



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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 26, 2010

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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, 2009 and 2008. These financial statements are the responsibility of the Village 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 require 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, 2009 and 2008 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, 2009 and 2008 or its changes in financial position 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, 2009 and 2008, 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 April 26, 2010, 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

April 26, 2010

**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, 2009**

	<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	\$74,069	\$103,417		\$177,486
Municipal Income Tax	1,725,898			1,725,898
Intergovernmental	339,942	258,711	\$609,560	1,208,213
Special Assessments		45,498		45,498
Charges for Services	224,848	315,736		540,584
Fines, Licenses and Permits	13,097	4,110		17,207
Earnings on Investments	146,639	6,359		152,998
Miscellaneous	7,509	49,062	54,467	111,038
Total Cash Receipts	<u>2,532,002</u>	<u>782,893</u>	<u>664,027</u>	<u>3,978,922</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	415,085	359,412		774,497
Public Health Services	17,248	21,884		39,132
Leisure Time Activities		17,143		17,143
Community Environment	19,011			19,011
Basic Utility Service	190,526	11,063		201,589
Transportation		355,358		355,358
General Government	232,769			232,769
Debt Service:				
Redemption of Principal	297,794		1,269,215	1,567,009
Interest and Fiscal Charges	243,099		89,467	332,566
Capital Outlay	81,556	1,664,840	2,291,830	4,038,226
Total Cash Disbursements	<u>1,497,088</u>	<u>2,429,700</u>	<u>3,650,512</u>	<u>7,577,300</u>
Total Receipts Over/(Under) Disbursements	<u>1,034,914</u>	<u>(1,646,807)</u>	<u>(2,986,485)</u>	<u>(3,598,378)</u>
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Bonds		226,000		226,000
Other Debt Proceeds			2,878,044	2,878,044
Transfers-In		1,036,605	312,071	1,348,676
Transfers-Out	<u>(1,368,676)</u>			<u>(1,368,676)</u>
Total Other Financing Receipts / (Disbursements)	<u>(1,368,676)</u>	<u>1,262,605</u>	<u>3,190,115</u>	<u>3,084,044</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(333,762)	(384,202)	203,630	(514,334)
Fund Cash Balances, January 1	<u>3,753,536</u>	<u>1,650,912</u>	<u>848,400</u>	<u>6,252,848</u>
Fund Cash Balances, December 31	<u>\$3,419,774</u>	<u>\$1,266,710</u>	<u>\$1,052,030</u>	<u>\$5,738,514</u>
Reserve for Encumbrances, December 31	<u>\$8,307</u>	<u>\$36,748</u>	<u>\$5,672,989</u>	<u>\$5,718,044</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, 2009**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$5,718,496		\$5,718,496
Miscellaneous	52,988		52,988
Total Operating Cash Receipts	<u>5,771,484</u>		<u>5,771,484</u>
Operating Cash Disbursements:			
Personal Services	860,120		860,120
Travel Transportation	17,097		17,097
Contractual Services	3,739,395		3,739,395
Supplies and Materials	542,581		542,581
Total Operating Cash Disbursements	<u>5,159,193</u>		<u>5,159,193</u>
Operating Income/(Loss)	<u>612,291</u>		<u>612,291</u>
Non-Operating Cash Receipts:			
Intergovernmental	98,010		98,010
Other Non-Operating Cash Receipts	9,174	\$4	9,178
Total Non-Operating Cash Receipts	<u>107,184</u>	<u>4</u>	<u>107,188</u>
Non-Operating Cash Disbursements:			
Capital Outlay	554,612		554,612
Redemption of Principal	122,617		122,617
Interest and Other Fiscal Charges	90,878		90,878
Other Non-Operating Cash Disbursements	4,650		4,650
Total Non-Operating Cash Disbursements	<u>772,757</u>		<u>772,757</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(53,282)	4	(53,278)
Transfers-In	<u>20,000</u>		<u>20,000</u>
Net Receipts Over/(Under) Disbursements	(33,282)	4	(33,278)
Fund Cash Balances, January 1	<u>3,685,400</u>	<u>684</u>	<u>3,686,084</u>
Fund Cash Balances, December 31	<u>\$3,652,118</u>	<u>\$688</u>	<u>\$3,652,806</u>
Reserve for Encumbrances, December 31	<u>\$926,569</u>	<u>\$0</u>	<u>\$926,569</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, 2008**

