



**VILLAGE OF VERSAILLES
DARKE COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2021 - 2020**

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
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OHIO AUDITOR OF STATE
KEITH FABER



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Village Council
Village of Versailles
177 N. Center St.
Versailles, OH 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, 2020 through December 31, 2021. 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 "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 16, 2022

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VILLAGE OF VERSAILLES
DARKE COUNTY

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INDEPENDENT AUDITOR'S REPORT

Village of Versailles
Darke County
177 North Center Street
PO Box 288
Versailles, Ohio 45380

To the Village Council:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Versailles, Darke County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund and the fiduciary fund type combined total type as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2021 and 2020, or the changes in financial position or, where applicable, cash flows thereof for the years then ended.

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Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 18, during 2020, the Village adopted a change in accounting principle and made modifications to the definition of fiduciary funds, adding a separate Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) -- All Fiduciary Fund Types, and removed the fund balance classification from the Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) -- All Governmental Fund Types.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2022, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



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

June 28, 2022

**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, 2021**

| | General | Special Revenue | Debt Service | Capital Projects | Totals (Memorandum Only) |
|---|---------------------|---------------------|-------------------|---------------------|--------------------------------|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$ 90,556 | \$ 303,548 | \$ - | \$ - | \$ 394,104 |
| Municipal Income Tax | 1,763,498 | 881,617 | - | - | 2,645,115 |
| Intergovernmental | 302,437 | 765,614 | - | - | 1,068,051 |
| Special Assessments | - | 18,199 | - | - | 18,199 |
| Charges for Services | 39,302 | 344,159 | - | - | 383,461 |
| Fines, Licenses and Permits | 58,270 | 75 | - | - | 58,345 |
| Earnings on Investments | 13,667 | 629 | - | - | 14,296 |
| Miscellaneous | 21,507 | 73,664 | - | 10,201 | 105,372 |
| <i>Total Cash Receipts</i> | <u>2,289,237</u> | <u>2,387,505</u> | <u>-</u> | <u>10,201</u> | <u>4,686,943</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 501,568 | 494,983 | - | - | 996,551 |
| Public Health Services | 16,363 | 35,396 | - | - | 51,759 |
| Leisure Time Activities | - | 98,073 | - | - | 98,073 |
| Community Environment | 31,472 | - | - | - | 31,472 |
| Transportation | - | 373,928 | - | - | 373,928 |
| General Government | 305,604 | 11,895 | 7,567 | - | 325,066 |
| Intergovernmental | 1,878 | 6,010 | - | - | 7,888 |
| Capital Outlay | 72,747 | 1,987,132 | - | - | 2,059,879 |
| Debt Service: | | | | | |
| Principal Retirement | - | 8,300 | 253,314 | - | 261,614 |
| Interest and Fiscal Charges | - | - | 90,974 | - | 90,974 |
| <i>Total Cash Disbursements</i> | <u>929,632</u> | <u>3,015,717</u> | <u>351,855</u> | <u>-</u> | <u>4,297,204</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>1,359,605</u> | <u>(628,212)</u> | <u>(351,855)</u> | <u>10,201</u> | <u>389,739</u> |
| Other Financing Receipts (Disbursements) | | | | | |
| Other Debt Proceeds | - | 249,000 | - | - | 249,000 |
| Sale of Capital Assets | 81,742 | 47,705 | - | 67,788 | 197,235 |
| Transfers In | - | 153,500 | 352,103 | - | 505,603 |
| Transfers Out | (1,055,597) | (249,006) | - | - | (1,304,603) |
| Other Financing Sources | - | - | 4,533 | - | 4,533 |
| Other Financing Uses | (24,701) | - | - | (5,990) | (30,691) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(998,556)</u> | <u>201,199</u> | <u>356,636</u> | <u>61,798</u> | <u>(378,923)</u> |
| <i>Net Change in Fund Cash Balances</i> | 361,049 | (427,013) | 4,781 | 71,999 | 10,816 |
| <i>Fund Cash Balances, January 1</i> | <u>2,469,274</u> | <u>4,437,479</u> | <u>105,835</u> | <u>207,625</u> | <u>7,220,213</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 2,830,323</u> | <u>\$ 4,010,466</u> | <u>\$ 110,616</u> | <u>\$ 279,624</u> | <u>\$ 7,231,029</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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2021**

| | Proprietary Fund Types |
|---|----------------------------|
| | Enterprise |
| Operating Cash Receipts | |
| Charges for Services | \$ 9,952,175 |
| Miscellaneous | 75,659 |
| | <u>10,027,834</u> |
| <i>Total Operating Cash Receipts</i> | <u>10,027,834</u> |
| Operating Cash Disbursements | |
| Personal Services | 1,025,798 |
| Employee Fringe Benefits | 279,953 |
| Contractual Services | 6,311,530 |
| Supplies and Materials | 534,741 |
| | <u>8,152,022</u> |
| <i>Total Operating Cash Disbursements</i> | <u>8,152,022</u> |
| <i>Operating Income</i> | <u>1,875,812</u> |
| Non-Operating Receipts (Disbursements) | |
| Sale of Capital Assets | 852 |
| Capital Outlay | (874,799) |
| Excise Tax Payment - Electric | (90,795) |
| Principal Retirement | (903,247) |
| Interest and Other Fiscal Charges | (102,148) |
| Other Financing Sources | 4,700 |
| Other Financing Uses | (4,665) |
| | <u>(1,970,102)</u> |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(1,970,102)</u> |
| <i>Income (Loss) before Transfers</i> | (94,290) |
| Transfers In | 821,930 |
| Transfers Out | (22,930) |
| | <u>704,710</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>704,710</u> |
| <i>Fund Cash Balances, January 1</i> | <u>7,855,467</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$ 8,560,177</u></u> |

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

VILLAGE OF VERSAILLES
DARKE COUNTY

COMBINED STATEMENT OF ADDITIONS, DEDUCTIONS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2021

| | Private Purpose Trust |
|--|--------------------------|
| Additions | |
| Earnings on Investments (trust funds only) | \$ 6 |
| <i>Total Additions</i> | <u>6</u> |
| Net Change in Fund Balances | 6 |
| <i>Fund Cash Balances, January 1</i> | <u>695</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$ 701</u></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, 2021**

Note 1 - Reporting Entity

The Village of Versailles, Darke County, (the Village) is a body politic and corporate established to exercise the 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 six long term purchase commitments. Notes 10 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)
- Solar Electricity Prepayment Project

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 fund types and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types which are all 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 – The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax money and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

State Highway Fund – The state highway fund accounts for and reports that portion of the State gasoline tax money and motor vehicle license registration fees for constructing, maintaining, and repairing state highways that run through the Village.

