



**VILLAGE OF VERSAILLES
DARKE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 - 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF VERSAILLES
DARKE COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Versailles
Darke County
4 West Main St.
P.O. Box 166
Versailles, OH 45380

To the Members of Council:

We have audited the accompanying financial statements of the Village of Versailles, Darke County, (the Village), as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village, as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, the Members of Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

August 6, 2001

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$187,646	\$54,011			\$1,130,678	\$1,372,335
Intergovernmental Receipts	97,765	169,475		\$256,918	1,900	526,058
Special Assessments		60,141				60,141
Charges for Services	170,227	22,751			6,000	198,978
Fines, Licenses, and Permits	8,644	1,316		1,919		11,879
Earnings on Investments	101,514	5,109				106,623
Miscellaneous	6,708	11,885		49,583		68,176
Total Cash Receipts	<u>572,504</u>	<u>324,688</u>		<u>308,420</u>	<u>1,138,578</u>	<u>2,344,190</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	269,294	35,955			31,855	337,104
Public Health Services	15,988	28,511				44,499
Leisure Time Activities		19,571				19,571
Community Environment	4,654					4,654
Basic Utility Services	166,587	3,996				170,583
Transportation		731,691				731,691
General Government	166,523	3,823			103,154	273,500
Debt Service:						
Principal Payments	30,000	17,470	\$254,470	47,000	60,000	408,940
Interest Payments	2,463	2,483	10,249	2,388		17,583
Capital Outlay				384,793		384,793
Total Disbursements	<u>655,509</u>	<u>843,500</u>	<u>264,719</u>	<u>434,181</u>	<u>195,009</u>	<u>2,392,918</u>
Total Receipts Over/(Under) Disbursements	<u>(83,005)</u>	<u>(518,812)</u>	<u>(264,719)</u>	<u>(125,761)</u>	<u>943,569</u>	<u>(48,728)</u>
Other Financing Receipts/(Disbursements):						
Sale of Bonds or Notes			64,776	6,000		70,776
Transfers-In		3,500			12,500	16,000
Advances-In	21,203					21,203
Transfers-Out	(16,000)					(16,000)
Advances-Out					(21,203)	(21,203)
Other Financing Receipts-Income Tax Allocations	133,780	573,820	200,000	13,000		920,600
Other Financing Disbursements-Income Tax Distribution					(931,755)	(931,755)
Total Other Financing Receipts/(Disbursements)	<u>138,983</u>	<u>577,320</u>	<u>264,776</u>	<u>19,000</u>	<u>(940,458)</u>	<u>59,621</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>55,978</u>	<u>58,508</u>	<u>57</u>	<u>(106,761)</u>	<u>3,111</u>	<u>10,893</u>
Fund Cash Balances January 1	<u>37,134</u>	<u>256,987</u>		<u>251,911</u>	<u>3,332</u>	<u>549,364</u>
Fund Cash Balances, December 31	<u>\$93,112</u>	<u>\$315,495</u>	<u>\$57</u>	<u>\$145,150</u>	<u>\$6,443</u>	<u>\$560,257</u>
Reserves for Encumbrances, December 31	<u>\$36,806</u>	<u>\$128,939</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,100</u>	<u>\$166,845</u>

