



Mary Taylor, CPA
Auditor of State

VILLAGE OF VERSAILLES
DARKE COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Versailles
Darke County
P.O. Box 288
Versailles, Ohio 45380

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Mary Taylor, CPA
Auditor of State

August 13, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Versailles
Darke County
P.O. Box 288
Versailles, Ohio 45380

To the Village 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, 2007 and 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, 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 of Versailles, Darke County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

August 13, 2008

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$85,483	\$73,233		\$158,716
Municipal Income Tax	1,797,666			1,797,666
Intergovernmental	424,537	285,333	\$759,000	1,468,870
Special Assessments		62,508		62,508
Charges for Services	206,773	246,597		453,370
Fines, Licenses and Permits	17,064	1,780		18,844
Earnings on Investments	506,420	55,342		561,762
Miscellaneous	10,423	187,241	4,075	201,739
Total Cash Receipts	<u>3,048,366</u>	<u>912,034</u>	<u>763,075</u>	<u>4,723,475</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	405,560	245,618		651,178
Public Health Services	17,989	22,584		40,573
Leisure Time Activities		21,279		21,279
Community Environment	11,066			11,066
Basic Utility Service	186,142	7,675		193,817
Transportation		373,733		373,733
General Government	157,026			157,026
Debt Service:				
Redemption of Principal	311,739		2,360	314,099
Interest and Fiscal Charges	272,315	41,245		313,560
Capital Outlay	102,631	788,499	1,712,031	2,603,161
Total Cash Disbursements	<u>1,464,468</u>	<u>1,500,633</u>	<u>1,714,391</u>	<u>4,679,492</u>
Total Receipts Over/(Under) Disbursements	<u>1,583,898</u>	<u>(588,599)</u>	<u>(951,316)</u>	<u>43,983</u>
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Bonds			1,826,563	1,826,563
Other Debt Proceeds			71,304	71,304
Transfers-In	78,518	612,650	35,440	726,608
Transfers-Out	(659,790)	(78,518)		(738,308)
Other Financing Sources		439,512		439,512
Other Financing Uses	(10,870)			(10,870)
Total Other Financing Receipts / (Disbursements)	<u>(592,142)</u>	<u>973,644</u>	<u>1,933,307</u>	<u>2,314,809</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	991,756	385,045	981,991	2,358,792
Fund Cash Balances, January 1	<u>2,173,288</u>	<u>1,483,033</u>	<u>682,153</u>	<u>4,338,474</u>
Fund Cash Balances, December 31	<u>\$3,165,044</u>	<u>\$1,868,078</u>	<u>\$1,664,144</u>	<u>\$6,697,266</u>
Reserve for Encumbrances, December 31	<u>\$90,782</u>	<u>\$46,012</u>	<u>\$929,326</u>	<u>\$1,066,120</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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Private Purpose Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$5,329,397			\$5,329,397
Earnings on Investment		\$27		27
Total Operating Cash Receipts	<u>5,329,397</u>	<u>27</u>		<u>5,329,424</u>
Operating Cash Disbursements:				
Personal Services and Fringe Benefits	774,340			774,340
Travel Transportation	16,446			16,446
Contractual Services	3,014,021			3,014,021
Supplies and Materials	378,353			378,353
Other	3,732			3,732
Total Operating Cash Disbursements	<u>4,186,892</u>			<u>4,186,892</u>
Operating Income	<u>1,142,505</u>	<u>27</u>		<u>1,142,532</u>
Non-Operating Cash Receipts:				
Intergovernmental	75,000			75,000
Special Assessments	12,379			12,379
Miscellaneous Receipts	50,000			50,000
Other Financing Sources			\$38,793	38,793
Total Non-Operating Cash Receipts	<u>137,379</u>		<u>38,793</u>	<u>176,172</u>
Non-Operating Cash Disbursements:				
Capital Outlay	621,560			621,560
Redemption of Principal	292,344			292,344
Interest and Other Fiscal Charges	104,143			104,143
Other Financing Uses	7,438		38,793	46,231
Total Non-Operating Cash Disbursements	<u>1,025,485</u>		<u>38,793</u>	<u>1,064,278</u>
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	254,399	27		254,426
Transfers-In	<u>11,700</u>			<u>11,700</u>