EMS Fund – The EMS fund receives property tax money, contract money from various village and townships, and billing fees for operation and upkeep of the Emergency Medical Services operation.

Fire Fund – The fire 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. The Village had the following significant Debt Service Funds:

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

N West Street Bond Retirement Fund – This fund receives transfers from the .5% Income Tax Fund to repay the debt related to the N West Street extension.

Ambulance Bond Retirement Fund – This fund receives transfers from the EMS Fund to repay the debt related to the purchase of a new ambulance.

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 and commercial users to cover water service costs.

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

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

Fiduciary Funds Fiduciary funds include private purpose trust 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.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

The Ohio Revised Code requires that each fund 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 2021 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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value. 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.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 13.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

| 2021 Budgeted vs. Actual Receipts | | | |
|--|--------------------------|------------------------|-----------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 2,370,980 | \$ 2,370,979 | \$ (1) |
| Special Revenue | 2,837,712 | 2,837,710 | (2) |
| Debt Service | 356,636 | 356,636 | - |
| Capital Projects | 77,989 | 77,989 | - |
| Enterprise | 10,855,320 | 10,855,316 | (4) |
| Fiduciary | 7 | 6 | (1) |
| Total | <u>\$ 16,498,644</u> | <u>\$ 16,498,636</u> | <u>\$ (8)</u> |

| 2021 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|--|--------------------------------|-------------------------------|---------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 2,311,594 | \$ 2,074,883 | \$ 236,711 |
| Special Revenue | 4,372,146 | 3,521,715 | 850,431 |
| Debt Service | 352,103 | 352,103 | - |
| Capital Projects | 33,311 | 8,471 | 24,840 |
| Enterprise | 12,075,654 | 11,344,897 | 730,757 |
| Fiduciary | 232 | - | 232 |
| Total | <u>\$ 19,145,040</u> | <u>\$ 17,302,069</u> | <u>\$ 1,842,971</u> |

Note 4 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. The Village also has segregated accounts which include clearing accounts and amounts with fiscal and escrow agents that are not part of this pool. A summary of the Village's deposit and investment accounts are as follows:

| | <u>2021</u> |
|---|----------------------|
| Cash Management Pool: | |
| Demand deposits | \$ 3,265,271 |
| Certificates of deposit | 470 |
| Total deposits | <u>3,265,741</u> |
| STAR Ohio | 12,526,166 |
| Total investments | <u>12,526,166</u> |
| Total carrying amount of deposits and investments held in the Pool (ties to FS) | <u>\$ 15,791,907</u> |

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2021, the village is holding \$0.00 in unremitted employee payroll withholdings.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

Note 4 – Deposits and Investments (Continued)

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

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.

Note 6 - Risk Management

The Village obtained commercial insurance for the following risks:

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

Note 7 - 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, 2021.

Ohio Police and Fire Retirement System

The 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.

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, 2021.

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, 2021.

Note 8 - 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

Note 9 - Debt

Debt outstanding at December 31, 2021 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|---|---------------------|----------------------|
| Elevated Storage Tank Loan - OWDA #3737 | \$ 140,059 | 3.39% |
| Water Treatment Plant - OWDA #3974 | 2,117,915 | 3.26% |
| Water Treatment Plant - OPWC CK02G | 168,750 | 0.00% |
| Virginia Street Reconstruction - OPWC CT54X | 249,000 | 0.00% |
| Refunded Emergency Services Facility Bonds | 1,190,000 | 3.20% |
| Wastewater Treatment Plant - OWDA #5175 | 1,830,124 | 1.00% |
| Wastewater Treatment Plant - OPWC CK11L | 450,000 | 0.00% |
| N West Street Extension | 1,210,000 | 3.68% |
| OMEGA JV5 Loan | 326,728 | Variable |
| Electric Improvement Bond Anticipation Note | 298,333 | 3.00% |
| Woodland Drive Reconstruction - OPWC CT18U | 232,400 | 0.00% |
| EMS Vehicle Bond - Series 2019 | 54,903 | 4.28% |
| Total | <u>\$ 8,268,212</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.

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 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 \$106,144 to \$96,920, 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.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

Note 9 – Debt (Continued)

On April 2, 2020 the Village paid the balance of \$485,000 in bond anticipation notes with American Municipal Power (AMP). A Line of Credit with American Municipal Power (AMP) was written in the amount of \$415,000, with a variable interest rate, 1.25% as of December 31st. The Village intends to make annual principal payments of \$70,000, plus interest. The maturity date is April 2, 2026. The loan was used for the Village's 4kV – 12kV electric improvements. Payments are made from the Electric Fund.

During 2018, the Village borrowed \$249,000 from the Ohio Public Works Commission for the purpose of reconstructing Woodland Drive. The loan has a 0.00% interest rate and a 30-year maturity date. The Village will make semiannual installment payments. The semiannual principle loan payment is \$4,150. Payments are made from the 0.5% Income Tax Fund.

In 2019, the Village borrowed \$209,550 from Second National Bank (Division of Park National Bank) for the purpose of purchasing a new ambulance. The loan has a 4.28% interest rate and a 7 year maturity date. The Village began making monthly payments in May, 2019 of \$2,891.83 which includes interest. Payments are made from the Ambulance Bond Retirement Fund via a transfer from the EMS Fund.

In 2021, the Village borrowed \$249,000 from the Ohio Public Works Commission for the purpose of reconstructing Virginia Street. The loan has a 0.00% interest rate and a 30-year maturity date. The Village began making semiannual installment payments in July 2019. The annual principal loan payment is \$8,300. Payments are made from the ½% Income Tax Fund.