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Proprietary Fund</u>	<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$4,550,276		\$4,550,276
Miscellaneous	13,993		13,993
	<u>4,564,269</u>		<u>4,564,269</u>
Operating Cash Disbursements:			
Personal Services	602,998		602,998
Fringe Benefits	9,712		9,712
Contractual Services	2,799,655		2,799,655
Supplies and Materials	244,406		244,406
Capital Outlay	575,596		575,596
	<u>4,232,367</u>		<u>4,232,367</u>
Operating Income/(Loss)	<u>331,902</u>		<u>331,902</u>
Non-Operating Cash Receipts:			
Income Tax Collections on Behalf of Other Subdivisions		123,297	123,297
Third Party Collections		404,660	404,660
Other Non-Operating - Income Tax Allocation	11,155		11,155
Other Non-Operating Receipts	2,556		2,556
	<u>13,711</u>	<u>527,957</u>	<u>541,668</u>
Non-Operating Cash Disbursements:			
Debt Service	226,820		226,820
Distributions to Other Subdivisions		527,957	527,957
Other Non-Operating Cash Disbursements	1,447		1,447
	<u>228,267</u>	<u>527,957</u>	<u>756,224</u>
Net Receipts Over/(Under) Disbursements	117,346		117,346
Fund Cash Balances, January 1	<u>859,009</u>		<u>859,009</u>
Fund Cash Balances, December 31	<u>\$976,355</u>	<u>\$0</u>	<u>\$976,355</u>
Reserve for Encumbrances, December 31	<u>\$44,808</u>	<u>\$0</u>	<u>\$44,808</u>

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$171,005	\$53,079			\$1,197,306	\$1,421,390
Intergovernmental Receipts	114,542	220,219			1,163	335,924
Special Assessments		41,427				41,427
Charges for Services	148,410	69,804			15,300	233,514
Fines, Licenses, and Permits	10,528	1,303		\$1,396		13,227
Earnings on Investments	93,689	5,040				98,729
Miscellaneous	7,585	13,136		75,221	1	95,943
Total Cash Receipts	<u>545,759</u>	<u>404,008</u>		<u>76,617</u>	<u>1,213,770</u>	<u>2,240,154</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	259,080	35,978			31,772	326,830
Public Health Services	14,757	32,198				46,955
Leisure Time Activities		33,112				33,112
Community Environment	8,024					8,024
Basic Utility Services	158,062	5,895				163,957
Transportation		1,259,410				1,259,410
General Government	107,733	2,977			246,459	357,169
Debt Service:						
Principal Payments	125,000	17,470	436,906		18,000	597,376
Interest Payments	9,700	3,298	17,564			30,562
Capital Outlay				212,170		212,170
Total Disbursements	<u>682,356</u>	<u>1,390,338</u>	<u>454,470</u>	<u>212,170</u>	<u>296,231</u>	<u>3,035,565</u>
Total Receipts Over/(Under) Disbursements	<u>(136,597)</u>	<u>(986,330)</u>	<u>(454,470)</u>	<u>(135,553)</u>	<u>917,539</u>	<u>(795,411)</u>
Other Financing Receipts/(Disbursements):						
Sale of Bonds or Notes			254,470		12,000	266,470
Transfers-In		3,500		14,103	16,555	34,158
Transfers Out	(34,158)					(34,158)
Other Financing Receipts-Income Tax Allocation		777,350	200,000			977,350
Other Financing Disbursements-Income Tax Distribution					(985,350)	(985,350)
Total Other Financing Receipts/(Disbursements)	<u>(34,158)</u>	<u>780,850</u>	<u>454,470</u>	<u>14,103</u>	<u>(956,795)</u>	<u>258,470</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(170,755)</u>	<u>(205,480)</u>		<u>(121,450)</u>	<u>(39,256)</u>	<u>(536,941)</u>
Fund Cash Balances January 1	<u>207,889</u>	<u>462,467</u>		<u>373,361</u>	<u>42,588</u>	<u>1,086,305</u>
Fund Cash Balances, December 31	<u>\$37,134</u>	<u>\$256,987</u>	<u>\$0</u>	<u>\$251,911</u>	<u>\$3,332</u>	<u>\$549,364</u>
Reserves for Encumbrances, December 31	<u>\$26,308</u>	<u>\$12,719</u>	<u>\$0</u>	<u>\$118,500</u>	<u>\$2,189</u>	<u>\$159,716</u>