Net Receipts Over Disbursements	266,099	27		266,126
Fund Cash Balances, January 1	<u>3,064,777</u>	<u>633</u>		<u>3,065,410</u>
Fund Cash Balances, December 31	<u>\$3,330,876</u>	<u>\$660</u>	<u>\$0</u>	<u>\$3,331,536</u>
Reserve for Encumbrances, December 31	<u>\$518,511</u>	<u>\$0</u>	<u>\$0</u>	<u>\$518,511</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 GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$80,219	\$67,631		\$147,850
Municipal Income Tax	1,614,226			1,614,226
Intergovernmental	366,959	304,214		671,173
Special Assessments		88,836		88,836
Charges for Services	204,384	59,274		263,658
Fines, Licenses and Permits	15,037	6,809		21,846
Earnings on Investments	225,757	26,507		252,264
Miscellaneous	11,359	51,090	\$2,464	64,913
Total Cash Receipts	<u>2,517,941</u>	<u>604,361</u>	<u>2,464</u>	<u>3,124,766</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	364,104	99,109		463,213
Public Health Services	17,658	26,778		44,436
Leisure Time Activities		21,410		21,410
Community Environment	11,238			11,238
Basic Utility Service	188,416	11,124		199,540
Transportation		427,262		427,262
General Government	221,088	1,536		222,624
Debt Service:				
Redemption of Principal	354,313		18,750	373,063
Interest and Fiscal Charges	32,260			32,260
Capital Outlay	36,415	541,391	1,034,938	1,612,744
Total Cash Disbursements	<u>1,225,492</u>	<u>1,128,610</u>	<u>1,053,688</u>	<u>3,407,790</u>
Total Receipts Over/(Under) Disbursements	<u>1,292,449</u>	<u>(524,249)</u>	<u>(1,051,224)</u>	<u>(283,024)</u>
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Other Debt Proceeds			969,999	969,999
Sale of Fixed Assets			9,270	9,270
Transfers-In		828,445	185,690	1,014,135
Transfers-Out	(1,019,635)			(1,019,635)
Other Financing Sources		31,944		31,944
Other Financing Uses	(33,806)			(33,806)
Total Other Financing Receipts / (Disbursements)	<u>(1,053,441)</u>	<u>860,389</u>	<u>1,164,959</u>	<u>971,907</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	239,008	336,140	113,735	688,883
Fund Cash Balances, January 1	<u>1,934,280</u>	<u>1,146,893</u>	<u>568,418</u>	<u>3,649,591</u>
Fund Cash Balances, December 31	<u>2,173,288</u>	<u>1,483,033</u>	<u>682,153</u>	<u>4,338,474</u>
Reserve for Encumbrances, December 31	<u>\$120,716</u>	<u>\$542,147</u>	<u>\$3,255</u>	<u>\$666,118</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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	<u>Agency</u>	
Operating Cash Receipts:				
Charges for Services	\$5,429,224			\$5,429,224
Earnings on Investment		\$34		34
Miscellaneous	7			7
Total Operating Cash Receipts	<u>5,429,231</u>	<u>34</u>		<u>5,429,265</u>
Operating Cash Disbursements:				
Personal Services and Fringe Benefits	759,404			759,404
Travel Transportation	15,541			15,541
Contractual Services	3,070,541			3,070,541
Supplies and Materials	317,814			317,814
Total Operating Cash Disbursements	<u>4,163,300</u>			<u>4,163,300</u>
Operating Income	<u>1,265,931</u>	<u>34</u>		<u>1,265,965</u>
Non-Operating Cash Receipts:				
Intergovernmental	70,597			70,597
Special Assessments	9,243			9,243
Other Financing Sources	4,929		63,498	68,427
Total Non-Operating Cash Receipts	<u>84,769</u>		<u>63,498</u>	<u>148,267</u>
Non-Operating Cash Disbursements:				
Capital Outlay	77,485			77,485
Redemption of Principal	263,757			263,757
Interest and Other Fiscal Charges	62,624			62,624
Other Financing Uses	2,118		63,498	65,616
Total Non-Operating Cash Disbursements	<u>405,984</u>		<u>63,498</u>	<u>469,482</u>
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	944,716	34		944,750
Transfers-In	<u>5,500</u>			<u>5,500</u>
Net Receipts Over Disbursements	950,216	34		950,250
Fund Cash Balances, January 1	<u>2,114,561</u>	<u>599</u>		<u>2,115,160</u>
Fund Cash Balances, December 31	<u>3,064,777</u>	<u>633</u>		<u>3,065,410</u>
Reserve for Encumbrances, December 31	<u>\$482,778</u>	<u>\$0</u>	<u>\$0</u>	<u>\$482,778</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, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Accounting Basis