The N. West St Extension Project loan was issued on May 23, 2018 in the principal amount of \$1,435,000 with an interest rate of 3.68%. The Dayton-Montgomery County Port Authority (Issuer) issued Economic Development Bonds and loaned the proceeds to the Village of Versailles (Contracting Party) for the purpose of constructing and improving North West Street. The loan is due to mature in 2033. Under terms of the loan agreement, the Village contributed \$143,500 to a bond reserve account to be held in escrow by the trustee (Bank of New York Mellon) until the loan is retired in 2033. Monthly interest payments began June 1, 2018 – January 1, 2019 (capitalized interest of \$39,461.27). Beginning February 1, 2019, average monthly payments of \$11,560, including interest and admin/trustee fees are being made by the Village to Bank of New York. Payments are held by the bank in a principle reserve and interest reserve account. The amount of principal retired in 2021 was \$80,000. At the end of the year the balance in the bond reserve account was \$143,501. The trustee also held \$4,226 in escrow for future interest payments, and \$10,261 for future principal payments as of December 31. Payments are made from the N. West Bond Retirement Fund via transfer from the 0.5% Income Tax 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.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

Note 9 – 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 |
|-----------------------------|--|---|---|--|--|
| 2022 | \$ 58,411 | \$ 504,612 | \$ 37,500 | \$ 101,080 | \$ 184,044 |
| 2023 | 58,627 | 505,777 | 37,500 | 103,064 | 184,044 |
| 2024 | 29,395 | 506,980 | 37,500 | 104,920 | 184,044 |
| 2025 | - | 508,223 | 37,500 | 101,648 | 184,044 |
| 2026 | - | 254,590 | 18,750 | 104,408 | 184,044 |
| 2027-2031 | - | - | - | 504,560 | 920,220 |
| 2032-2036 | - | - | - | 493,680 | 92,022 |
| Total | \$ 146,433 | \$ 2,280,182 | \$ 168,750 | \$ 1,513,360 | \$ 1,932,462 |

| Year ending December 31: | Wastewater Treatment Plant OPWC #CK11L | Electric Improvement LOC - AMP | N West Street Extension | Woodland Drive Treatment Plant CT18U | EMS Vehicle Bond |
|-----------------------------|---|--------------------------------------|----------------------------|---|------------------------|
| 2022 | \$ 50,000 | \$ 75,599 | \$ 124,380 | \$ 8,300 | \$ 32,996 |
| 2023 | 50,000 | 74,888 | 130,480 | 8,300 | 21,907 |
| 2024 | 50,000 | 72,891 | 127,164 | 8,300 | - |
| 2025 | 50,000 | 71,294 | 129,674 | 8,300 | - |
| 2026 | 50,000 | 19,038 | 130,237 | 8,300 | - |
| 2027-2031 | 200,000 | - | 655,175 | 41,500 | - |
| 2032-2036 | - | - | 190,745 | 41,500 | - |
| 2037-2041 | - | - | - | 41,500 | - |
| 2042-2046 | - | - | - | 41,500 | - |
| 2047-2051 | - | - | - | 24,900 | - |
| Total | \$ 450,000 | \$ 313,710 | \$ 1,487,855 | \$ 232,400 | \$ 54,903 |

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

Note 9 – Debt (Continued)

| <u>Year ending</u> <u>December 31:</u> | <u>Virginia Street</u> <u>Reconstruction</u> <u>OPWC #CT54X</u> |
|---|---|
| 2022 | \$ 4,150 |
| 2023 | 8,300 |
| 2024 | 8,300 |
| 2025 | 8,300 |
| 2026 | 8,300 |
| 2027-2031 | 41,500 |
| 2032-2036 | 41,500 |
| 2037-2041 | 41,500 |
| 2042-2046 | 41,500 |
| 2047-2051 | 41,500 |
| 2052-2056 | 4,150 |
| Total | <u>\$ 249,000</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.

In August 2016, AMP and Bechtel engaged in court-ordered mediation to resolve disputes raised in litigation relating to the cancellation of the AMPGS Project. Following the mediation, AMP and Bechtel reached a comprehensive settlement which resolved all claims. The terms of such settlement are confidential.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

Note 9 – Debt (Continued)

Since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$10,655, and interest credited to the Village has been \$23,895, resulting in a net credit balance at December 31, 2021 of \$196,183. The Village does have a potential PHFU Liability of \$229,586 resulting in a net total potential liability of \$33,403, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property (latest information available).

AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. These amounts will be recorded as they become estimable. The Village made payments in 2021 of \$0, leaving a net impaired cost estimate of \$196,183 as of December 31, 2021.

Note 10 – 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 \$2,142,071,461 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, 2021, \$2,119,182,647 aggregate principal amount of the Combined Hydroelectric Bonds and approximately \$4,175,084 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.

On August 14, 2017, AMP filed a lawsuit in the U.S. District Court for the Southern District of Ohio against Voith Hydro, Inc. ("Voith"), which was the supplier of major powerhouse equipment, including the turbines and generators for the Combined Hydroelectric Projects and the Meldahl Project. In the lawsuit, AMP alleges, among other things that Voith failed to deliver equipment on a timely basis and that certain of the equipment delivered was materially defective, causing significant delays. AMP has alleged proven damages of at least \$40 million. On October 16, 2017, Voith filed its answer, denying each of AMP's claims, and asserting two counterclaims seeking the payment of amounts it claims are due under the contract, amounts currently held by AMP as purported liquidated damages and \$40 million in damages, plus interest and legal fees. On December 1, 2017, AMP filed its answer to the Voith counterclaims, denying all liability to Voith.

As part of the initial disclosures, AMP listed 70 potential witnesses and \$90 million in gross damages, while Voith listed over 100 potential witnesses and \$65 million in gross damages. A scheduling order has been established which provides for an October 31, 2022 trial date.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

Note 10 – Long Term Purchase Commitments (Continued)

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, 2021, \$665,050,000 aggregate principal amount of the Meldahl Bonds was outstanding under the indenture securing the Meldahl Bonds.