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$3,891,512		\$3,891,512
Miscellaneous	21		21
Total Operating Cash Receipts	<u>3,891,533</u>		<u>3,891,533</u>
Operating Cash Disbursements:			
Personal Services	621,381		621,381
Fringe Benefits	4,332		4,332
Contractual Services	2,424,620		2,424,620
Supplies and Materials	380,682		380,682
Capital Outlay	427,782		427,782
Total Operating Cash Disbursements	<u>3,858,797</u>		<u>3,858,797</u>
Operating Income/(Loss)	<u>32,736</u>		<u>32,736</u>
Non-Operating Cash Receipts:			
Income Tax Collections on Behalf of Other Subdivisions		\$196,843	196,843
Third Party Collections		470,785	470,785
Other Non-Operating - Income Tax Allocation	8,000		8,000
Total Non-Operating Cash Receipts	<u>8,000</u>	<u>667,628</u>	<u>675,628</u>
Non-Operating Cash Disbursements:			
Debt Service	235,760		235,760
Distributions to Other Subdivisions		667,628	667,628
Total Non-Operating Cash Disbursements	<u>235,760</u>	<u>667,628</u>	<u>903,388</u>
Net Receipts Over/(Under) Disbursements	(195,024)		(195,024)
Fund Cash Balances, January 1	<u>1,054,033</u>		<u>1,054,033</u>
Fund Cash Balances, December 31	<u>\$859,009</u>	<u>\$0</u>	<u>\$859,009</u>
Reserve for Encumbrances, December 31	<u>\$220,632</u>	<u>\$0</u>	<u>\$220,632</u>

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Versailles, Darke County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, water, electric, and sewer utilities, refuse services, park operations (leisure time activities), and police and fire services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts, or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

Fire Fund -This fund receives tax levy money and money from contracting with other governmental entities for providing fire protection.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bond and note indebtedness. The Village had the following significant debt service fund:

Waste Water Treatment Plant Debt Service Fund - This fund receives an allocation from the Income Tax Fund for the payment of note indebtedness.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise, or trust funds). The Village had the following significant capital project funds:

Economic Development Fund - This fund receives revenue from the sale of property within the industrial parks to enhance business development within the Village.

Issue Two Fund - This fund receives monies from the Ohio Public Works Commission for the improvement of roads.

5. Enterprise Funds

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

Electric Fund - This fund receives user charges from residents to cover the cost of providing this utility.

Water Fund - This fund receives user charges from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives user charges from residents to cover the cost of providing this utility.

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Expendable Trust:

Income Tax Fund - This fund receives monies from taxes levied against the income of Village residents and businesses to be used, and allocated, as specified by ordinance.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Agency Funds:

Vectron Collection Fund - The Village is a collection point for the billings, to the Village residents, from Vectron for natural gas usage. The Village collects and remits to Vectron on behalf of their customers.

Union City Income Tax Fund - Income tax is collected for, and remitted to, the Village of Union City.

Adelphia Collection Fund - The Village is a collection point for the billings, to the Village residents, from Adelphia for Cablevision. The Village collects and remits to Adelphia on behalf of their customers.

E. Budgetary Process

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

1. 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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of, the years 2000 and 1999, budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2000	1999
Demand deposits	\$ 36,612	\$ 108,373
Certificates of deposit	<u>1,500,000</u>	<u>1,300,000</u>
Total deposits	<u>\$ 1,536,612</u>	<u>\$ 1,408,373</u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999, is as follows:

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 703,555	\$ 706,284	\$ 3,229
Special Revenue	1,042,067	902,008	(140,059)
Debt Service	264,776	264,776	0
Capital Projects	434,503	327,420	(107,083)
Enterprise	4,598,970	4,577,980	(20,990)
Fiduciary	1,223,320	1,151,078	(72,242)
Total	<u>\$ 8,267,191</u>	<u>\$ 7,929,546</u>	<u>\$ (337,645)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 710,314	\$ 708,315	\$ 1,999
Special Revenue	1,011,917	972,439	39,478
Debt Service	264,719	264,719	0
Capital Projects	542,613	434,181	108,432
Enterprise	4,913,728	4,505,442	408,286
Fiduciary	1,226,652	1,127,864	98,788
Total	<u>\$ 8,669,943</u>	<u>\$ 8,012,960</u>	<u>\$ 656,983</u>