	<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	\$79,694	\$71,873		\$151,567
Municipal Income Tax	2,025,714			2,025,714
Intergovernmental	370,386	267,597		637,983
Special Assessments		78,906		78,906
Charges for Services	214,619	298,410		513,029
Fines, Licenses and Permits	35,192	775		35,967
Earnings on Investments	332,312	23,644		355,956
Miscellaneous	14,141	50,488	\$3,587	68,216
Total Cash Receipts	<u>3,072,058</u>	<u>791,693</u>	<u>3,587</u>	<u>3,867,338</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	442,336	327,947		770,283
Public Health Services	17,310	24,470		41,780
Leisure Time Activities		13,219		13,219
Community Environment	10,177			10,177
Basic Utility Service	196,832	24,173		221,005
Transportation		457,553		457,553
General Government	216,491			216,491
Debt Service:				
Redemption of Principal	402,925		2,360	405,285
Interest and Fiscal Charges	301,465			301,465
Capital Outlay		856,848	1,515,289	2,372,137
Total Cash Disbursements	<u>1,587,536</u>	<u>1,704,210</u>	<u>1,517,649</u>	<u>4,809,395</u>
Total Receipts Over/(Under) Disbursements	<u>1,484,522</u>	<u>(912,517)</u>	<u>(1,514,062)</u>	<u>(942,057)</u>
Other Financing Receipts / (Disbursements):				
Other Debt Proceeds			497,637	497,637
Transfers-In		695,350	200,680	896,030
Transfers-Out	(896,030)			(896,030)
Total Other Financing Receipts / (Disbursements)	<u>(896,030)</u>	<u>695,350</u>	<u>698,317</u>	<u>497,637</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	588,492	(217,167)	(815,745)	(444,420)
Fund Cash Balances, January 1	<u>3,165,044</u>	<u>1,868,079</u>	<u>1,664,145</u>	<u>6,697,268</u>
Fund Cash Balances, December 31	<u>\$3,753,536</u>	<u>\$1,650,912</u>	<u>\$848,400</u>	<u>\$6,252,848</u>
Reserve for Encumbrances, December 31	<u>\$22,642</u>	<u>\$275,280</u>	<u>\$93,656</u>	<u>\$391,578</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, 2008**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Private Purpose Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$5,723,364			\$5,723,364
Miscellaneous	74,134			74,134
Total Operating Cash Receipts	<u>5,797,498</u>			<u>5,797,498</u>
Operating Cash Disbursements:				
Personal Services	832,265			832,265
Travel Transportation	18,150			18,150
Contractual Services	3,441,881			3,441,881
Supplies and Materials	302,796			302,796
Other	3,125			3,125
Total Operating Cash Disbursements	<u>4,598,217</u>			<u>4,598,217</u>
Operating Income/(Loss)	<u>1,199,281</u>			<u>1,199,281</u>
Non-Operating Cash Receipts:				
Intergovernmental	25,000			25,000
Special Assessments	16,178			16,178
Earnings on Investments		\$23		23
Other Non-Operating Cash Receipts			\$30,227	30,227
Total Non-Operating Cash Receipts	<u>41,178</u>	<u>23</u>	<u>30,227</u>	<u>71,428</u>
Non-Operating Cash Disbursements:				
Capital Outlay	311,756			311,756
Redemption of Principal	469,311			469,311
Interest and Other Fiscal Charges	104,868			104,868
Other Non-Operating Cash Disbursements			30,227	30,227
Total Non-Operating Cash Disbursements	<u>885,935</u>		<u>30,227</u>	<u>916,162</u>
Net Receipts Over/(Under) Disbursements	354,524	23		354,547
Fund Cash Balances, January 1	<u>3,330,876</u>	<u>661</u>		<u>3,331,537</u>
Fund Cash Balances, December 31	<u>\$3,685,400</u>	<u>\$684</u>	<u>\$0</u>	<u>\$3,686,084</u>
Reserve for Encumbrances, December 31	<u>\$586,791</u>	<u>\$0</u>	<u>\$0</u>	<u>\$586,791</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 and general fund transfers for constructing, maintaining, and repairing Village streets.

