



Dave Yost • Auditor of State

VILLAGE OF VERSAILLES
DARKE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2013	6
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	7
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2012	8
Notes to the Financial Statements	9
Schedule of Federal Awards Expenditures – For the Year Ended December 31, 2013	23
Notes to the Schedule of Federal Awards Expenditures	24
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	25
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	27
Schedule of Findings.....	29
Schedule of Prior Audit Findings.....	33
Corrective Action Plan.....	34

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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 and related notes of the Village of Versailles, Darke County, (the Village) as of and for the years ended December 31, 2013 and 2012.

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 opinion.

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

As described in Note 1 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, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Versailles, Darke County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Matters

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Award Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2014, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

July 31, 2014

This page intentionally left blank.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$73,249	\$43,650	\$41,855		\$158,754
Municipal Income Tax	1,507,536	752,710			2,260,246
Intergovernmental	339,367	1,286,996		\$41,996	1,668,359
Special Assessments		32,293			32,293
Charges for Services		262,930			262,930
Fines, Licenses and Permits	14,967	595			15,562
Earnings on Investments	26,404	1,099			27,503
Miscellaneous	43,122	24,300		7,369	74,791
Total Cash Receipts	<u>2,004,645</u>	<u>2,404,573</u>	<u>41,855</u>	<u>49,365</u>	<u>4,500,438</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	478,033	354,361			832,394
Public Health Services	15,065	21,114			36,179
Leisure Time Activities		74,150			74,150
Community Environment	23,198				23,198
Transportation		349,108			349,108
General Government	190,954				190,954
Capital Outlay	56,312	1,906,519		5,592	1,968,423
Debt Service:					
Principal Retirement			78,232	4,000	82,232
Interest and Fiscal Charges		32	81,746		81,778
Total Cash Disbursements	<u>763,562</u>	<u>2,705,284</u>	<u>159,978</u>	<u>9,592</u>	<u>3,638,416</u>
Excess of Receipts Over (Under) Disbursements	<u>1,241,083</u>	<u>(300,711)</u>	<u>(118,123)</u>	<u>39,773</u>	<u>862,022</u>
Other Financing Receipts (Disbursements):					
Transfers In		104,610	118,125	15,670	238,405
Transfers Out	(1,083,385)				(1,083,385)
Advances In	50,000	400,000			450,000
Advances Out		(400,000)		(50,000)	(450,000)
Other Financing Uses	(18,020)	(50,906)			(68,926)
Total Other Financing Receipts (Disbursements)	<u>(1,051,405)</u>	<u>53,704</u>	<u>118,125</u>	<u>(34,330)</u>	<u>(913,906)</u>
Net Change in Fund Cash Balances	189,678	(247,007)	2	5,443	(51,884)
Fund Cash Balances, January 1	<u>2,449,779</u>	<u>2,056,350</u>	<u>117,153</u>	<u>246,049</u>	<u>4,869,331</u>
Fund Cash Balances, December 31:					
Restricted		1,809,343	117,155	4,006	1,930,504
Assigned	49,917			247,486	297,403
Unassigned (Deficit)	2,589,540				2,589,540
Fund Cash Balances, December 31	<u>\$2,639,457</u>	<u>\$1,809,343</u>	<u>\$117,155</u>	<u>\$251,492</u>	<u>\$4,817,447</u>

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts:			
Charges for Services	\$6,611,576		\$6,611,576
Earnings on Investments (trust funds only)		\$1	1
Miscellaneous	15,232		15,232
Total Operating Cash Receipts	<u>6,626,808</u>	<u>1</u>	<u>6,626,809</u>
Operating Cash Disbursements:			
Personal Services	1,016,434		1,016,434
Employee Fringe Benefits	16,141		16,141
Contractual Services	4,492,720		4,492,720
Supplies and Materials	435,380		435,380
Total Operating Cash Disbursements	<u>5,960,675</u>		<u>5,960,675</u>
Operating Income (Loss)	<u>666,133</u>	<u>1</u>	<u>666,134</u>
Non-Operating Receipts (Disbursements):			
Intergovernmental	20,946		20,946
Capital Outlay	(595,707)		(595,707)
Principal Retirement	(747,466)		(747,466)
Interest and Other Fiscal Charges	(273,176)		(273,176)
Other Financing Sources	8,578		8,578
Other Financing Uses	(4,978)		(4,978)
Total Non-Operating Receipts (Disbursements)	<u>(1,591,803)</u>		<u>(1,591,803)</u>
Income (Loss) before Transfers	(925,670)	1	(925,669)
Transfers In	860,650		860,650
Transfers Out	<u>(15,670)</u>		<u>(15,670)</u>
Net Change in Fund Cash Balances	(80,690)	1	(80,689)
Fund Cash Balances, January 1	<u>4,390,437</u>	<u>693</u>	<u>4,391,130</u>
Fund Cash Balances, December 31	<u>\$4,309,747</u>	<u>\$694</u>	<u>\$4,310,441</u>