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 541,908	\$ 545,759	\$ 3,851
Special Revenue	1,220,657	1,184,858	(35,799)
Debt Service	454,470	454,470	0
Capital Projects	155,963	90,720	(65,243)
Enterprise	3,908,565	3,899,533	(9,032)
Fiduciary	1,447,850	1,242,325	(205,525)
Total	<u>\$ 7,729,413</u>	<u>\$ 7,417,665</u>	<u>\$ (311,748)</u>

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Fund Type	1999 Budgeted vs. Actual Budgetary Basis Expenditures Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 749,797	\$ 742,822	\$ 6,975
Special Revenue	1,498,516	1,403,057	95,459
Debt Service	454,470	454,470	0
Capital Projects	374,417	330,670	43,747
Enterprise	4,778,660	4,315,189	463,471
Fiduciary	1,490,438	1,283,770	206,668
Total	\$ 9,346,298	\$ 8,529,978	\$ 816,320

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Sewage Treatment Plant Renewal Notes	\$ 64,776	5.75%
Versailles Development Corporation Notes	6,000	0.00%
Fire Truck Acquisition Bonds	34,939	4.72%
Electric Utility Revenue Note	400,000	4.47%
Omega JV5 Debt	1,593,130	4.88 - 5.38%
Total	\$ 2,098,845	

The Sewage Treatment Plant Note was issued for sewage treatment plant improvements. The original note was issued May 17, 1996, and is renewed annually. The current note is dated May 15, 2000, and matures on May 16, 2001.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT (Continued)

An interest free loan was obtained from the Village of Versailles Development Corporation, a non profit organization organized to enhance economic development within the Village, for the purpose of extending and installing municipal utilities to the W. J. Bohman Industrial Park.

The Fire Truck Acquisition Bonds were issued for the purchase of a fire truck. The loan principal is repaid in annual installments of \$17,470.

The Electric Utility Revenue Note was issued April 14, 1997, for capital improvements to enhance the distribution of electrical services to the village residents. The loan principal is repaid in annual installments of \$200,000.

The OMEGA JV5 Project consists of governmental entities that have joined together to finance a municipal electric generation facility (see also, Note 8). Bonded debt was issued in the total of \$153,415,000 for the project; the amount listed above and the amortization schedule below represents the Village's participant share. The debt is being repaid through the purchase price of the electricity and is financed through user charges.

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

Year ending December 31:	Sewage Treatment Plant Notes	Development Corporation Notes	Fire Truck Bonds	Electric Utility Revenue Notes	Omega JV5 Debt
2001	\$ 68,500	\$ 6,000	\$ 19,119	\$ 217,880	\$ 34,430
2002	0	0	18,294	208,940	36,080
2003	0	0	0	0	37,895
2004	0	0	0	0	39,820
2005	0	0	0	0	41,800
Subsequent	0	0	0	0	1,403,105
Total	<u>\$ 68,500</u>	<u>\$ 6,000</u>	<u>\$ 37,413</u>	<u>\$ 426,820</u>	<u>\$ 1,593,130</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. The members of PFDPF contributed 10 percent of their wages, and PERS members contributed 8.5 percent of their gross salaries. The Village contributed an amount equal to 19.5 percent for law enforcement wages. During 1999, the Village contributed an amount equal to 13.55 percent, and for 2000, an amount equal to 10.84 percent, of participants' gross salaries for PERS. The Village has paid all contributions required through December 31, 2000.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

7. RISK MANAGEMENT

The Government belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts at December 31, 2000 and 1999 generally protect against individual losses over \$150,000 (\$100,000 for policies issued after March 31, 2000).

Property coverage contracts protect against losses, subject to a deductible of \$50,000 per occurrence, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained (deficit) earnings at December 31:

	<u>2000</u>	<u>1999</u>
Assets	\$2,958,827	\$4,151,450
Liabilities	<u>3,863,373</u>	<u>3,461,914</u>
Retained (deficit) earnings	<u>(\$904,546)</u>	<u>\$689,536</u>

The Village also provides health insurance to full-time employees through a private carrier.

