



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF VERSAILLES
DARKE COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001	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, 2001	4
Notes to the Financial Statements	5
Schedule of Federal Award Expenditures.....	13
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15
Report of Independent Accountants on Compliance with Requirements Applicable to Major Federal Programs and Internal Control over Compliance in Accordance with OMB Circular A-133.....	17
Schedule of Findings	19
Schedule of Prior Audit Findings.....	20

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Members of Village Council:

We have audited the accompanying financial statements of the Village of Versailles, Darke County (the Village), as of and for the year ended December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001, and its combined cash receipts and disbursements for the year 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 11, 2002, 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.

We performed our audit to form an opinion on the financial statements of the Village, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

June 11, 2002

**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, 2001**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$1,388,333	\$73,570			\$1,461,903
Special Assessments		53,862			53,862
Intergovernmental Receipts	155,485	176,406		\$910,659	1,242,550
Charges for Services	269,279	54,226			323,505
Fines, Licenses, and Permits	11,442	2,019		2,936	16,397
Earnings on Investments	67,416	15,251			82,667
Miscellaneous	10,593	7,225		2,307	20,125
	<u>1,902,548</u>	<u>382,559</u>		<u>915,902</u>	<u>3,201,009</u>
Total Cash Receipts					
Cash Disbursements:					
Security of Persons and Property	335,967	100,272			436,239
Public Health Services	16,293	27,559			43,852
Leisure Time Activities		49,072			49,072
Community Environment	4,939				4,939
Basic Utility Services	174,865	3,307			178,172
Transportation		835,515			835,515
General Government	150,599				150,599
Debt Service:					
Principal Payments		17,470	\$64,775	6,000	88,245
Interest Payments		1,645	3,725		5,370
Capital Outlay	29,962			981,457	1,011,419
	<u>712,625</u>	<u>1,034,840</u>	<u>68,500</u>	<u>987,457</u>	<u>2,803,422</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>1,189,923</u>	<u>(652,281)</u>	<u>(68,500)</u>	<u>(71,555)</u>	<u>397,587</u>
Other Financing Receipts and (Disbursements):					
Proceeds of Debt	21,203				21,203
Transfers-In		831,000	68,443	50,000	949,443
Advances-In		27,000		67,472	94,472
Transfers-Out	(962,443)				(962,443)
Advances-Out	(147,101)				(147,101)
Other Sources	6,393	2,704		500	9,597
	<u>(1,081,948)</u>	<u>860,704</u>	<u>68,443</u>	<u>117,972</u>	<u>(34,829)</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	107,975	208,423	(57)	46,417	362,758
Fund Cash Balances, January 1	152,093	315,587	57	145,150	612,887
Fund Cash Balances, December 31	<u>\$260,068</u>	<u>\$524,010</u>	<u>\$0</u>	<u>\$191,567</u>	<u>\$975,645</u>
Reserves for Encumbrances, December 31	<u>\$30,540</u>	<u>\$65,990</u>	<u>\$0</u>	<u>\$108,987</u>	<u>\$205,517</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, 2001**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$4,395,125			\$4,395,125
Interest		\$22		\$22
Miscellaneous	20,262			20,262
Total Operating Cash Receipts	4,415,387	22		4,415,409
Operating Cash Disbursements:				
Personal Services	643,938			643,938
Fringe Benefits	13,539			13,539
Contractual Services	2,770,638			2,770,638
Supplies and Materials	218,611			218,611
Capital Outlay	362,917			362,917
Total Operating Cash Disbursements	4,009,643			4,009,643
Operating Income	405,744	22		405,766
Non-Operating Cash Receipts:				
Other Non-Operating Receipts	3,281		\$254,843	258,124
Total Non-Operating Cash Receipts	3,281		254,843	258,124
Non-Operating Cash Disbursements:				
Debt Service	261,709			261,709
Other Non-Operating Cash Disbursements	1,635		254,843	256,478
Total Non-Operating Cash Disbursements	263,344		254,843	518,187
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	145,681	22		145,703
Transfers-In	13,000			13,000
Advances-In	52,629			52,629
Net Receipts Over Disbursements	211,310	22		211,332
Fund Cash Balances, January 1	923,726	559		924,285
Fund Cash Balances, December 31	\$1,135,036	\$581	\$0	\$1,135,617
Reserve for Encumbrances, December 31	\$70,025	\$0	\$0	\$70,025

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, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Versailles, Darke County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, water, 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 Funds

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

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

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

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

Wastewater Treatment Plant Debt Service Fund – This fund receives transfers for the payment of note indebtedness.

4. Capital Project Funds

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

Highway Construction & Planning Fund – This fund receives federal monies for the construction of the downtown revitalization project.

5. Enterprise Funds

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

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

Sanitary 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.

6. Fiduciary Funds (Trust and Agency Funds)

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

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

Vectren Gas Fund - This fund reflects resources that belong to the gas company from sales. The Village collects and remits to Vectren on behalf of their customers.