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts:					
Property and Other Local Taxes	\$71,327	\$44,689	\$41,855		\$157,871
Municipal Income Tax	1,351,028	673,628			2,024,656
Intergovernmental	302,100	789,184		\$51,508	1,142,792
Special Assessments		60,351			60,351
Charges for Services		301,216			301,216
Fines, Licenses and Permits	14,265	428			14,693
Earnings on Investments	39,200	2,885			42,085
Miscellaneous	64,909	106,999		6,626	178,534
Total Cash Receipts	<u>1,842,829</u>	<u>1,979,380</u>	<u>41,855</u>	<u>58,134</u>	<u>3,922,198</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	468,823	331,088			799,911
Public Health Services	16,706	21,368			38,074
Leisure Time Activities		66,960			66,960
Community Environment	22,057				22,057
Transportation		342,335			342,335
General Government	229,854				229,854
Capital Outlay	122,967	1,324,992		100,135	1,548,094
Debt Service:					
Principal Retirement			76,992	4,000	80,992
Interest and Fiscal Charges		69	84,684		84,753
Total Cash Disbursements	<u>860,407</u>	<u>2,086,812</u>	<u>161,676</u>	<u>104,135</u>	<u>3,213,030</u>
Excess of Receipts Over (Under) Disbursements	<u>982,422</u>	<u>(107,432)</u>	<u>(119,821)</u>	<u>(46,001)</u>	<u>709,168</u>
Other Financing Receipts (Disbursements):					
Transfers In		198,500	119,825	31,230	349,555
Transfers Out	(1,080,085)				(1,080,085)
Advances In				50,000	50,000
Advance Out	(50,000)				(50,000)
Other Financing Uses		(676)			(676)
Total Other Financing Receipts (Disbursements)	<u>(1,130,085)</u>	<u>197,824</u>	<u>119,825</u>	<u>81,230</u>	<u>(731,206)</u>
Net Change in Fund Cash Balances	(147,663)	90,392	4	35,229	(22,038)
Fund Cash Balances, January 1	<u>2,597,442</u>	<u>1,965,958</u>	<u>117,149</u>	<u>210,820</u>	<u>4,891,369</u>
Fund Cash Balances, December 31:					
Restricted		2,056,350	117,153	15,507	2,189,010
Assigned	335,094			230,542	565,636
Unassigned (Deficit)	2,114,685				2,114,685
Fund Cash Balances, December 31	<u>\$2,449,779</u>	<u>\$2,056,350</u>	<u>\$117,153</u>	<u>\$246,049</u>	<u>\$4,869,331</u>

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$6,365,444		\$6,365,444
Earnings on Investments (trust funds only)		\$1	1
Miscellaneous	39,938		39,938
Total Operating Cash Receipts	<u>6,405,382</u>	<u>1</u>	<u>6,405,383</u>
Operating Cash Disbursements:			
Personal Services	1,001,402		1,001,402
Employee Fringe Benefits	12,924		12,924
Contractual Services	4,139,275		4,139,275
Supplies and Materials	340,291		340,291
Total Operating Cash Disbursements	<u>5,493,892</u>		<u>5,493,892</u>
Operating Income (Loss)	<u>911,490</u>	<u>1</u>	<u>911,491</u>
Non-Operating Receipts (Disbursements):			
Other Debt Proceeds	156,973		156,973
Capital Outlay	(984,104)		(984,104)
Principal Retirement	(615,372)		(615,372)
Interest and Other Fiscal Charges	(315,356)		(315,356)
Other Financing Sources	5,543		5,543
Other Financing Uses	(5,362)		(5,362)
Total Non-Operating Receipts (Disbursements)	<u>(1,757,678)</u>		<u>(1,757,678)</u>
Income (Loss) before Transfers	(846,188)	1	(846,187)
Transfers In	745,850		745,850
Transfers Out	<u>(15,320)</u>		<u>(15,320)</u>
Net Change in Fund Cash Balances	(115,658)	1	(115,657)
Fund Cash Balances, January 1	<u>4,506,095</u>	<u>692</u>	<u>4,506,787</u>
Fund Cash Balances, December 31	<u>\$4,390,437</u>	<u>\$693</u>	<u>\$4,391,130</u>