8. JOINT VENTURE

The Village of Versailles owns an interest in the Ohio Municipal Electric Generation Agency Joint Venture No. 5, whose purpose is to undertake the Belleville Hydroelectric Project to provide electric services for its members. The Agency consists of 42 subdivisions in the State of Ohio and each participant is a member of the American Municipal Power of Ohio. As of December 31, 2000, the Village owned a 1.1 percent interest in the venture.

9. GRANTS

The Village received state grants, and the amounts received from these grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any would not be material.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Versailles
Darke County
4 West Main Street
P.O. Box 166
Versailles, OH 45380

To the Members of Council:

We have audited the accompanying financial statements of the Village of Versailles, Darke County, (the Village), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated August 6, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2000-30319-001 and 2000-30319-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 6, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 6, 2001.

Village of Versailles
Darke County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the management and the Members of Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

August 6, 2001

VILLAGE OF VERSAILLES
DARKE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

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

Finding Number-2000-30319-001	Finding for Adjustment
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Improper Advances

Ohio Rev. Code Section 5705.10, states that monies paid into any fund shall be used only for which purpose such fund was established. The Electric Utility Fund was established to account for user charges and expenses necessary for the continued operation of the Electric Utility System. Pursuant to Auditor of State Bulletin 97-003, in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established.

During the year 2000, an advance of \$52,629 was made to the General Fund from the Electric Utility Revenue, Enterprise Fund Type. This advance is considered unallowable, based on the restricted use of the electric utility revenue, as indicated above.

A finding for adjustment is hereby issued against the General Fund in the amount of \$52,629 and in favor of the Electric Utility Fund. This adjustment has been made to the accompanying financial statements.

Finding Number-2000-30319-002	Finding for Adjustment
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Interest Allocation

Ohio Rev. Code Section 135.21, states that all interest earned must be credited to the general fund of the subdivision, except for interest earned on money derived from a motor vehicle license or fuel tax must follow the principal (Article XII, Section 5a, Ohio Const. and 1982 Op. Att'y Gen. No. 82-031); interest earned on money received from the federal government must follow the principal if the grant so stipulates; or interest earned on principal of a non expendable trust fund that has been established for the purpose of receiving donations or contributions that the donor or contributor requires to be maintained intact, must be credited to the non expendable trust fund to which the principal belongs.

During the audit period, interest was allocated based upon the percentage of the total of the monthly fund balances of those funds that were required to receive interest, divided by each of those specific fund balances, rather than the percentage of each specific fund divided by the total fund balances. Interest should have been allocated to funds that were to receive interest based upon the percentage of each of those fund balances to the total of all fund balances.

The allocation of interest based upon only the total of the fund balances of those funds that were to receive interest resulted in an understatement of the interest that was required to be credited to the general fund.

Based on the above results, a finding for adjustment is hereby issued against the Street Construction, Maintenance and Repair Fund, in the amount of \$59,972 and \$22,297, for 2000 and 1999, respectively; the State Highway Fund, in the amount of \$11,125 and \$7,901, for 2000 and 1999, respectively; and the Permissive Motor Vehicle License Fund in the amount of \$5,260 and \$2,178, respectively; and in favor of the General Fund in the amount of \$76,357 and \$32,376, for 2000 and 1999, respectively.

Interest should be allocated to the funds that are to receive interest revenue based upon the ratio of the respective fund balance to the total of all fund balances. The remainder of the interest, after the required funds receive their proportionate share, is required to be credited to the general fund. These adjustments have been made to the respective accompanying financial statements.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 1998**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-30202-001	Noncompliance/Material Citation - 30 percent of expenditures were not properly certified.	Partially corrected	The percentage of expenditures not properly certified decreased from 30 percent to 20 percent. Also, per our analysis, the prior certification did not result in expenditures exceeding appropriations, therefore, this was not considered to be a material citation.



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VILLAGE OF VERSAILLES

DARKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 11, 2001**