On August 14, 2017, AMP filed a lawsuit in the U.S. District Court for the Southern District of Ohio against Voith Hydro, Inc. (“Voith”), which was the supplier of major powerhouse equipment, including the turbines and generators for the Combined Hydroelectric Projects and the Meldahl Project. In the lawsuit, AMP alleges, among other things that Voith failed to deliver equipment on a timely basis and that certain of the equipment delivered was materially defective, causing significant delays. AMP has alleged proven damages of at least \$40 million. On October 16, 2017, Voith filed its answer, denying each of AMP’s claims, and asserting two counterclaims seeking the payment of amounts it claims are due under the contract, amounts currently held by AMP as purported liquidated damages and \$40 million in damages, plus interest and legal fees. On December 1, 2017, AMP filed its answer to the Voith counterclaims, denying all liability to Voith.

As part of the initial disclosures, AMP listed 70 potential witnesses and \$90 million in gross damages, while Voith listed over 100 potential witnesses and \$65 million in gross damages. A scheduling order has been established which provides for an October 31, 2022 trial date.

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.

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, 2021, \$120,600,000 aggregate principal amount of the 2016 Greenup Bonds were outstanding under the indenture securing the 2016 Greenup Bonds.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

Note 10 – Long Term Purchase Commitments (Continued)

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, 2021, AMP had \$1,413,165,000 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 capacity factor for the Prairie State Energy Campus for the fiscal year ending December 31, 2021 was 81.4%.

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.

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*”).

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

Note 10 – Long Term Purchase Commitments (Continued)

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, 2021, \$405,280,000 aggregate principal amount of AFEC Bonds was outstanding.

In April 2021, AMP executed a Gas Supply Contract (the “Gas Supply Contract”) with Tennergy Corporation (“Tennergy”) under the terms of which Tennergy will provide a portion of the natural gas made available to Tennergy under the terms of a Prepaid Natural Gas Sales Agreement (“Prepaid Natural Gas Sales Agreement”) between Tennergy and a subsidiary of Morgan Stanley. Under the Gas Supply Contract, AMP receives the benefit of a discount from market index gas priced.

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.

F. Solar Electricity Prepayment Project (22 Members)

As discussed above, AMP entered into the NextEra PPA pursuant to the terms of which AMP agreed to purchase and a subsidiary of NextEra agreed to sell all of the power and energy generated by solar generation facilities (each, a “System”), each of which is located behind the meter of an AMP Member’s Electric System. Under the terms of the NextEra PPA, AMP has prepaid for twenty-five years of energy to be generated by each System at a “P90” confidence interval, meaning that, in any given year, the probability of exceeding such level of production is ninety percent (90%), and assuming a 0.5% degradation factor. The development of the Systems covered by the PPA is complete, with 16 Systems with a rated capacity of approximately 58.325 MW in commercial operation.

On January 31, 2019, AMP issued \$55,195,000 of its Solar Electricity Prepayment Project Revenue Bonds, Series 2019A (the “2019 Solar Prepayment Bonds”) to refinance draws on its Line of Credit associated with the first 13 Systems, with a rated capacity of approximately 36.83 MW. On August 20, 2020, AMP issued its \$25,480,000 Solar Electricity Prepayment Project Revenue Bonds, Series 2020 (Green Bonds) (collectively, with the 2019 Solar Prepayment Bonds, the “Solar Prepayment Bonds”) to refinance draws on the Line of Credit associated with the remaining three Systems. Such Solar Prepayment Bonds are secured by a trust indenture (the “Solar Indenture”) and payable from amounts received by AMP under a take-and pay power sales contract with 22 of its members. As of December 31, 2021, \$77,605,000 aggregate principal amount of Solar Prepayment Bonds were outstanding under the Solar Indenture and approximately \$8.4 million aggregate principal amount was on the Line of Credit, which includes certain developmental costs. Amounts on the Line of Credit are payable as a subordinate obligation under the Solar Indenture.

The Village of Versailles has executed a take-or-pay power sales contract with AMP as a participant of the Solar Electricity Prepayment Project of 1,992 kW or 2.71% of capacity and associated energy from the Solar Electricity Prepayment Project.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

Note 11 – 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 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.

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

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, 2021, 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. The Village's net investment in OMEGA JV2 was (\$6,510) at December 31, 2021. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

Note 12 – Joint Ventures (Continued)

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, 2021, 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.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

Note 12 – Joint Ventures (Continued)

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

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 \$32,724 at December 31, 2021. 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 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows:

| Fund Balances | General | Special Revenue | Debt Service | Capital Projects | Total |
|--------------------------|------------------|--------------------|-----------------|---------------------|-------------------|
| Outstanding Encumbrances | \$ 64,953 | \$ 256,992 | \$ 248 | \$ 2,481 | \$ 324,674 |
| <i>Total</i> | <u>\$ 64,953</u> | <u>\$ 256,992</u> | <u>\$ 248</u> | <u>\$ 2,481</u> | <u>\$ 324,674</u> |

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects funds are restricted, committed, or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue, debt service, capital projects, and permanent funds would including the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 14 – 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, 2021
(Continued)**

Note 14 – Segment Information (Continued)

| | <u>2021</u> |
|--|----------------------------|
| Fund Cash Balance | \$ 5,094,292 |
| Total Long-Term Debt | <u>617,954</u> |
| Condensed Operating Information: | |
| Operating Receipts | |
| Charges for Services | 7,598,937 |
| Other Operating Receipts | <u>45,396</u> |
| Total Operating Receipts | <u>7,644,333</u> |
| Operating Expenses | |
| Personal Services | 503,243 |
| Employee Fringe Benefits | 151,225 |
| Contractual Services | 6,058,535 |
| Supplies and Materials | <u>175,412</u> |
| Total Operating Expenses | <u>6,888,415</u> |
| Operating Income (Loss) | <u>755,918</u> |
| Non-Operating Receipts (Disbursements) | |
| Principal Payments | (168,193) |
| Interest Payments | (3,975) |
| Other Nonoperating Receipts (Disbursements) | <u>(542,773)</u> |
| Change in Fund Cash Balance | 40,977 |
| Beginning Fund Cash Balance | 5,053,316 |
| Ending Fund Cash Balance | <u><u>\$ 5,094,293</u></u> |
| Condensed Cash Flows Information: | |
| | <u>2021</u> |
| Net Cash Provided (Used) by: | |
| Operating Activities | \$ 755,918 |
| Capital and Related Financing Activities | |
| Principal Payments on Capital and Related Debt | (168,193) |
| Interest Payments on Capital and Related Debt | (3,975) |
| Other Capital and Related Financing Activities | <u>(542,773)</u> |
| Net Cash Provided (Used) by | |
| Capital and Related Financing Activities | (714,941) |
| Net Increase (Decrease) | 40,977 |
| Beginning Fund Cash Balance | <u>5,053,316</u> |
| Ending Fund Cash Balance | <u><u>\$ 5,094,293</u></u> |