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Village participates in two joint ventures to provide electricity to the Village. Notes 1€ and 1F of the financial statements provides additional information for these entities. These organizations are:

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

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

The Village values certificates of deposit at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

3. Debt Service Funds

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

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

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

4. Capital Project Funds

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

FEMA Fund – This fund received a federal grant from the Emergency Management Agency for the removal of an obstructing dwelling within the floodway.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from customers to cover water service costs.

Sewer Fund - This fund receives charges for services from customers to cover sewer service costs.

Electric Fund - This fund receives charges for services from customers to cover electric service costs.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Fiduciary Funds

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

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund-object level of control for the following funds: General Fund, Street Construction Maintenance & Repair Fund, Cemetery Fund, Emergency Medical Services Fund, Fire Fund, Swimming Pool Fund, Water Fund, Sewer Fund, Refuse & Recycling Fund, and Electric Fund; and at the fund level of control for all other funds. Appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Non-spendable

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

2. Restricted

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS

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

	2013	2012
Demand deposits	\$327,194	\$359,768
Certificates of deposit	8,800,694	8,900,693
Total deposits	\$9,127,888	\$9,260,461

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,923,635	\$2,054,645	\$131,010
Special Revenue	3,408,765	2,909,183	(499,582)
Debt Service	159,980	159,980	
Capital Projects	70,765	65,035	(5,730)
Enterprise	7,341,360	7,516,982	175,622
Private Purpose Trust		1	1
Total	<u>\$12,904,505</u>	<u>\$12,705,826</u>	<u>(\$198,679)</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,179,047	\$1,909,539	\$269,508
Special Revenue	3,906,450	3,320,575	585,875
Debt Service	159,980	159,978	2
Capital Projects	69,940	59,592	10,348
Enterprise	9,491,445	7,628,479	1,862,966
Private Purpose Trust			
Total	<u>\$15,806,862</u>	<u>\$13,078,163</u>	<u>\$2,728,699</u>

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,832,720	\$1,842,829	\$10,109
Special Revenue	2,315,004	2,177,880	(137,124)
Debt Service	161,680	161,680	
Capital Projects	139,364	139,364	
Enterprise	7,501,689	7,313,748	(187,941)
Private Purpose Trust		1	1
Total	<u>\$11,950,457</u>	<u>\$11,635,502</u>	<u>(\$314,955)</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,349,501	\$2,067,208	\$282,293
Special Revenue	2,566,123	2,107,048	459,075
Debt Service	161,710	161,676	34
Capital Projects	367,657	110,385	257,272
Enterprise	8,392,706	7,765,017	627,689
Private Purpose Trust			
Total	<u>\$13,837,697</u>	<u>\$12,211,334</u>	<u>\$1,626,363</u>

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. PROPERTY TAX

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

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

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

5. LOCAL INCOME TAX

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

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

6. DEBT

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Elevated Storage Tank Loan – OWDA	\$499,837	3.39%
Water Treatment Plant – OWDA	5,199,961	3.26%
Water Treatment Plant – OPWC	431,250	0.00%
Chamber of Commerce Loan	12,000	0.00%
Emergency Services Facility Bonds	1,570,000	3.7 – 5%
Wastewater Treatment Plant – OWDA	3,089,929	1.00%
Wastewater Treatment Plant – OPWC	825,000	0.00%
Fire Equipment Bonds	80,345	3.32%
OMEGA JV2 Loan	249,155	Variable
OMEGA JV5 Loan	301,191	Variable
Total	<u>\$12,258,668</u>	

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

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. DEBT (Continued)

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

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

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

The Wastewater Treatment Plant loan with OWDA began in September 2009. OWDA approved a loan up to \$7,820,870 for this project. The Village also received \$4,473,196 in American Recovery and Reinvestment Act (ARRA) money to offset their loan with OWDA. The Village began to make semiannual installment payments beginning in 2012. The annual loan payment is \$183,021, including interest. An amortization schedule for this loan was not provided by OWDA.

