



**Auditor of State
Betty Montgomery**

VILLAGE OF VERSAILLES
DARKE COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003	3
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, 2003	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002	5
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, 2002	6
Notes to the Financial Statements	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15

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**Auditor of State
Betty Montgomery**

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, 2003 and 2002. 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 described 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 of Versailles, as of December 31, 2003 and 2002, 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 June 25, 2004, 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.

Village of Versailles
Darke County
Independent Accountants' Report
Page 2

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

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

Betty Montgomery
Auditor of State

June 25, 2004

**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, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$1,436,975	\$71,232		\$1,508,207
Special Assessments		60,586		60,586
Intergovernmental Receipts	419,007	203,203	\$1,457,930	2,080,140
Charges for Services	203,463	51,680		255,143
Fines, Licenses, and Permits	13,339	2,600	3,169	19,108
Earnings on Investments	86,978	12,738		99,716
Miscellaneous	6,755	81,478	3,506	91,739
	<u>2,166,517</u>	<u>483,517</u>	<u>1,464,605</u>	<u>4,114,639</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	327,051	88,291		415,342
Public Health Services	17,073	29,632		46,705
Leisure Time Activities		31,195		31,195
Community Environment	13,018			13,018
Basic Utility Services	177,098	6,109		183,207
Transportation		476,366		476,366
General Government	265,276			265,276
Debt Service:				
Principal Payments	21,203			21,203
Interest Payments	1,128			1,128
Capital Outlay			1,472,779	1,472,779
	<u>821,847</u>	<u>631,593</u>	<u>1,472,779</u>	<u>2,926,219</u>
Total Cash Disbursements	<u>821,847</u>	<u>631,593</u>	<u>1,472,779</u>	<u>2,926,219</u>
Total Receipts Over/(Under) Disbursements	<u>1,344,670</u>	<u>(148,076)</u>	<u>(8,174)</u>	<u>1,188,420</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		908,055	182,380	1,090,435
Transfers-Out	(1,090,435)			(1,090,435)
	<u>(1,090,435)</u>	<u>908,055</u>	<u>182,380</u>	<u></u>
Total Other Financing Receipts/(Disbursements)	<u>(1,090,435)</u>	<u>908,055</u>	<u>182,380</u>	<u></u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	254,235	759,979	174,206	1,188,420
Fund Cash Balances, January 1	739,417	926,531	272,434	1,938,382
Fund Cash Balances, December 31	<u>\$993,652</u>	<u>\$1,686,510</u>	<u>\$446,640</u>	<u>\$3,126,802</u>
Reserves for Encumbrances, December 31	<u>\$204,308</u>	<u>\$130,031</u>	<u>\$6,971,065</u>	<u>\$7,305,404</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, 2003**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$5,013,122			\$5,013,122
Earnings on Investments		\$10		10
Miscellaneous	20,475			20,475
Total Operating Cash Receipts	5,033,597	10		5,033,607
Operating Cash Disbursements:				
Personal Services	665,470			665,470
Fringe Benefits	11,927			11,927
Contractual Services	2,936,998			2,936,998
Supplies and Materials	235,764			235,764
Capital Outlay	1,398,577			1,398,577
Other	2,381			2,381
Total Operating Cash Disbursements	5,251,117			5,251,117
Operating Income/(Loss)	(217,520)	10		(217,510)
Non-Operating Cash Receipts:				
Other Non-Operating Receipts			\$90,436	90,436
Total Non-Operating Cash Receipts			90,436	90,436
Non-Operating Cash Disbursements:				
Debt Service	290,338			290,338
Other Non-Operating Cash Disbursements			90,436	90,436
Total Non-Operating Cash Disbursements	290,338		90,436	380,774
Net Receipts Over/(Under) Disbursements	(507,858)	10		(507,848)
Fund Cash Balances, January 1	2,980,488	581		2,981,069
Fund Cash Balances, December 31	\$2,472,630	\$591	\$0	\$2,473,221
Reserve for Encumbrances, December 31	\$598,283	\$0	\$0	\$598,283