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

Note 15 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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, 2020**

| | General | Special Revenue | Debt Service | Capital Projects | Totals (Memorandum Only) |
|---|---------------------|---------------------|-------------------|---------------------|--------------------------------|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$ 86,844 | \$ 296,386 | \$ - | \$ - | \$ 383,230 |
| Municipal Income Tax | 1,678,340 | 839,044 | - | - | 2,517,384 |
| Intergovernmental | 289,164 | 698,578 | - | - | 987,742 |
| Special Assessments | - | 17,670 | - | - | 17,670 |
| Charges for Services | 26,057 | 265,606 | - | - | 291,663 |
| Fines, Licenses and Permits | 54,719 | 231,581 | - | - | 286,300 |
| Earnings on Investments | 219,698 | 11,324 | - | - | 231,022 |
| Miscellaneous | 39,181 | 76,220 | - | 13,451 | 128,852 |
| <i>Total Cash Receipts</i> | <u>2,394,003</u> | <u>2,436,409</u> | <u>-</u> | <u>13,451</u> | <u>4,843,863</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 330,754 | 442,694 | - | - | 773,448 |
| Public Health Services | 16,121 | 269,653 | - | - | 285,774 |
| Leisure Time Activities | - | 28,568 | - | - | 28,568 |
| Community Environment | 64,351 | - | - | - | 64,351 |
| Transportation | - | 319,904 | - | - | 319,904 |
| General Government | 297,406 | 21,283 | 7,965 | - | 326,654 |
| Capital Outlay | 158,164 | 603,432 | - | - | 761,596 |
| Debt Service: | | | | | |
| Principal Retirement | - | 4,150 | 170,980 | - | 175,130 |
| Interest and Fiscal Charges | - | - | 99,301 | - | 99,301 |
| <i>Total Cash Disbursements</i> | <u>866,796</u> | <u>1,689,684</u> | <u>278,246</u> | <u>-</u> | <u>2,834,726</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>1,527,207</u> | <u>746,725</u> | <u>(278,246)</u> | <u>13,451</u> | <u>2,009,137</u> |
| Other Financing Receipts (Disbursements) | | | | | |
| Premium and Accrued Interest on Debt | - | - | - | 659 | 659 |
| Sale of Capital Assets | 34,974 | 15,711 | - | 174,800 | 225,485 |
| Transfers In | - | 226,500 | 277,902 | - | 504,402 |
| Transfers Out | (1,166,544) | (171,902) | - | - | (1,338,446) |
| Other Financing Uses | (31,769) | - | - | (20,474) | (52,243) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(1,163,339)</u> | <u>70,309</u> | <u>277,902</u> | <u>154,985</u> | <u>(660,143)</u> |
| <i>Net Change in Fund Cash Balances</i> | 363,868 | 817,034 | (344) | 168,436 | 1,348,994 |
| <i>Fund Cash Balances, January 1</i> | <u>2,105,406</u> | <u>3,620,445</u> | <u>106,179</u> | <u>39,189</u> | <u>5,871,219</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 2,469,274</u> | <u>\$ 4,437,479</u> | <u>\$ 105,835</u> | <u>\$ 207,625</u> | <u>\$ 7,220,213</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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2020**

| | Proprietary Fund Types |
|---|------------------------|
| | Enterprise |
| Operating Cash Receipts | |
| Charges for Services | \$ 9,204,422 |
| Miscellaneous | 92,241 |
| | 9,296,663 |
| <i>Total Operating Cash Receipts</i> | <i>9,296,663</i> |
| Operating Cash Disbursements | |
| Personal Services | 1,040,260 |
| Employee Fringe Benefits | 279,066 |
| Contractual Services | 5,783,932 |
| Supplies and Materials | 618,643 |
| | 7,721,901 |
| <i>Total Operating Cash Disbursements</i> | <i>7,721,901</i> |
| <i>Operating Income</i> | <i>1,574,762</i> |
| Non-Operating Receipts (Disbursements) | |
| Sale of Notes | 415,000 |
| Sale of Capital Assets | 38,886 |
| Capital Outlay | (899,727) |
| Excise Tax Payment - Electric | (87,226) |
| Principal Retirement | (1,294,917) |
| Interest and Other Fiscal Charges | (128,227) |
| Other Financing Sources | 3,663 |
| Other Financing Uses | (3,223) |
| | (1,955,771) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <i>(1,955,771)</i> |
| <i>Income (Loss) before Transfers</i> | <i>(381,009)</i> |
| Transfers In | 856,724 |
| Transfers Out | (22,680) |
| | 453,035 |
| <i>Net Change in Fund Cash Balances</i> | <i>453,035</i> |
| <i>Fund Cash Balances, January 1</i> | <i>7,402,432</i> |
| <i>Fund Cash Balances, December 31</i> | <i>\$ 7,855,467</i> |

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

VILLAGE OF VERSAILLES
DARKE COUNTY

COMBINED STATEMENT OF ADDITIONS, DEDUCTIONS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Private Purpose Trust |
|--|--------------------------|
| <i>Fund Cash Balances, January 1</i> | <u>\$ 695</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$ 695</u></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, 2020**

Note 1 - Reporting Entity

The Village of Versailles, Darke County, (the Village) is a body politic and corporate established to exercise the 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 five long term purchase commitments. Notes 10 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 fund types and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types which are all 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 a portion of the State gasoline tax money and motor vehicle license registration fees restricted for constructing, maintaining, and repairing Village streets.