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

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

C. Cash and Investments

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

The Village values certificates of deposit, and repurchase agreements 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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.

Parks and Recreation Fund – This fund receives donations, grants and general fund transfers to fund various park projects.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

OWDA Fund - This fund receives loan proceeds from the Ohio Water Development Authority for the construction of a new water treatment plant.

Issue II Fund – This fund receives state grant from the Ohio Public Works Commission for street improvements.

Emergency Services Facilities Fund – This fund receives debt proceeds from the sale of bonds to fund the construction of a new Emergency Services Facility.

4. Enterprise Funds

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

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

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

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

5. Fiduciary Funds

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

The Village's private purpose trust funds are from donations from residents for a bicentennial and tricentennial celebration for village residents.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for resources that belong to the cable company. The Village collects and remits to Time Warner Cable on behalf of Village customers.

E. Budgetary Process

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Village 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2007	2006
Demand deposits	(\$150,092)	(\$49,849)
Certificates of deposit	9,700,660	7,050,633
Total deposits	9,550,568	7,000,784
Repurchase agreement	478,234	403,100
Total investments	478,234	403,100
Total deposits and investments	\$10,028,802	\$7,403,884

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

Investments: The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,126,038	\$3,126,884	\$846
Special Revenue	1,964,968	1,964,196	(772)
Capital Projects	4,444,352	2,696,382	(1,747,970)
Enterprise	5,678,611	5,478,476	(200,135)
Fiduciary		27	27
Total	<u>\$15,213,969</u>	<u>\$13,265,965</u>	<u>(\$1,948,004)</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,608,366	\$2,225,910	\$382,456
Special Revenue	2,447,394	1,625,163	822,231
Capital Projects	4,995,232	2,643,717	2,351,515
Enterprise	7,544,244	5,730,888	1,813,356
Total	<u>\$17,595,236</u>	<u>\$12,225,678</u>	<u>\$5,369,558</u>

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,580,822	\$2,517,941	(\$62,881)
Special Revenue	1,486,400	1,464,750	(21,650)
Capital Projects	2,750,451	1,167,423	(1,583,028)
Enterprise	5,602,286	5,519,500	(82,786)
Fiduciary		34	34
Total	<u>\$12,419,959</u>	<u>\$10,669,648</u>	<u>(\$1,750,311)</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,684,035	\$2,399,649	\$284,386
Special Revenue	2,116,471	1,670,757	445,714
Capital Projects	2,738,970	1,056,943	1,682,027
Enterprise	6,755,882	5,052,062	1,703,820
Total	<u>\$14,295,358</u>	<u>\$10,179,411</u>	<u>\$4,115,947</u>

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. PROPERTY TAX

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

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

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.

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

5. LOCAL INCOME TAX

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

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

6. DEBT

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Elevated Storage Tank Loan -OWDA	\$734,134	3.39%
Water Treatment Plant Loan - OWDA	7,031,158	3.26%
Water Treatment Plant Loan - OPWC	675,000	0.00%
Emergency Services Facility Bonds	1,790,000	3.70 - 5.00%
Chamber of Commerce Loan	9,440	0.00%
Electric System Bond Anticipation Note	350,000	3.80%
Total	<u>\$10,589,732</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 approved \$832,191 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$30,945. An amortization schedule for this loan has not been completed by OWDA.