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

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

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:

Water Pollution Control Loan Fund - This fund receives loan proceeds from the Ohio Water Development Authority for the construction of a new wastewater treatment plant.

Issue II Fund – This fund receives state grant from the Ohio Public Works Commission for street improvements, and wastewater treatment plant loan.

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 customers to cover water service costs.

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

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

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 tri-centennial 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. In 2008, the Village's Agency fund accounted for resources that belong to Time Warner Cable which the Village collected and remitted on behalf of Village customers.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 re-appropriated.

A summary of 2008 and 2008 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:

	2009	2008
Demand deposits	(\$ 4,079)	(\$ 64,877)
Certificates of deposit	9,300,688	9,650,684
Total deposits	9,296,609	9,585,807
Repurchase agreement	94,711	353,125
Total investments	94,711	353,125
Total deposits and investments	\$9,391,320	\$9,938,932

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,699,302	\$ 2,532,002	(\$ 167,300)
Special Revenue	2,248,434	2,045,498	(202,936)
Capital Projects	9,667,346	3,854,142	(5,813,204)
Enterprise	6,152,798	5,898,668	(254,130)
Fiduciary		4	4
Total	<u>\$20,767,880</u>	<u>\$14,330,314</u>	<u>(\$6,437,566)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 3,414,230	\$ 2,874,071	\$ 540,159
Special Revenue	2,832,127	2,466,448	365,679
Capital Projects	9,557,579	9,323,501	234,078
Enterprise	7,673,316	6,858,519	814,797
Total	<u>\$23,477,252</u>	<u>\$21,522,539</u>	<u>\$1,954,713</u>

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,894,535	\$ 3,072,058	\$177,523
Special Revenue	1,645,510	1,487,043	(158,467)
Capital Projects	942,858	701,904	(240,954)
Enterprise	5,460,998	5,838,676	377,678
Fiduciary		23	23
Total	<u>\$10,943,901</u>	<u>\$11,099,704</u>	<u>\$155,803</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,884,534	\$ 2,506,208	\$ 378,326
Special Revenue	2,907,921	1,979,490	928,431
Capital Projects	2,494,126	1,611,305	882,821
Enterprise	7,473,925	6,070,943	1,402,982
Total	<u>\$15,760,506</u>	<u>\$12,167,946</u>	<u>\$3,592,560</u>

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(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 one and a half 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, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Elevated Storage Tank Loan -OWDA	\$ 661,223	3.39%
Water Treatment Plant Loan - OWDA	6,466,558	3.26%
Water Treatment Plant Loan - OPWC	581,250	0.00%
Emergency Services Facility Bonds	1,720,000	3.70 - 5.00%
Chamber of Commerce Loan	4,720	0.00%
Wastewater Treatment Plant Loan - OWDA	1,185,908	1.00%
Wastewater Treatment Plant Loan - OPWC	1,000,000	0.00%
Fire Equipment Bond Series	226,000	3.32%
Total	<u>\$11,845,659</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 \$7,427,745 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$254,916.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(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 Village will repay the loan in annual installments ranging from \$117,623 to \$110,250.

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 Wastewater Treatment Plant Loan with OWDA began on September 2009 and continues through 2011, estimated. OWDA approved up to \$7,805,420 in loans to the Village for this project. The Village has also been approved to receive \$4,473,196 in American Recovery and Reinvestment Act (ARRA) money to offset their loan with OWDA. The Village will begin to repay the loan in semiannual installments upon the completion of the project loan.

The Wastewater Treatment Plant Loan with OPWC was issued on October 19, 2009 for \$1,000,000. The Village will repay the loan in semiannual installments of \$25,000 beginning July 1, 2010.

The Fire Truck Loan was issued on October 1, 2009 with a maturity date of October 1, 2015 for the purchase of a new truck. The Village will repay the loan in semiannual installments ranging from \$17,175 to \$20,585.