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

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

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.

Amortization of the above debt, including interest, is scheduled as follows:

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. DEBT (Continued)

Year ending December 31:	Wastewater Treatment Plant Loan (OPWC)	Emergency Services Facilities Bonds	Chamber of Commerce Loan
2014	\$50,000	\$116,403	\$4,000
2015	50,000	114,663	4,000
2016	50,000	117,923	4,000
2017	50,000	115,965	
2018	50,000	119,008	
2019-2023	250,000	582,988	
2024-2028	250,000	579,815	
2029-2033	75,000	571,500	
2034-2036		330,500	
Total	<u>\$825,000</u>	<u>\$2,648,765</u>	<u>\$12,000</u>

Year ending December 31:	Water Treatment Plant Loan (OWDA)	Water Treatment Plant Loan (OPWC)	Fire Equipment Series Bonds
2014	\$509,832	\$37,500	\$41,854
2015	509,832	37,500	41,854
2016	509,832	37,500	
2017	509,832	37,500	
2018	509,832	37,500	
2019-2023	2,549,160	187,500	
2024-2028	1,274,580	56,250	
2029-2033			
2034-2036			
Total	<u>\$6,372,900</u>	<u>\$431,250</u>	<u>\$83,708</u>

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 10% of their wages through June 30, 2013. After June 30, 2013, OP&F participants contributed 10.75% of their gross wages. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013 and 2012, 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, 2013.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

10. JOINT VENTURES

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

The Village of Versailles is a Financing Participate and an Owner Participant with percentages of liability and ownership of 1.58% and 1.24% respectively and shared 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 Purchaser Participants.

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement each Financing Participant is to fix, charge, and collect rates, fees, and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2013 the Village of Versailles has met their debt coverage obligation.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

10. JOINT VENTURES (Continued)

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 134.081 MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participations 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, 2013, the outstanding debt was \$15,769,323. The Village's net obligation for this amount at December 31, 2013 was \$249,155. The net investment in OMEGA JV2 was \$282,092 at December 31, 2013. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2013 are:

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

10. JOINT VENTURES (Continued)

The Village's liability for the bonds is disclosed below:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$59,951	\$3,195	\$63,146
2015	60,720	2,427	63,147
2016	61,499	1,648	63,147
2017-2020	66,985	919	67,904
Total Gross Liability	<u>\$249,155</u>	<u>\$8,189</u>	<u>\$257,344</u>
Net Obligation	<u>\$249,155</u>		

B. Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA 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 Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

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 and any other outstanding senior lien electric system revenue obligations. As of December 31, 2013 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 rate 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.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

10. JOINT VENTURES (Continued)

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, a 30 year fixed rate Beneficial Interest Certificate (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.

The Village's net investment to date in OMEGA JV5 was \$107,492 at December 31, 2013. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

11. 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 10. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village's Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

	<u>2013</u>	<u>2012</u>
Total Assets	\$2,822,265	\$3,006,032
Total Liabilities	550,342	658,154
Condensed Operating Information:		
Operating Receipts:		
Charges for Services	5,799,986	5,576,692
Total Operating Receipts	5,799,986	5,576,692
Operating Expenses	5,215,749	4,760,691
Operating Income (Loss)	584,237	816,001
Non-operating Receipts (Disbursements):		
Capital Outlay	(589,457)	(577,113)
Principal Payments	(134,340)	(89,055)
Interest Payments	(44,058)	(89,407)
Other Non-operating Receipts (Disbursements)	(149)	(170)
Change in Fund Cash Balance	(183,767)	60,256
Beginning Fund Cash Balance	3,006,032	2,945,776
Ending Fund Cash Balance	<u>\$2,822,265</u>	<u>\$3,006,032</u>

(Continued)

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

11. SEGMENT INFORMATION (Continued)

Condensed Cash Flows Information:

Net Cash Provided (Used) by:		
Operating Activities	\$584,237	\$816,001
Non-capital Financing Activities:		
Principal Payments on Noncapital Debt	(134,340)	(89,055)
Interest Payments on Noncapital Debt	(44,058)	(89,407)
Other Noncapital Financing Activities	(149)	(170)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(178,547)</u>	<u>(178,632)</u>
Capital and Related Financing Activities:		
Other Capital and Related Financing Activities	<u>(589,457)</u>	<u>(577,113)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(589,457)	(577,113)
Net Increase (Decrease)	(183,767)	60,256
Beginning Fund Cash Balance	3,006,032	2,945,776
Ending Fund Cash Balance	<u>\$2,822,265</u>	<u>\$3,006,032</u>

12. SUBSEQUENT EVENT

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, payment of these costs was not made due to AMP's pursuit of legal action to void them. As a result of a March 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, and made payments of \$533,570 leaving a net credit balance of impaired cost estimate of \$182,943. The Village will be leaving the credit balance with AMP to offset any additional costs in the future. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's credit balance. These amounts will be recorded as they become estimable.