The Water Treatment Plant Loan was issued on October 30, 2003, with a maturity date of January 1, 2026. The Ohio Water Development Authority (OWDA) loan is for the construction of the water treatment plant. The OWDA approved up to \$7,427,902 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$261,082. An amortization schedule for this loan has not been completed by OWDA.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. DEBT (Continued)

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

The Emergency Services Facilities Bonds were issued on June 7, 2007, with a maturity date of December 1, 2036. The bonds were issued for the purpose of constructing, improving, furnishing and equipping an Emergency Services Facility with related facilities and site improvements.

The Chamber of Commerce Loan was issued on July 14, 2006, with a maturity date of December 31, 2011. The Chamber of Commerce Loan is for the improvement of land for the Village. The loan will be repaid in five equal annual installments of \$2,360.

The Electric System Bond Anticipation Note was issued on November 25, 2007, and matures on November 25, 2008. The entire note including interest is due on the maturity date. The note is for the upgrading of the electric system throughout the village.

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 facility. 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 above debt, including interest, is scheduled as follows:

Year ending December 31:	Water Treatment Plant Loan (OPWC)	Emergency Facilities Bonds	Chamber of Commerce Loan	Electric System Bond Anticipation Note
2008	\$37,500	\$120,335	\$2,360	\$350,000
2009	37,500	118,987	2,360	
2010	37,500	117,622	2,360	
2011	37,500	116,222	2,360	
2012	37,500	119,822		
2013 - 2017	187,500	583,073		
2018 - 2022	187,500	585,573		
2023 - 2027	112,500	580,985		
2028 - 2032		572,000		
2033 - 2037		445,250		
Total	\$675,000	\$3,359,869	\$9,440	\$350,000

7. RETIREMENT SYSTEMS

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. RETIREMENT SYSTEMS (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10% of their wages. For 2007 and 2006, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor.

10. JOINT VENTURES

A. Ohio Municipal Electric Generation Agency (OMEGA 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-Ohio 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, 2007 the Village of Versailles has met their debt coverage obligation.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

10. JOINT VENTURES (Continued)

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW 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-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio 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. The Village's net obligation for these bonds at December 31, 2007 was \$497,295 (Including amounts withheld for Debt Service Reserve, amounts held in the Bond Fund, previous billings to members, interest payable and debt service paid and collected). The net investment in OMEGA JV2 was \$487,179 at December 31, 2007. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2007 are:

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

10. JOINT VENTURES (Continued)

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

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2008	33,489	29,765	63,254
2009	35,147	28,090	63,237
2010	36,885	26,333	63,218
2011	38,859	24,396	63,255
2012	40,913	22,356	63,269
2013-2020	411,660	94,206	505,866
Total Gross Liability	596,953	225,146	822,099
Less: Amounts Held in Reserve	(99,658)		
Net Obligation	<u>497,295</u>		

B. Ohio Municipal Electric Generation Agency Joint Venture 5

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-Ohio.

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.

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, 2007 Versailles has met their debt coverage obligation.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

10. JOINT VENTURES (Continued)

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

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio 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.

The Village's net investment to date in OMEGA JV5 was \$98,444 at December 31, 2007. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

11. SUBSEQUENT EVENT

The Village executed an agreement with the Ohio Public Works Commission for a \$1,000,000 interest free loan for the wastewater treatment plant project on August 13, 2008.



Mary Taylor, CPA

Auditor of State

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

Village of Versailles
Darke County
P.O. Box 288
Versailles, Ohio 45380

To the Village Council:

We have audited the financial statements of the Village of Versailles, Darke County, (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 13, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Village's management in a separate letter dated August 13, 2008.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated August 13, 2008.

We intend this report solely for the information and use of the finance committee, management and the Village Council. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 13, 2008



Mary Taylor, CPA
Auditor of State

VILLAGE OF VERSAILLES

DARKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 14, 2008**