State Highway Fund – This fund receives a portion of the State gasoline tax money and motor vehicle license registration fees 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, 2020
(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. The Village had the following significant Debt Service Funds:

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

N West Street Bond Retirement Fund – This fund receives transfers from the .5% Income Tax Fund to repay the debt related to the N West Street extension.

Ambulance Bond Retirement Fund – This fund receives transfers from the EMS Fund to repay the debt related to the purchase of a new ambulance.

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 and commercial users to cover water service costs.

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

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

Fiduciary Funds Fiduciary funds include private purpose trust 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.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

The Ohio Revised Code requires that each fund 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 2020 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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value. 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.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 14.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

| 2020 Budgeted vs. Actual Receipts | | | |
|--|--------------------------|------------------------|-----------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 2,428,976 | \$ 2,428,977 | \$ 1 |
| Special Revenue | 2,678,621 | 2,678,620 | (1) |
| Debt Service | 277,902 | 277,902 | - |
| Capital Projects | 188,909 | 188,910 | 1 |
| Enterprise | 10,610,936 | 10,610,936 | - |
| Total | \$ 16,185,344 | \$ 16,185,345 | \$ 1 |

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

Note 3 – Budgetary Activity (Continued)

| 2020 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|--|------------------------------------|-----------------------------------|-----------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 2,573,077 | \$ 2,119,737 | \$ 453,340 |
| Special Revenue | 2,478,170 | 2,051,291 | 426,879 |
| Debt Service | 278,248 | 278,247 | 1 |
| Capital Projects | 28,238 | 21,785 | 6,453 |
| Enterprise | 12,403,237 | 10,942,689 | 1,460,548 |
| Total | \$ 17,760,970 | \$ 15,413,749 | \$ 2,347,221 |

Note 4 – Deposits and investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. The Village also has segregated accounts which include clearing accounts and amounts with fiscal and escrow agents that are not part of this pool. A summary of the Village's deposit and investment accounts are as follows:

| | 2020 |
|---|---------------|
| <i>Cash Management Pool:</i> | |
| Demand deposits | \$ 4,559,321 |
| Certificates of deposit | 500,463 |
| Total deposits | 5,059,784 |
| STAR Ohio | 10,016,591 |
| Total investments | 10,016,591 |
| Total carrying amount of deposits and investments held in the Pool (ties to FS) | \$ 15,076,375 |

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the village is holding \$0.00 in unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

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.

Note 6 - Risk Management

The Village obtained commercial insurance for the following risks:

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

Note 7 - 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, 2020.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

Note 7 - Defined Benefit Pension Plans (Continued)

Ohio Police and Fire Retirement System

The 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.

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, 2020.

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, 2020.

Note 8 - 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 9 - Debt

Debt outstanding at December 31, 2020 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|---|---------------------|----------------------|
| Elevated Storage Tank Loan - OWDA #3737 | \$ 192,869 | 3.39% |
| Water Treatment Plant - OWDA #3974 | 2,548,155 | 3.26% |
| Water Treatment Plant - OPWC CK02G | 206,250 | 0.00% |
| Refunded Emergency Services Facility Bonds | 1,253,000 | 3.20% |
| Wastewater Treatment Plant - OWDA #5175 | 1,994,631 | 1.00% |
| Wastewater Treatment Plant - OPWC CK11L | 500,000 | 0.00% |
| N West Street Extension | 1,290,000 | 3.68% |
| OMEGA JV5 Loan | 424,921 | Variable |
| Electric Improvement Bond Anticipation Note | 368,333 | 3.00% |
| Woodland Drive Reconstruction - OPWC CT18U | 240,700 | 0.00% |
| EMS Vehicle Bond - Series 2019 | 165,214 | 4.28% |
| Total | <u>\$ 9,184,073</u> | |

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

Note 9 – Debt (Continued)

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.

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 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 \$106,144 to \$96,920, 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.

On April 2, 2020 the Village paid the balance of \$485,000 in bond anticipation notes with American Municipal Power (AMP). A Line of Credit with American Municipal Power (AMP) was written in the amount of \$415,000, with a variable interest rate, 1.25% as of December 31st. The Village intends to make annual principal payments of \$70,000, plus interest. The maturity date is April 2, 2026. The loan was used for the Village's 4kV – 12kV electric improvements. Payments are made from the Electric Fund.

During 2018, the Village borrowed \$249,000 from the Ohio Public Works Commission for the purpose of reconstructing Woodland Drive. The loan has a 0.00% interest rate and a 30-year maturity date. The Village will make semiannual installment payments. The semiannual principle loan payment is \$4,150. Payments are made from the 0.5% Income Tax Fund.

In 2019, the Village borrowed \$209,550 from Second National Bank (Division of Park National Bank) for the purpose of purchasing a new ambulance. The loan has a 4.28% interest rate and a 7 year maturity date. The Village began making monthly payments in May, 2019 of \$2,891.83 which includes interest. Payments are made from the Ambulance Bond Retirement Fund via a transfer from the EMS Fund.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

Note 9 – Debt (Continued)

The N. West St Extension Project loan was issued on May 23, 2018 in the principal amount of \$1,435,000 with an interest rate of 3.68%. The Dayton-Montgomery County Port Authority (Issuer) issued Economic Development Bonds and loaned the proceeds to the Village of Versailles (Contracting Party) for the purpose of constructing and improving North West Street. The loan is due to mature in 2033. Under terms of the loan agreement, the Village contributed \$143,500 to a bond reserve account to be held in escrow by the trustee (Bank of New York Mellon) until the loan is retired in 2033. Monthly interest payments began June 1, 2018 – January 1, 2019 (capitalized interest of \$39,461.27). Beginning February 1, 2019, average monthly payments of \$11,560, including interest and admin/trustee fees are being made by the Village to Bank of New York. Payments are held by the bank in a principle reserve and interest reserve account. The amount of principal retired by in 2020 was \$80,000. At the end of the year the balance in the bond reserve account was \$148,190. The trustee also held \$4,471 in escrow for future interest payments, and \$10,259 for future principal payments as of December 31. Payments are made from the N. West Bond Retirement Fund via transfer from the 0.5% Income Tax Fund. The prior audit balance was incorrectly stated as \$1,363,333. The correct balance outstanding at December 31, 2019 was \$1,370,000.

