holds the licenses from FERC for the Combined Hydroelectric Projects.

To provide financing for the Combined Hydroelectric Projects, AMP has issued eight series of its Combined Hydroelectric Projects Revenue Bonds (the "*Combined Hydroelectric Bonds*"), in an original aggregate principal amount of \$2,254,955,000 and consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Combined Hydroelectric Bonds are 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.

The Village of Versailles has executed a take-or-pay power sales contract with AMP as a participant of the Combined Hydroelectric Projects of 1,099 kW or 0.53% of capacity and associated energy from the Combined Hydroelectric Projects.

B. Meldahl Hydroelectric Project

AMP owns and, together with the City of Hamilton, Ohio, an AMP Member, developed and constructed a 108.8 MW, three-unit hydroelectric generation facility on the Captain Anthony Meldahl Locks and Dam, an existing Army Corps dam on the Ohio River, and related equipment and associated transmission facilities (the "*Meldahl Project*"). The Meldahl Project is operated by the City of Hamilton.

In order to finance the construction of the Meldahl Project and related costs, AMP issued seven series of its Meldahl Hydroelectric Project Revenue Bonds ("*Meldahl Bonds*") in an original aggregate principal amount of \$820,185,000 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.

The Village of Versailles has executed a take-or-pay power sales contract with AMP as a participant of the Meldahl Project of 383 kW or 0.36% of capacity and associated energy from the Meldahl Project.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 11 – Long Term Purchase Commitments (Continued)

C. Greenup Hydroelectric Project

In connection with the development of the Meldahl Project, Hamilton agreed to sell and AMP agreed to purchase a 48.6% undivided ownership interest (the “AMP Interest”) in the Greenup Hydroelectric Facility. On May 11, 2016, AMP issued \$125,630,000 aggregate principal amount of its Greenup Hydroelectric Project Revenue Bonds, Series 2016A (the “2016 Greenup Bonds”) and, with a portion of the proceeds thereof, acquired the AMP Interest. The 2016 Greenup Bonds are secured by a separate power sales contract that has been executed by the same Members (with the exception of Hamilton, which retained title to a 51.4% ownership interest in the Greenup Hydroelectric Facility) that executed the Meldahl Power Sales Contract.

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

D. Prairie State Energy Campus (PSEC)

On December 20, 2007, AMP acquired a 23.26% undivided ownership interest (the “PSEC Ownership Interest”) in the Prairie State Energy Campus (“PSEC”), a two-unit, supercritical coal-fired power plant designed to have a net rated capacity of approximately 1,582 MW 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. Unit 1 of the PSEC commenced operations in the second quarter of 2012 and Unit 2 of the PSEC commenced operations in the fourth quarter of 2012.

From July 2008 through September 2010, AMP issued five series of Prairie State Energy Campus Revenue Bonds (collectively, the “Initial Prairie State Bonds”) to finance PSEC project costs and PSEC related expenses. The Initial Prairie State Bonds consist of tax-exempt, taxable and tax advantaged Build America Bonds issued in the original aggregate principal amount of \$1,696,800,000. On January 14, 2015 and November 30, 2017, AMP issued bonds to refund all of the callable tax-exempt Initial Prairie State Bonds issued in 2008 and 2009.

AMP sells the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract with 68 Members (the “Prairie State Participants”). 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 as a participant of the PSEC of 3,981 kW or 1.08% of capacity and associated energy from the PSEC.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 11 – Long Term Purchase Commitments (Continued)

E. AMP Fremont Energy Center (AFEC)

On July 28, 2011, AMP acquired from FirstEnergy Generation Corporation (“FirstEnergy”) the Fremont Energy Center (“AFEC”), then nearing completion of construction and located in Fremont, Sandusky County, Ohio. Following completion of the commissioning and testing, AMP declared AFEC to be in commercial operation as of January 20, 2012. The AMP Fremont Energy Center is a natural gas fired, combined cycle, electric power generation plant with a capacity of 512 MW (unfired)/675 MW (fired), consisting of two combustion turbines, two heat recovery steam generators and one steam turbine and condenser.

AMP subsequently sold a 5.16% undivided ownership interest in AFEC to Michigan Public Power Agency and entered into a power sales contract with the Central Virginia Electric Cooperative for the output associated with a 4.15% undivided ownership interest in AFEC. The output of AFEC associated with the remaining 90.69% undivided ownership interest (the “90.69% Interest”) is sold to AMP Members pursuant to a take-or-pay power sales contract with 87 of its members (the “AFEC Power Sales Contract”).

To provide permanent financing for the 90.69% Interest, in 2012, AMP issued, in two series \$546,085,000 of its AMP Fremont Energy Center Project Revenue Bonds (the “AFEC Bonds”), consisting of taxable and tax-exempt obligations. The AFEC Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under the AFEC Power Sales Contract. On December 20, 2017, AMP issued bonds to refund all of the callable tax-exempt AFEC Bonds issued in 2012.