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, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$1,343,331	\$66,159		\$1,409,490
Special Assessments		57,176		57,176
Intergovernmental Receipts	403,739	292,672	\$391,307	1,087,718
Charges for Services	173,788	47,420		221,208
Fines, Licenses, and Permits	11,031	1,550	3,074	15,655
Earnings on Investments	42,502	21,272		63,774
Miscellaneous	15,016	7,315	3,506	25,837
	<u>1,989,407</u>	<u>493,564</u>	<u>397,887</u>	<u>2,880,858</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	259,436	76,448		335,884
Public Health Services	17,003	23,985		40,988
Leisure Time Activities		44,030		44,030
Community Environment	4,523			4,523
Basic Utility Services	179,534	1,271		180,805
Transportation		617,033		617,033
General Government	264,991			264,991
Debt Service:				
Principal Payments		17,470		17,470
Interest Payments	1,370	829		2,199
Capital Outlay			399,200	399,200
	<u>726,857</u>	<u>781,066</u>	<u>399,200</u>	<u>1,907,123</u>
Total Receipts Over/(Under) Disbursements	<u>1,262,550</u>	<u>(287,502)</u>	<u>(1,313)</u>	<u>973,735</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		784,494	82,180	866,674
Advances-In	94,472			94,472
Transfers-Out	(877,674)			(877,674)
Advances-Out		(94,472)		(94,472)
	<u>(783,202)</u>	<u>690,022</u>	<u>82,180</u>	<u>(11,000)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	479,348	402,520	80,867	962,735
Fund Cash Balances, January 1	<u>260,069</u>	<u>524,011</u>	<u>191,567</u>	<u>975,647</u>
Fund Cash Balances, December 31	<u>\$739,417</u>	<u>\$926,531</u>	<u>\$272,434</u>	<u>\$1,938,382</u>
Reserves for Encumbrances, December 31	<u>\$63,595</u>	<u>\$90,009</u>	<u>\$1,182,707</u>	<u>\$1,336,311</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, 2002**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$4,808,967			\$4,808,967
Miscellaneous	15,808			15,808
Total Operating Cash Receipts	<u>4,824,775</u>			<u>4,824,775</u>
Operating Cash Disbursements:				
Personal Services	649,550			649,550
Fringe Benefits	11,733			11,733
Contractual Services	2,870,430			2,870,430
Supplies and Materials	241,019			241,019
Capital Outlay	283,213			283,213
Other	2,270			2,270
Total Operating Cash Disbursements	<u>4,058,215</u>			<u>4,058,215</u>
Operating Income/(Loss)	<u>766,560</u>			<u>766,560</u>
Non-Operating Cash Receipts:				
Proceeds from Notes and Bonds	1,350,000			1,350,000
Other Non-Operating Receipts			\$92,382	92,382
Total Non-Operating Cash Receipts	<u>1,350,000</u>		<u>92,382</u>	<u>1,442,382</u>
Non-Operating Cash Disbursements:				
Debt Service	282,107			282,107
Other Non-Operating Cash Disbursements			92,382	92,382
Total Non-Operating Cash Disbursements	<u>282,107</u>		<u>92,382</u>	<u>374,489</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	1,834,453			1,834,453
Transfers-In	11,000			11,000
Net Receipts Over/(Under) Disbursements	1,845,453			1,845,453
Fund Cash Balances, January 1	1,135,035	\$581		1,135,616
Fund Cash Balances, December 31	<u>\$2,980,488</u>	<u>\$581</u>	<u>\$0</u>	<u>\$2,981,069</u>
Reserve for Encumbrances, December 31	<u>\$116,550</u>	<u>\$0</u>	<u>\$0</u>	<u>\$116,550</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, 2003 AND 2002**

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 government services, water, sewer, and electric utilities, refuse services, park operations, 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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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 fund:

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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:

OWDA Fund – This fund received loan proceeds from the Ohio Water Development Authority for the construction of an elevated storage tank and a new water treatment plant.

Issue II Fund – This fund received proceeds from the Ohio Public Works Commission for street improvements.

4. 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:

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

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

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

5. 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:

Adelphia Cable Fund – This agency fund reflects resources that belong to the cable company from sales. The Village collects and remits to Adelphia on behalf of Village customers.

Mayor's Court Fund – This agency fund reports the financial activity of the Village Mayor's Court fines, forfeitures, and bonds.