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.

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

| Year ending | Elevated Storage Tank | Water Treatment Plant Loan | Water Treatment Plant Loan | Refunded Emergency Services | Wastewater Treatment Plant |
|---------------------|--------------------------|-------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| December 31: | OWDA #3737 | OWDA #3974 | OPWC #CK02G | Facilities Bond | OWDA #5175 |
| 2021 | \$ 58,203 | \$ 503,484 | \$ 37,500 | \$ 103,096 | \$ 184,044 |
| 2022 | 58,411 | 504,612 | 37,500 | 101,080 | 184,044 |
| 2023 | 58,627 | 505,777 | 37,500 | 103,064 | 184,044 |
| 2024 | 29,395 | 506,980 | 37,500 | 104,920 | 184,044 |
| 2025 | - | 508,223 | 37,500 | 101,648 | 184,044 |
| 2026-2030 | - | 254,590 | 18,750 | 508,912 | 920,220 |
| 2031-2036 | - | - | - | 496,728 | 276,065 |
| 2026-2040 | - | - | - | 97,008 | - |
| Total | <u>\$ 204,636</u> | <u>\$ 2,783,666</u> | <u>\$ 206,250</u> | <u>\$ 1,616,456</u> | <u>\$ 2,116,505</u> |

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

Note 9 – Debt (Continued)

| Year ending | Wastewater Treatment Plant | Electric Improvement | N West Street Extension | Woodland Drive Treatment Plant | EMS Vehicle Bond |
|--------------|----------------------------------|-------------------------|----------------------------|--------------------------------------|------------------------|
| December 31: | OPWC #CK11L | LOC - AMP | | CT18U | |
| 2021 | \$ 50,000 | \$ 76,973 | \$ 126,491 | \$ 8,300 | \$ 34,702 |
| 2022 | 50,000 | 78,304 | 124,380 | 8,300 | 34,702 |
| 2023 | 50,000 | 76,482 | 130,480 | 8,300 | 34,702 |
| 2024 | 50,000 | 74,076 | 127,164 | 8,300 | 34,702 |
| 2025 | 50,000 | 71,869 | 129,674 | 8,300 | 34,702 |
| 2026-2030 | 250,000 | 19,072 | 654,459 | 41,500 | 11,465 |
| 2031-2035 | - | - | 321,698 | 41,500 | - |
| 2036-2040 | - | - | - | 41,500 | - |
| 2041-2045 | - | - | - | 41,500 | - |
| 2046-2050 | - | - | - | 33,200 | - |
| Total | <u>\$ 500,000</u> | <u>\$ 396,776</u> | <u>\$ 1,614,346</u> | <u>\$ 240,700</u> | <u>\$ 184,975</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. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. These amounts will be recorded as they become estimable. The Village made payments in 2020 of \$0, leaving a net impaired cost estimate of \$194,512 as of December 31, 2020.

Note 10 – 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.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

Note 10 – Long Term Purchase Commitments (Continued)

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 \$2,142,071,461 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, 2020, \$2,140,742,059 aggregate principal amount of the Combined Hydroelectric Bonds and approximately \$31.1 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.

On August 14, 2017, AMP filed a lawsuit in the U.S. District Court for the Southern District of Ohio against Voith Hydro, Inc. (“Voith”), which was the supplier of major powerhouse equipment, including the turbines and generators for the Combined Hydroelectric Projects and the Meldahl Project. In the lawsuit, AMP alleges, among other things that Voith failed to deliver equipment on a timely basis and that certain of the equipment delivered was materially defective, causing significant delays. AMP has alleged proven damages of at least \$40 million. On October 16, 2017, Voith filed its answer, denying each of AMP’s claims, and asserting two counterclaims seeking the payment of amounts it claims are due under the contract, amounts currently held by AMP as purported liquidated damages and \$40 million in damages, plus interest and legal fees. On December 1, 2017, AMP filed its answer to the Voith counterclaims, denying all liability to Voith.

As part of the initial disclosures, AMP listed 70 potential witnesses and \$90 million in gross damages, while Voith listed over 100 potential witnesses and \$65 million in gross damages. A scheduling order has been established which provides for the conclusion of discovery in April 2021, but no trial date has been set.

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, 2020, \$665,630,000 aggregate principal amount of the Meldahl Bonds and approximately \$2.3 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.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

Note 10 – Long Term Purchase Commitments (Continued)

On August 14, 2017, AMP filed a lawsuit in the U.S. District Court for the Southern District of Ohio against Voith Hydro, Inc. ("Voith"), which was the supplier of major powerhouse equipment, including the turbines and generators for the Combined Hydroelectric Projects and the Meldahl Project. In the lawsuit, AMP alleges, among other things that Voith failed to deliver equipment on a timely basis and that certain of the equipment delivered was materially defective, causing significant delays. AMP has alleged proven damages of at least \$40 million. On October 16, 2017, Voith filed its answer, denying each of AMP's claims, and asserting two counterclaims seeking the payment of amounts it claims are due under the contract, amounts currently held by AMP as purported liquidated damages and \$40 million in damages, plus interest and legal fees. On December 1, 2017, AMP filed its answer to the Voith counterclaims, denying all liability to Voith.

As part of the initial disclosures, AMP listed 70 potential witnesses and \$90 million in gross damages, while Voith listed over 100 potential witnesses and \$65 million in gross damages. A scheduling order has been established which provides for the conclusion of discovery in April 2021, but no trial date has been set.

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.

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, 2020, \$122,350,000 aggregate principal amount of the 2016 Greenup Bonds and approximately \$552,980 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.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

Note 10 – Long Term Purchase Commitments (Continued)

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, 2020, AMP had \$1,470,255,000 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.