This page intentionally left blank.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	PID - 93852	20.205	<u>\$810,118</u>
Total U.S. Department of Transportation			<u>810,118</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through Ohio Department of Public Safety</i>			
Flood Mitigation Assistance	FMA12/EMA2012- FM-E002	97.029	<u>3,232</u>
Total U.S. Department of Homeland Security			<u>3,232</u>
Total Federal Awards Expenditures			<u><u>\$813,350</u></u>

The accompanying notes are an integral part of this schedule.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the Village of Versailles' (the Village's) federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require the Village to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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 Village of Versailles, Darke County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated July 31, 2014 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.

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

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 a 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. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

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 we must report under *Government Auditing Standards*.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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.



Dave Yost
Auditor of State

Columbus, Ohio

July 31, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Village Council:

Report on Compliance for the Major Federal Program

We have audited the Village of Versailles' (the Village) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Village of Versailles' major federal program for the year ended December 31, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Village's major federal program.

Management's Responsibility

The Village's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Village's compliance for the Village's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Village's major program. However, our audit does not provide a legal determination of the Village's compliance.

Opinion on the Major Federal Program

In our opinion, the Village of Versailles complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of finding as items 2013-003. This finding did not require us to modify our compliance opinion on the major federal program.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.ohioauditor.gov

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

Report on Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Village's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2013-003 to be a material weakness.

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

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

July 31, 2014

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Highway Planning and Construction: CFDA# 20.205
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2013-001

Material Weakness – Fund Balance Classifications

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, introduced five fund balance classifications and clarified the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are non-spendable, restricted, committed, assigned, and unassigned. Additionally, **GASB 54** requires that when an appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. This applies only to the General Fund. Further, **GASB 54** requires that encumbered amounts will be included in the restricted, committed, and assigned fund balance classifications.

The following reclassifications were made to the financial statements for 2013 and 2012 in accordance with GASB 54:

- Fund balance within the capital projects fund was incorrectly reported as restricted for 2013 and unassigned for 2012. For 2013, \$247,486 (fund balance related to the Economic Development Fund and Refuse Trucks Fund) was reclassified as assigned fund balance instead of restricted fund balance. For 2012, \$246,049 (fund balance related to Economic Development Fund, Refuse Trucks Fund, and FEMA Fund) was reclassified as assigned fund balance (\$230,542) and restricted fund balance (\$15,507) instead of unassigned fund balance.
- Encumbrances in the amount of \$44,572 and \$76,717 for 2013 and 2012, respectively, for the General Fund, were incorrectly reported within unassigned fund balances instead of assigned fund balance.
- The subsequent year's temporary appropriations exceeded estimated resources for the applicable year in the General Fund in the amount of \$5,345 and \$181,660 at year-end 2013 and 2012, respectively. These amounts should have been classified as assigned fund balance rather than unassigned fund balance in the General Fund.

The Village should perform a review of all Village funds and determine proper reporting of fund balances in accordance with GASB 54 requirements and Auditor of State Bulletin 2011-004. Failure to do so could result in future financial statement errors and financial statement adjustments/reclassifications.

Officials' Response:

The Village continues to actively implement GASB 54 requirements to properly report fund balances.