The Village of Versailles has executed a take-or-pay power sales contract with AMP as a participant of the AFEC of 2,640 kW or 0.57% of capacity and associated energy from the AFEC.

Note 12 – Joint Ventures

A. 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.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 12 – Joint Ventures (Continued)

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

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, 2017 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, 2016, the outstanding debt was \$4,143,047. The Village's net obligation for this amount at December 31, 2016 was \$65,454. The net investment in OMEGA JV2 was \$165,105 at December 31, 2016. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

B. Ohio Municipal Electric Generation Agency Joint Venture 5 (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.

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, 2016 Versailles has met their debt coverage obligation.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 12 – Joint Ventures (Continued)

A. Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5) (Continued)

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. On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates ("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 as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

The Village's net investment to date in OMEGA JV5 was \$32,867 at December 31, 2016. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

Note 13 – 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 12. 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:

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 13 – Segment Information (Continued)

	2017
Fund Cash Balance	\$ 4,635,285
Total Long-Term Debt	1,696,940
Condensed Operating Information:	
Operating Receipts	
Charges for Services	7,070,890
Other Operating Receipts	51,102
Total Operating Receipts	7,121,992
Operating Expenses	
Personal Services	504,889
Employee Fringe Benefits	159,036
Contractual Services	5,074,589
Supplies and Materials	179,919
Total Operating Expenses	5,918,433
Operating Income (Loss)	1,203,559
Non-Operating Receipts (Disbursements)	
Premium and Accrued Interest on Debt	3,788
Sale of Notes	840,000
Principal Payments	(154,059)
Interest Payments	(6,486)
Other Nonoperating Receipts (Disbursements)	(1,012,463)
Change in Fund Cash Balance	874,339
Beginning Fund Cash Balance	3,760,947
Ending Fund Cash Balance	\$ 4,635,286
 Condensed Cash Flows Information:	
	2017
Net Cash Provided (Used) by:	
Operating Activities	\$ 1,203,559
Capital and Related Financing Activities	
Principal Payments on Capital and Related Debt	(154,059)
Interest Payments on Capital and Related Debt	(6,486)
Other Capital and Related Financing Activities	(168,675)
Net Cash Provided (Used) by	
Capital and Related Financing Activities	(329,220)
Net Increase (Decrease)	874,339
Beginning Fund Cash Balance	3,760,947
Ending Fund Cash Balance	\$ 4,635,286

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 14 – 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.

Note 15 – Tax Abatements

Community Reinvestment Area (CRA)

Ohio Revised Code sections 5709.61-5709.69 allow for the designation of enterprise zones at the request of local legislative bodies and upon the approval of the director of development. After an area is certified as an enterprise zone, the legislative authority may enter into agreements with businesses to provide tax incentives in exchange for new investment in this area. An enterprise zone agreement allows for the exemption for a specified number of years, not to exceed fifteen, of a specified portion, up to 75%, of the increase in the assessed valuation of real property at the site. As part of the agreement, businesses must make specific commitments to investment and job creation or retention. If for any three-year period of the agreement the business fails to meet at least 75% of the employment commitment, the business must repay any taxes abated during that three-year period. If the business fails to comply with the terms of the agreement, other than the employment commitment, the agreement will be terminated and the business may have to repay all taxes that have been abated.

The Village of Versailles has entered into six enterprise zone agreements with local businesses. The agreements exempt 100% of the new real property investment of the businesses from taxation for a period of fifteen years. For the year ended December 31, 2016, the Village abated property taxes totaling \$14,846 under this program.



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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 27, 2018

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

To the Village Council:

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 cash balances, receipts and disbursements by fund type of the **Village of Versailles**, Darke County, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated June 27, 2018, 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 certain deficiencies in internal controls, described in the accompanying schedule of audit findings that we consider material weaknesses. We consider finding 2017-001 to be a material weakness.

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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 also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 27, 2018.

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, 2017 AND 2016

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

FINDING NUMBER 2017-001

Material Weakness

Classification of Receipts

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure information provided to the readers of the financial statements is accurate. Receipts should be posted to the appropriate classification per the Village Officer's Handbook.

During 2016, the following error was noted:

- Sale of land was improperly classified as Miscellaneous instead of Sale of Capital Assets in the Capital Projects Fund.

Not classifying receipts 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 receipts are accurately classified.

We recommend the Fiscal Officer refer to the Village Officer's Handbook for guidance on properly classifying receipts on the annual financial report.

Management's Response – As Fiscal Officer, I perform a review of all transactions and financial statements. The sale of land entry was missed on my review and therefore was misclassified.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Fund Balance Classification	Fully Corrected	N/A



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
OCTOBER 16, 2018