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 is scheduled as follows:

Year ending December 31:	Water Treatment Plant Loan (OPWC)	Emergency Services Facilities Bonds	Chamber of Commerce Loan	Water Treatment Plant Loan (OWDA)
2010	\$ 37,500	\$ 35,000	\$2,360	\$ 301,459
2011	37,500	35,000	2,360	311,367
2012	37,500	40,000		321,600
2013	37,500	40,000		332,170
2014	37,500	40,000		343,087
2015 - 2019	187,500	230,000		1,892,169
2020 - 2024	187,500	290,000		2,224,227
2025 - 2029	18,750	360,000		740,479
2030 - 2034		445,000		
2035 - 2039		205,000		
Total	\$581,250	\$1,720,000	\$4,720	\$6,466,558

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. DEBT (Continued)

<u>Year ending December 31:</u>	Wastewater Treatment Plant Loan (OPWC)	Fire Equipment Series Bonds 2009
2010	\$ 25,000	\$ 34,635
2011	50,000	35,795
2012	50,000	36,993
2013	50,000	38,232
2014	50,000	39,511
2015 - 2019	250,000	40,834
2020 - 2024	250,000	
2025 - 2029	250,000	
2030 - 2034	25,000	
2035 - 2039		
Total	<u>\$1,000,000</u>	<u>\$226,000</u>

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.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10% of their wages. For 2009 and 2008, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2009 and 2008, 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, 2009.

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.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

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 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, 2009 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. The Village's net obligation for these bonds at December 31, 2009 was \$429,569 (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 \$426,887 at December 31, 2009. Complete financial statements for OMEGA JV2 may be obtained from AMP 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, 2009 are:

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

10. JOINT VENTURES (Continued)

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

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

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2010	\$ 36,885	\$ 26,333	\$63,218
2011	38,860	24,396	63,256
2012	40,913	22,356	63,269
2013	43,046	20,208	63,254
2014	45,257	17,948	63,205
2015-2020	<u>323,357</u>	<u>56,050</u>	379,407
Total Gross Liability	528,317	167,292	695,610
Less: Amounts Held in Reserve	(98,748)		
Net Obligation	<u>\$429,569</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.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

10. JOINT VENTURES (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.

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, 2009 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 an unaudited basis, The Village's net investment to date in OMEGA JV5 was \$131,857 at December 31, 2009. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.



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 year ended December 31, 2009 and 2008 and have issued our report thereon dated April 26, 2010 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

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 matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 26, 2010.

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

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

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

April 26, 2010

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 and 2008**

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

FINDING NUMBER 2009-01

Material Weakness

Recording of Ohio Water Development Authority (OWDA) Loan Proceeds

The Village of Versailles entered into an agreement with Ohio Water Development Authority under the Capitalization Grants for Clean Water State Revolving Funds for the Waste Water Treatment Plant for design in 2007 and improvements in 2008. In 2009, the Village was also awarded ARRA loan forgiveness grant money for 50% of the project cost up to \$4,473,196 over the length of the project. The Village received loan proceeds in 2007 for the design of the Waste Water Treatment Plant with that loan being rolled over in 2009 into the improvement portion of the loan. Finally, the Village received ARRA loan forgiveness on the improvement portion of the loan in 2009.

The Village failed to correctly classify the revenue and expenditure amounts in the Water Pollution Control Loan Fund which resulted in the revenue and expenditures being understated by \$1,237,204 in 2009, which represented a 47% understatement of Capital Project Fund Type revenue and a 51% understatement of Capital Project Fund Type expenditures. The accompanying financial statements include the required adjustments to correctly present the Capital Project Fund Type for 2009.

To properly present and report the activity in the financial statements of the Village, a review should be completed of the requirements for financial reporting presented in accordance with Auditor of State Bulletin 2000-008

Auditee's Response:

The Village of Versailles upon being notified of being awarded the OWDA Loan and American Recovery & Reinvestment Act (ARRA) Loan forgiveness was informed by the State of Ohio the Village would receive a site visit and instructions on how to administer and account for the loan proceeds and ARRA Loan forgiveness monies for its wastewater treatment plant project. Due to the aggressive time line established for the State of Ohio to disburse the federal economic stimulus monies and the lack of clear understanding on how the new program was to be administered by the State of Ohio for the numerous projects being funded, the Village of Versailles never did receive a visit and instructions from the State of Ohio as originally informed. Therefore, the Village accounted for the OWDA and ARRA proceeds as Intergovernmental Revenues and Capital Outlay Expenditures, which was not the correct classification for these funds as determined by the recent completion of the State Audit. The Village recognizes that while the funding proceeds were not correctly classified by title, all OWDA and ARRA funding proceeds were expended as intended and approved for the Village Wastewater Treatment Plant Project.



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
JUNE 1, 2010**