FINDING NUMBER 2013-002

Material Weakness – Financial Statement Errors

The Village prepared its annual financial statements in accordance with accounting practices the Auditor of State prescribes or permits. The Village's Annual Financial Statements for 2012 and 2013 contained errors which resulted in adjusted and unadjusted errors to correctly report the financial activity at the beginning and during the periods as follows:

**FINDING NUMBER 2013-002
 (Continued)**

- Beginning balances were adjusted because they did not agree to the audited balances from the 2011 audit report: 2012 general fund was overstated by \$23,413; 2012 special revenue funds were understated by \$63,044; 2012 capital projects funds were overstated by \$1,084,413; and 2012 enterprise funds were understated by \$1,044,782.
- Several funds were incorrectly rolled into the capital projects governmental fund, but should have been included in the Village's enterprise fund. For 2012, this included revenue activity of \$902,823 and expenditure activity of \$1,025,666. For 2013, this included revenue activity of \$860,650 and expenditure activity of \$848,494. This activity was adjusted on the financial statements.
- An advance from the general fund in 2012 in the amount of \$50,000 was incorrectly recorded as a capital outlay disbursement instead of advances out. This error was reclassified on the Village's financial statements.
- General government disbursements in the amount of \$5,148 from 2013 in the general fund were incorrectly recorded as a capital outlay expenditure on the Village's financial statements. This error was not corrected on the Village's financial statements.
- Interest payments in the amount of \$26,528 from 2013 in the enterprise funds were incorrectly recorded as principal payments on the Village's financial statements. This error was not corrected on the Village's financial statements.
- For 2012 and 2013, the Village incorrectly recorded on the financial statements intergovernmental revenue items as property taxes for the Fire Fund and the Police Pension Retirement Fund. The Fire Fund had an error of \$1,800 for 2012 and \$1,814 for 2013. The Police Pension Retirement Fund had an error of \$8,399 for 2012 and \$8,466 for 2013. These errors were not adjusted on the Village's financial statements.

Failure to properly record all activity on the financial statements could lead to misstated and unreliable financial statements.

The Village should implement procedures to provide proper recording of transactions on its accounting system and proper recording of financial activity on its annual financial statements. The Village should also review the prior audited financial statements upon completion of the annual financial statements to determine that all account line items and funds have been rolled into the proper financial statement line item and fund type on its annual financial statements.

Officials' Response:

The Village continues to actively implement data verification processes to ensure the Annual Financial Report contains accurate data.

3. FINDINGS FOR FEDERAL AWARDS

1. Noncompliance and Material Weakness - Reporting

Finding Number	2013-003
CFDA Title and Number	20.205 – Highway Planning and Construction
Federal Award Number / Year	93852 – 2013
Federal Agency	United States Department of Transportation
Pass-Through Agency	Ohio Department of Transportation

**FINDING NUMBER 2013-003
(Continued)**

Office of Management and Budget (OMB) Circular A-133 Subpart C, §__310(b) Schedule of Expenditures of Federal Awards states that the auditee shall prepare a schedule of expenditures of Federal awards (the Schedule) for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately.

At a minimum, the Schedule shall:

1. List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
2. For Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
3. Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
4. Include notes that describe the significant accounting policies used in preparing the Schedule.
5. To the extent practical, pass-through entities should identify in the Schedule the total amount provided to sub-recipients from each Federal program.
6. Include, in either the Schedule or a note to the Schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the Schedule.

The Village has the ultimate responsibility of ensuring proper reporting of all federal dollars on the Schedule. The Village's 2013 Schedule contained the following errors, of which each was corrected in the accompanying Schedule:

- Expenditures for the Highway Planning and Construction program (CFDA #20.205) were understated by \$137,874.
- Expenditures for the Flood Mitigation Assistance program (CFDA #97.029) were overstated by \$38,764.

Additionally, although not a single audit for 2012, the Village's Schedule prepared for 2012 overstated total federal expenditures by \$34,388.

Due care should be taken in the preparation of the Schedule to reduce the risk of inaccurate reporting of federal expenditures and noncompliance with the above requirements. The Schedule should be reviewed after preparation and agreed to the Village's underlying accounting records and other information for accuracy.

Officials' Response:

See page 34 for the Village's corrective action plan.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Ohio Revised Code §5705.09(C) – Debt Service Fund necessary for the repayment of Fire Truck debt.	Yes	
2011-02	Ohio Revised Code §5705.10(C) – The Village did not have a separate fund for the .5% income tax levy money	Yes	

CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2013

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-003	<p>The Village of Versailles has developed a spreadsheet to track monies associated with federal dollars. The spreadsheet can be filtered based on CFDA# as well as payment date to aid in determining individual project disbursements.</p> <p>It also includes a column to track "Payments on Behalf of" to properly determine the year to which the payment should be applied for audit purposes.</p>	August 31, 2014	Kari Egbert



Dave Yost • Auditor of State

VILLAGE OF VERSAILLES

DARKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 26, 2014**