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, 2003 AND 2002
(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 for all funds except the General and Electric Funds which are at the departmental 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 2003 and 2002 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. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

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:

	<u>2003</u>	<u>2002</u>
Demand deposits	\$599,313	\$3,525
Certificates of deposit	5,000,710	4,915,926
Total deposits	<u>5,600,023</u>	<u>4,919,451</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,186,749	\$2,166,517	(\$20,232)
Special Revenue	1,399,205	1,391,572	(7,633)
Capital Projects	8,582,471	1,646,985	(6,935,486)
Enterprise	5,051,278	5,033,597	(17,681)
Total	<u>\$17,219,703</u>	<u>\$10,238,671</u>	<u>(\$6,981,032)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,477,508	\$2,116,590	\$360,918
Special Revenue	1,106,408	761,624	344,784
Capital Projects	8,753,878	8,443,844	310,034
Enterprise	6,855,074	6,139,738	715,336
Total	<u>\$19,192,868</u>	<u>\$17,461,796</u>	<u>\$1,731,072</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,066,705	\$1,989,407	(\$77,298)
Special Revenue	1,206,329	1,278,058	71,729
Capital Projects	2,032,073	480,067	(1,552,006)
Enterprise	6,192,615	6,185,775	(6,840)
Total	<u>\$11,497,722</u>	<u>\$9,933,307</u>	<u>(\$1,564,415)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,172,121	\$1,668,126	\$503,995
Special Revenue	922,231	871,075	51,156
Capital Projects	2,051,628	1,581,907	469,721
Enterprise	6,061,532	4,456,872	1,604,660
Total	<u>\$11,207,512</u>	<u>\$8,577,980</u>	<u>\$2,629,532</u>

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

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 payments, 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.

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one and a half 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, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Elevated Storage Tank Loan	\$797,261	3.39%
New Water Treatment Plant Loan	762,218	3.26%
Electric System Bond Anticipation Note	<u>1,150,000</u>	1.35%
Total	<u><u>\$2,709,479</u></u>	

The Elevated Storage Tank Loan was issued on September 26, 2002 with a maturity date of January 1, 2024. The loan is for the construction of a new water tower. As of December 31, 2003, the entire loan proceeds have not been received by the Village, therefore a repayment schedule has not been developed by the Ohio Water Development Authority.

The New Water Treatment Plant Loan was issued on October 30, 2003 with a maturity date of January 1, 2026. The loan is for the construction of a new water treatment plant. As of December 31, 2003, the entire loan proceeds have not been received by the Village, therefore a repayment schedule has not been developed by the Ohio Water Development Authority.

The Electric System Bond Anticipation Note was issued on November 25, 2003 and matures on November 25, 2004. The entire note including interest is due on the maturity date.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. DEBT (Continued)

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 being repaid through the purchase price of the electricity and is financed through user charges. In 2003, the Village paid \$23,692 in principal payments and \$36,184 in interest payments. In 2002, the Village paid \$25,985 in principal payments and \$37,289 in interest payments.

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F 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. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

A. Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

B. Risk Pool Membership – Ohio Municipal Joint Self-Insurance Pool

The Village 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.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

8. RISK MANAGEMENT (Continued)

Casualty excess-of-loss contracts at December 31, 2002 and 2001 generally protect against individual losses over \$150,000 for policies issued prior to April 1, 2000; \$100,000 for policies between April 1, 2000, and March 31, 2002; and \$125,000 for policies issued April 1, 2002, or later.

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 cedes reinsurance to reinsurers or excess insurers. The Pool is contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

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

	2002	2001
Assets	\$1,852,060	\$3,354,251
Liabilities	(3,627,321)	(4,851,866)
Retained (deficit) Earnings	(\$1,775,261)	(\$1,497,615)

As of the report date, this is the most current note disclosure.

9. JOINT VENTURE

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, 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 JV2 Agreement.

9. JOINT VENTURE (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, 2003 was \$625,467 (net of 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 \$611,820 at December 31, 2003. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the Village's Auditor.

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

Years	Principal	Interest	Total Debt Service
2004	\$ 28,197	\$ 35,033	\$ 63,230
2005	29,382	33,835	63,217
2006	30,645	32,586	63,231
2007	31,909	31,360	63,269
2008-2020	596,953	225,148	822,101
Total Gross Liability	717,086	\$ 357,962	\$ 1,075,048
Less: Amounts Held in Reserve	(91,619)		
Net Obligation	<u>\$ 625,467</u>		



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL 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, 2003 and 2002, and have issued our report thereon dated June 25, 2004. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 25, 2004.

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.

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

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

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

Betty Montgomery
Auditor of State

June 25, 2004



**Auditor of State
Betty Montgomery**

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800-282-0370

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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
AUGUST 5, 2004**