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

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(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 for all funds except for the General Fund and Electric Funds 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 2001 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 cash basis of accounting.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001
Demand deposits	\$210,704
Certificates of deposit	1,900,558
Total deposits	\$2,111,262

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2001 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,854,313	\$1,930,144	\$75,831
Special Revenue	1,268,382	1,216,263	(52,119)
Debt Service	68,500	68,443	(57)
Capital Projects	1,088,763	966,402	(122,361)
Enterprise	4,784,894	4,431,668	(353,226)
Non-Expendable Trust	0	22	22
Total	\$9,064,852	\$8,612,942	(\$451,910)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,761,390	\$1,705,608	\$55,782
Special Revenue	1,341,010	1,100,830	240,180
Debt Service	68,500	68,500	0
Capital Projects	1,170,248	1,096,444	73,804
Enterprise	5,682,717	4,343,012	1,339,705
Non-Expendable Trust	0	0	0
Total	\$10,023,865	\$8,314,394	\$1,709,471

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(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 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, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Electric Utility Revenue Note	\$208,940	4.47%
Fire Truck Acquisition Note	18,299	4.72%
Police Vehicle Bond Anticipation Note	<u>21,203</u>	6.375%
Total	<u><u>\$248,442</u></u>	

The Electric Utility Revenue Note was issued April 14, 1997, for capital improvements to enhance the distribution of electrical services to the Village residents. The loan principal is repaid in annual installments of \$200,000. Also, see Note 10 A.

The Fire Truck Acquisition Note was issued for the purchase of a fire truck. The loan principal is repaid in annual installments of \$17,470. Also, see Note 10 A.

The Police Vehicle Bond Anticipation Note was issued on January 2, 2001, for the purpose of paying part of the costs of a police vehicle. The loan principal of \$21,203 is due on January 2, 2002. Also, see Note 10 A.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

6. DEBT (Continued)

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

	Fire Truck Acquisition Bond	Electric Utility Revenue Note	Police Vehicle Bond Anticipation Note
Year ending December 31:			
2002	\$18,299	\$208,940	\$21,203
Total	\$18,299	\$208,940	\$21,203

In addition to the above debt, 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 2001, the Village paid \$25,450 in principal payments and \$38,661 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 2001, 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 2001. The Village has paid all contributions required through December 31, 2001.

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.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

8. RISK MANAGEMENT (Continued)

B. 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.

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

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

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

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

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

9. JOINT VENTURE

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

10. SUBSEQUENT EVENTS

A. Retired Debt

Three debt notes were retired subsequent to year-end. A payment in amount of \$227,238.68 to Second National Bank on April 15, 2002, retired the Electric Utility Revenue Note and Fire Truck Note. On January 2, 2002, the Police Vehicle Bond Anticipation Note was retired with Second National Bank through the issuance of another note in the same amount and financial institution with an interest rate of 5.25% and maturity date of January 3, 2002.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

10. SUBSEQUENT EVENTS (Continued)

B. Grants

On March 11, 2002, the Village received notification that it was approved by the Ohio Public Works Commission for the project entitled Grand Avenue Reconstruction – Phase III in the amount of \$333,062. The Commission also approved the project entitled Water Treatment Plant Construction in the amount of \$1,000,000. Of this amount, \$750,000 is an interest-free loan and the remaining \$250,000 is a grant from the Ohio Public Works Commission. The grant agreements will be released by the Commission on July 1, 2002, assuming budget authority is in place.

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Passed Through Office of Criminal Justice Services</i>			
Bulletproof Vest Grant	1004238	10.760	\$353
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction Program	20973	20.205	<u>919,938</u>
Total Federal Programs			<u><u>\$920,291</u></u>

*The Schedule of Federal Awards Expenditures summarizes activity of the Village's federal award programs.
The Schedule has been prepared on the cash basis of accounting.*

This page intentionally left blank.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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

Village of Versailles
Darke County
P.O. Box 166
4 West Main Street
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, 2001, and have issued our report thereon dated June 11, 2002. 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 11, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 11, 2002.

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

This report is intended solely for the information and use of the audit committee, management, Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized loop at the end.

Jim Petro
Auditor of State

June 11, 2002



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Village Council:

Compliance

We have audited the compliance of Village of Versailles, Darke County (the Village) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2001. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**Internal Control Over Compliance
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

June 11, 2002

VILLAGE OF VERSAILLES
DARKE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505

DECEMBER 31, 2001

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning and Construction Program CFDA 20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**VILLAGE OF VERSAILLES
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30319-001	Noncompliance/Material Citation – Ohio Rev. Code Section 5705.10 Improper Advances	Yes	
2000-30319-002	Noncompliance/Material Citation – Ohio Rev. Code Section 135.21 Interest Allocation	Yes	



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
JULY 16, 2002**