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, 2020, \$478,965,000 aggregate principal amount of the AFEC Bonds and approximately \$8.6 million aggregate principal amount of subordinate obligations, consisting of notes evidencing draws on the Line of Credit, were outstanding under the indenture securing the AFEC Bonds.

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 11 – 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.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

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. 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, 2020, 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. The Village's net investment in OMEGA JV2 was (\$395) at December 31, 2020. 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.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

Note 12 – Joint Ventures (Continued)

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

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, 2020, 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 \$32,724 at December 31, 2020. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

Note 13 – 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, 2020, the Village abated property taxes totaling \$23,532 under this program.

Note 14 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows:

| Fund Balances | General | Special Revenue | Capital Projects | Total |
|--------------------------|-----------|--------------------|---------------------|------------|
| Outstanding Encumbrances | \$ 54,628 | \$ 181,629 | \$ 1,311 | \$ 237,568 |
| <i>Total</i> | \$ 54,628 | \$ 181,629 | \$ 1,311 | \$ 237,568 |

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects funds are restricted, committed, or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue, debt service, capital projects, and permanent funds would including the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

Note 15 – 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:

| | |
|---|----------------------------|
| | 2020 |
| Fund Cash Balance | \$ 5,053,316 |
| Total Long-Term Debt | 786,172 |
| Condensed Operating Information: | |
| Operating Receipts | |
| Charges for Services | 7,341,687 |
| Other Operating Receipts | 59,063 |
| Total Operating Receipts | <u>7,400,750</u> |
| Operating Expenses | |
| Personal Services | 529,999 |
| Employee Fringe Benefits | 163,460 |
| Contractual Services | 5,518,610 |
| Supplies and Materials | 310,707 |
| Total Operating Expenses | <u>6,522,776</u> |
| Operating Income (Loss) | 877,974 |
| Non-Operating Receipts (Disbursements) | |
| Intergovernmental Receipts | |
| Investment Income | - |
| Principal Payments | (620,679) |
| Interest Payments | (14,277) |
| Other Nonoperating Receipts (Disbursements) | <u>(24,201)</u> |
| Change in Fund Cash Balance | 218,817 |
| Beginning Fund Cash Balance | <u>4,834,499</u> |
| Ending Fund Cash Balance | <u><u>\$ 5,053,316</u></u> |

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

Note 15 – Segment Information (Continued)

| Condensed Cash Flows Information: | <u>2020</u> |
|--|----------------------------|
| Net Cash Provided (Used) by: | |
| Operating Activities | \$ 877,974 |
| Capital and Related Financing Activities | |
| Proceeds of Capital and Related Debt | 415,000 |
| Principal Payments on Capital and Related Debt | (620,679) |
| Interest Payments on Capital and Related Debt | (14,277) |
| Other Capital and Related Financing Activities | <u>(439,201)</u> |
| Net Cash Provided (Used) by | |
| Capital and Related Financing Activities | (659,157) |
| Net Increase (Decrease) | 218,817 |
| Beginning Fund Cash Balance | <u>4,834,499</u> |
| Ending Fund Cash Balance | <u><u>\$ 5,053,316</u></u> |

Note 16 – Subsequent Events

In the first quarter of 2021, the Village will begin the Virginia Street Reconstruction Project. The Village will receive a loan of \$249,000 from the Ohio Public Works Commission. The loan has a 0.00% interest rate and a 30-year maturity date. A grant of \$249,000 from OPWC will also be received for the project. The cost of the Virginia Street Reconstruction Project is \$1,042,455. Payments are to be made from the 1/2% Income Tax Fund.

Note 17 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Village received CARES Act funding. The amount received was \$311,662.66. The Special Revenue Coronavirus Relief Distribution Fund (236) was established. Receipts to the fund also include \$5.67 which is a portion of interest earned from the Village's checking account.

During 2020, \$143,955.79 was used for reimbursing compensation to the General Fund for the Chief of Police and Police Officers. \$80,146.84 was reimbursed to the EMS Fund for the EMS Administrator, Paramedics, and EMT's compensation, and \$7,386.50 reimbursement to the Fire Fund for the Fire Chief and Firefighters compensation. These amounts are reported as Public Health Services expenditures in the Coronavirus Relief Special Revenue Fund on the accompanying financial statements. Other Coronavirus Relief Special Revenue Fund expenses included purchases of PPE, barriers for proper social distancing, and equipment for the ability of a remote work environment. All expenditures from the Coronavirus Relief Distribution Fund were approved by Village Council per the passage of such Resolutions. These other amounts are reflected as general government expenditures in the Coronavirus Relief Special Revenue Fund on the accompanying financial statements.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

Note 18 – Change in Accounting Principle

For 2020, the Village has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds, adding a separate Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) -- All Fiduciary Fund Types, and removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

**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
PO Box 288
Versailles, Ohio 45380

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements of the Village of Versailles, Darke County (the Village) and have issued our report thereon dated June 28, 2022, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted that the Village adopted a change in accounting principle and made modifications to the definition of fiduciary funds, adding a separate Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) -- All Fiduciary Fund Types, and removed the fund balance classification from the Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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

Tax - Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll – Litigation Support – Financial Investigations
Members: American Institute of Certified Public Accountants

• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

Report on Internal Control Over Financial Reporting

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of audit findings as item 2021-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Village's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Village's response to the finding identified in our audit and described in the accompanying schedule of audit findings. The Village's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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

June 28, 2022

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

FINDING NUMBER 2021-001

Material Weakness

Financial Reporting

The Village should have procedures and controls in place to prevent and detect errors in financial reporting.

During 2020, receipts were not always classified correctly. The following errors were noted:

- Receipts for street opening fees were misclassified as Miscellaneous instead of Fines, Licenses, and Permits in the Street Construction Maintenance and Repair Fund in 2020.

Not posting receipts accurately resulted in the financial statements requiring reclassifications. The financial statements reflect all reclassifications.

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 sources of revenues and expenses are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

Management's Response – While the receipts for the street opening fees were posted to the correct Street Construction Maintenance and Repair Fund, the Fiscal Officer will continue to work on accurate reporting of such receipts in the financial statement classifications.

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF VERSAILLES

DARKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 8/30/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov