



Mary Taylor, CPA
Auditor of State

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

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DARKE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Versailles Exempted Village School District
Darke County
P.O. Box 313
4 Virginia Street
Versailles, Ohio 45380

To the Board of Education:

We have audited the accompanying financial statements of Versailles Exempted Village School District, Darke County, (the District), as of and for the years ended June 30, 2007 and 2006. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the Versailles Exempted Village School District as of and for the years ended June 30, 2007 and June 30, 2006 in accordance with accounting principles generally accepted in the United States of America.

The District 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 October 3, 2007, on our consideration of the District'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.

We conducted our audit to opine on the District's financial statements. The Federal Awards Expenditure Schedule presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the financial statements. We subjected this schedule to the auditing procedures applied in our audit of the District's financial statements. For reasons stated in the third paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District, as of June 30, 2007 and 2006, or its changes in financial position or its cash flows for the years then ended. Therefore we are unable to express, and we do not express, an opinion on the Federal Awards Expenditure Schedule.

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

Mary Taylor, CPA
Auditor of State

October 3, 2007

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Governmental Fund Types</u>				Total (Memorandum Only)
	General Fund	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
From Local Sources:					
Taxes	\$3,549,562	\$29,303	\$435,450		\$4,014,315
Tuition	153,491				153,491
Earnings on Investments	246,392	468		\$381,012	627,872
Extracurricular Activities		\$219,982			219,982
Classroom Materials and Fees	19,529				19,529
Other Local Revenues	11,927	25,672		450,000	487,599
Intergovernmental - State	6,563,954	28,605	43,363	\$871,444	7,507,366
Intergovernmental - Federal	14,693	434,367			449,060
Total Cash Receipts	10,559,548	738,397	478,813	1,702,456	13,479,214
Cash Disbursements:					
Current:					
Instruction:					
Regular	5,148,476	46,698		13,952	5,209,126
Special	776,949	109,627			886,576
Vocational	485,445				485,445
Support Services:					
Pupils	356,627	301,531			658,158
Instructional Staff	539,899	8,757			548,656
Board of Education	15,162				15,162
Administration	1,056,328	12,000			1,068,328
Fiscal	265,664	577	8,579		274,820
Operation and Maintenance of Plant	615,999			87,095	703,094
Pupil Transportation	438,881				438,881
Central	7,112	5,888			13,000
Extracurricular Activities	276,574	209,463			486,037
Building Acquisition & Construction	32,600			491,247	523,847
Repayment of Debt			300,169	13,878,000	14,178,169
Total Cash Disbursements	10,015,716	694,541	308,748	14,470,294	25,489,299
Excess of Cash Receipts Over (Under) Cash Disbursements	543,832	43,856	170,065	(12,767,838)	(12,010,085)
Other Financing Sources (Uses):					
Sale of Bonds				14,042,174	14,042,174
Proceeds from Sale of Notes				13,918,524	13,918,524
Refund of Prior Years Expenditures	7,022	4,189			11,211
Sale of Assets	185				185
Operating Transfers In		3,833		75,000	78,833
Advances In	21,376	4,819			26,195
Operating Transfers Out	(78,833)				(78,833)
Advances Out	(104,819)	(9,376)			(114,195)
Total Other Financing Sources (Uses)	(155,069)	3,465	0	28,035,698	27,884,094
Excess of Cash Receipts and Other Financing Sources Over (Under) Disbursements and Other Uses	388,763	47,321	170,065	15,267,860	15,874,009
Fund Cash Balances, July 1	4,133,690	96,702	\$2,755	68,863	4,302,010
Fund Cash Balances, June 30	4,522,453	144,023	172,820	15,336,723	20,176,019
Reserve for Encumbrances	\$436,860	\$24,278	\$0	\$1,136,947	\$1,598,085

See Accompanying Notes to the Financial Statements.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Proprietary Fund Type</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
Operating Cash Receipts:				
Sales/Charges for Services	\$368,806			368,806
Extracurricular Activities			\$168,001	168,001
Miscellaneous	13,107	\$1,751	3,503	18,361
Total Operating Cash Receipts	<u>381,913</u>	<u>1,751</u>	<u>171,504</u>	<u>555,168</u>
Operating Cash Disbursements:				
Personal Services	276,609			276,609
Contract Services	4,412		13,970	18,382
Materials and Supplies	206,194		121,302	327,496
Capital Outlay	1,157			1,157
Other Expenses	948	3,715	18,971	23,634
Total Operating Cash Disbursements	<u>489,320</u>	<u>3,715</u>	<u>154,243</u>	<u>647,278</u>
Operating Loss	<u>(107,407)</u>	<u>(1,964)</u>	<u>17,261</u>	<u>(92,110)</u>
Non-operating Cash Receipts:				
Grants	55,124			55,124
Refund of Prior Year Expenditures			64	64
Total Non-operating Cash Receipts	<u>55,124</u>		<u>64</u>	<u>55,188</u>
Receipts Over (Under) Disbursements Before Interfund Transfers	(52,283)	(1,964)	17,325	(36,922)
Advances In	100,000			100,000
Advances Out	<u>(12,000)</u>			<u>(12,000)</u>
Net Receipts Over (Under) Disbursements	35,717	(1,964)	17,325	51,078
Fund Cash Balances, July 1	<u>27,767</u>	<u>3,149</u>	<u>89,251</u>	<u>120,167</u>
Fund Cash Balances, June 30	<u>63,484</u>	<u>1,185</u>	<u>106,576</u>	<u>171,245</u>
Reserve for Encumbrances	<u>\$875</u>	<u>\$0</u>	<u>\$10,417</u>	<u>\$11,292</u>

See Accompanying Notes to the Financial Statements.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Fund Types/Fund	Budget	Actual	Variance Favorable/ (Unfavorable)
Governmental:			
General Fund	\$10,494,546	\$10,588,131	\$93,585
Special Revenue Funds	742,878	751,238	8,360
Debt Service Fund	478,813	478,813	
Capital Projects Funds	29,692,657	29,738,154	45,497
Proprietary:			
Enterprise Funds	536,221	537,037	816
Internal Service	1,751	1,751	
Fiduciary:			
Agency Funds	170,650	171,568	918
Total (Memorandum Only)	<u>\$42,117,516</u>	<u>\$42,266,692</u>	<u>\$149,176</u>

See Accompanying Notes to the Financial Statements.

VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Fund Types/Fund	Prior Year Carryover Appropriations	2007 Appropriations	Total	Actual 2007 Disbursements	Encumbrances Outstanding At June 30, 2007	Total	Variance Favorable/ (Unfavorable)
Governmental:							
General Fund	\$367,944	\$11,533,362	\$11,901,306	\$10,199,368	\$436,860	\$10,636,228	\$1,265,078
Special Revenue Funds	17,702	753,815	771,517	703,917	24,278	728,195	43,322
Debt Service Fund		312,000	312,000	308,748		308,748	3,252
Capital Projects Funds	43,027	16,475,000	16,518,027	14,470,294	1,136,947	15,607,241	910,786
Proprietary:							
Enterprise Funds	1,544	537,055	538,599	501,320	875	502,195	36,404
Internal Service Funds	112	4,000	4,112	3,715		3,715	397
Fiduciary:							
Agency Funds	9,252	196,699	205,951	154,243	10,417	164,660	41,291
Total (Memorandum Only)	<u>\$439,581</u>	<u>\$29,811,931</u>	<u>\$30,251,512</u>	<u>\$26,341,605</u>	<u>\$1,609,377</u>	<u>\$27,950,982</u>	<u>\$2,300,530</u>

See Accompanying Notes to the Financial Statements.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Versailles Exempted Village School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately 80 square miles. It is located in Darke County, and includes all of the Villages of Versailles, Yorkshire, and North Star and portions of surrounding Townships. It is staffed by 57 non-certificated employees, 96 certificated employees who provide services to 1411 students and other community members. The School District currently operates three instructional buildings, one administrative building, and leases facilities from St. Denis Catholic Church.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Versailles Exempted Village School District, this includes general operations, food service, preschool and student related activities.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in three jointly governed organizations, one related organization, and two insurance purchasing pools. These organizations are discussed in Note 10 to the financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Dayton Educational Cooperative Association (for transmission of reports)
Southwestern Ohio Educational Purchasing Council
Southwestern Ohio Instructional Technology Association

Related Organization:

Worch Memorial Library

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan
Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The School District chose to prepare its financial statements and notes in accordance with the standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting 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, in accordance with the basis of accounting described in the preceding paragraph.

B. Fund Accounting

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording receipts and disbursements in accordance with special restrictions or limitations. For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

1. Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The following are the School District's governmental fund types.

General Fund - The General Fund is the general operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition of equipment or the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Fund - The enterprise fund is used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Funds – The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

3. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include agency funds.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund, function level for the General Fund, and fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

1. Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the ensuing fiscal year starting July 1. The budget includes proposed expenditures and the means for financing for all funds. Public hearings are conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Darke County Budget Commission for rate determination.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund.

Prior to June 30, the School District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amount in the final amended certificate issued during fiscal year 2007.

3. Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function level for the General fund and the fund level for all other funds, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District.

The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund, function appropriation in the General Fund, or alter the total fund level of appropriations for all other funds, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the fiscal year, one supplemental appropriations was legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the fiscal year for all funds other than agency funds, consistent with statutory provisions.

4. Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures in order to reserve that portion of applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Investments

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this account or are temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records.

Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon School District policy.

E. Unpaid Vacation and Sick Leave

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

F. Property, Plant and Equipment

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

G. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transfers are reported as operating transfers.

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Total – (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

3. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings accounts, including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

As of June 30, 2007, the District had \$3,400 in undeposited cash on hand which is included in the fund balance.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of the School District's cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third parties of the financial institution.

At fiscal year-end, the carrying amount of the School District's deposits was \$853,700 and the bank balance was \$1,018,130. Of the bank balance, \$100,000 was covered by federal depository insurance and \$918,130 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

B. Investments

As of June 30, 2007, the School District's only investments were STAR Ohio and a Government and Agency Portfolio provided by AIM Investments that is actively managed by Butler Wick and Co., Inc. The STAR Ohio is an internal investment pool. The carrying and fair value of STAR Ohio was \$5,513,671 with an average maturity of 30 days. The carrying value of the investment portfolio managed by Butler Wick and Co., Inc. was \$13,976,493.

Interest Rate Risk – As a means of limiting its exposure to fair value losses caused by rising interest rates, investment made by the Treasurer must mature within five (5) years, unless they are matched to a specific obligation or debt of the School District.

Credit Risk – STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. All of the investments maintained by Butler Wick and Co., Inc maintain an AAA rating provided by at least one national recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

4. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District operates on a fiscal year from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property taxes are levied April 1 on the assessed value listed as of the prior January 1, the lien date.

Public utility property taxes attached as a lien on December 31 of the prior fiscal year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All real property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The School District receives property taxes from Shelby and Darke Counties.

The Counties' Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$113,200,480	87.95%	\$114,973,170	90.76%
Public Utility – Personal	64,050	.05%	66,480	.05%
Tangible Personal Property	15,443,560	12.00%	11,642,530	9.19%
Total Assessed Value	<u>\$128,708,090</u>	<u>100.00%</u>	<u>\$126,682,180</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.18		\$40.18	

5. INCOME TAX

The School District levies a voted tax of .75 percent for general obligations on the income of residents and estates. The .75 percent tax was effective January 1, 2005 and the levy period is for four-years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

6. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2007, the School District contracted with Phelan Insurance Agency of Versailles, Ohio to provide insurance for those risks. The coverage provide by Phelan Insurance Agency as follows:

Insurance coverage provided includes the following:

Property (\$5,000 deductible, subject to scheduled limits)	\$18,956,607
Boiler and Machinery (\$5,000 deductible)	1,000,000
Auto Liability/Physical Damage (\$1,000 deductible)	1,000,000
General Liability	2,000,000
Educator's Legal Liability (\$1,000 deductible, \$2,500 for Employment practices)	1,000,000
Umbrella Coverage	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in coverage from previous year.

B. Medical, Dental and Vision Benefits

Effective June 1, 2005, the School District joined the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 10). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria. The School District also purchases its dental and vision insurance in the purchasing pool agreements with the Southwestern Ohio Educational Purchasing Council.

C. Workers' Compensation

For fiscal year 2007, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 10). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating School Districts is calculated as one experience and a common premium rate is applied to all School Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to School Districts that can meet the GRP's selection criteria. The firm of Hunter Consulting Company provides administrative, cost control, and actuarial services to the GRP.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$131,068, \$126,581 and \$125,191 respectively; 45.05 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

B. State Teachers Retirement System of Ohio

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strs.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of the DC plan and the DB plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$702,130, \$705,748, and \$679,764, respectively; 82.89 percent has been contributed for 2007 and 100 percent for 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$3,971 made by the School District and \$18,640 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2007, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

8. POST-EMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$54,010 for fiscal year 2007.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premiums. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$58,281.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next year. Expensed for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

9. LONG TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Principal Outstanding 6/30/2006	Additions	Reductions	Principal Outstanding 6/30/2007
General Obligation Notes 2007 4.35%	\$0	\$13,878,000	\$13,878,000	\$0
2007 General Obligation Bonds				
Serial Bonds 4%	0	5,510,000	0	5,510,000
Term Bonds 4.375 - 4.5%	0	8,215,000	0	8,215,000
Capital Appreciation Bond 4.4-4.45%	0	152,998	0	152,998
Total Long Term Obligations	\$0	\$27,755,998	\$13,878,000	\$13,877,998

School Improvement Bond Anticipation Note – The School District issued notes in the amount of \$13,878,000 to finance the anticipated Bonds to finance the construction of new school facilities. The notes were issued on December 27, 2006 and matured on June 26, 2007.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

9. LONG TERM OBLIGATIONS (Continued)

Classroom Facilities General Obligation Bonds – The School District issued bonds in the amount of \$13,877,998 to finance the construction of new school facilities. The bond issue included serial, term and capital appreciation bonds, in the amount of \$5,510,000, \$8,215,000, and \$152,998 respectively. The bonds were issued for a twenty-seven year period, with final maturity in fiscal year 2035

The serial bonds maturing on December 1, 2022, are subject to optional redemption, in whole or in part on any interest payment date in integral multiples of \$5,000. The Serial Bonds mature on December 1, in the years due in the respective principal amounts as follows:

<u>Fiscal Year ending June 30:</u>	<u>Principal</u>
2008	\$195,000
2009	320,000
2010	330,000
2011	345,000
2012	360,000
2013 - 2017	2,025,000
2018 - 2022	1,935,000
Total	<u><u>\$5,510,000</u></u>

The term bonds maturing on December 1, 2027 and December 1, 2034, are subject to optional and mandatory redemption prior to maturity; in whole or in part, all as described below:

<u>Fiscal Year ending June 30:</u>	<u>Principal</u>
2028	\$2,910,000
2035	<u>5,305,000</u>
Total	<u><u>\$8,215,000</u></u>

The capital appreciation bonds will mature in fiscal years 2018 and 2019 and are not subject to redemption prior to maturity. The maturity amount of the capital appreciation bonds is \$910,000, \$455,000 in fiscal 2018 and \$455,000 in fiscal 2019.

Principal and interest requirements to retire the school facilities construction and improvement bonds to maturity are as follows:

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

9. LONG TERM OBLIGATIONS (Continued)

Fiscal Year ending June 30	Serial	Term	Capital Appreciation	Interest	Total
2008	\$195,000			\$353,314	\$548,314
2009	320,000			581,056	901,056
2010	330,000			568,256	898,256
2011	345,000			555,056	900,056
2012	360,000			541,256	901,256
2013 - 2017	2,025,000			2,478,281	4,503,281
2018 - 2022	1,420,000		\$152,998	2,929,152	4,502,150
2023 - 2027	515,000	\$2,910,000		1,707,275	5,132,275
2028 - 2032				1,037,806	1,037,806
2033 - 2035		5,305,000		226,575	5,531,575
Total	<u>\$5,510,000</u>	<u>\$8,215,000</u>	<u>\$152,998</u>	<u>\$10,978,027</u>	<u>\$24,856,025</u>

10. JOINTLY GOVERNED ORGANIZATIONS, RELATED ORGANIZATION AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

Metropolitan Dayton Education Cooperative Association – The School District is a participant in the Metropolitan Dayton Education Cooperative Association (MDECA), which is a computer consortium. MDECA is an association of Public School Districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member School Districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts with the exception of the Montgomery County Education Service Center. The seventh Superintendent is from the Montgomery County Education Service Center. During fiscal year 2007, the School District paid \$54,523 to MDECA. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 School Districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2007, the School District paid \$58,767 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

**10. JOINTLY GOVERNED ORGANIZATIONS, RELATED ORGANIZATION AND INSURANCE
PURCHASING POOLS (Continued)**

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2007, the School District paid \$1,873 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Dave Gibson, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

B. Related Organization

Worch Memorial Library – The Worch Memorial Library is a distinct political subdivision of the State of Ohio created under Ohio Rev. Code Chapter 3375. The Library is governed by a Board of Trustees appointed by the Versailles Exempted Village School Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Worch Memorial Library, Gail Benesh, Clerk/Treasurer, at 790 S Center Street, Versailles, Ohio 45380.

C. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member School Districts. The Chief Administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating School Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

**10. JOINTLY GOVERNED ORGANIZATIONS, RELATED ORGANIZATION AND INSURANCE
PURCHASING POOLS (Continued)**

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan – Effective June 1, 2005, the School District joined the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The School District also purchases its dental and vision insurances in the purchasing pool agreements with the Southwestern Ohio Educational Purchasing Council.

11. SET-ASIDE DISCLOSURE

The School District is required by State statute to annually set aside in the General Fund an amount based upon a statutory formula for the acquisition and construction of capital improvements and an equal amount for the purchase of textbooks and other instructional materials. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. Based upon legislative changes, this is the only money still required to be set aside for this purpose.

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks and instructional materials and capital acquisition. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-Aside Reserve Balance as of June 30, 2006	(\$315,493)	\$77,302
Current Fiscal Year Set-aside Requirement	208,945	208,945
Qualifying Off Sets	-0-	(75,000)
Qualifying Disbursements	<u>(261,458)</u>	<u>(88,879)</u>
Excess Expenditures Available for Carry-over to Subsequent Year	<u>(\$368,006)</u>	<u>\$122,368</u>

The excess qualifying expenditures in the textbook reserve may be carried forward to offset future years reserve set aside.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

12. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007

B. Litigation

There are currently no matters in litigation with the School District as defendant.

13. COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District chose to prepare its financial statements and notes in accordance with the standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, net assets/fund balances and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

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**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Governmental Fund Types</u>				Total (Memorandum Only)
	General Fund	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
From Local Sources:					
Taxes	\$3,421,955				\$3,421,955
Tuition	168,745				168,745
Earnings on Investments	154,895				154,895
Extracurricular Activities		\$202,077			202,077
Classroom Materials and Fees	16,869				16,869
Other Local Revenues	2,422	35,972			38,394
Intergovernmental - State	6,383,610	33,129		\$13,952	6,430,691
Intergovernmental - Federal	19,055	427,475			446,530
Total Cash Receipts	10,167,551	698,653		13,952	10,880,156
Cash Disbursements:					
Current:					
Instruction:					
Regular	5,175,362	62,338			5,237,700
Special	678,687	101,123			779,810
Vocational	536,504				536,504
Support Services:					
Pupils	325,115	282,100			607,215
Instructional Staff	539,843	12,668			552,511
Board of Education	14,654				14,654
Administration	1,015,640	12,000			1,027,640
Fiscal	292,419				292,419
Operation and Maintenance of Plant	673,062			55,519	728,581
Pupil Transportation	388,310				388,310
Central	11,022	11,823			22,845
Extracurricular Activities	270,213	198,113			468,326
Building Acquisition & Construction	37,600				37,600
Total Cash Disbursements	9,958,431	680,165		55,519	10,694,115
Excess of Cash Receipts Over (Under) Cash Disbursements	209,120	18,488		(41,567)	186,041
Other Financing Sources (Uses):					
Refund of Prior Years Expenditures	42,189	3,504			45,693
Sale of Assets	50				50
Operating Transfers In		20,000		79,000	99,000
Advances In	64,477	9,376			73,853
Operating Transfers Out	(100,000)				(100,000)
Advances Out	(21,376)	(64,477)			(85,853)
Total Other Financing Sources (Uses)	(14,660)	(31,597)		79,000	32,743
Excess of Cash Receipts and Other Financing Sources Over (Under) Disbursements and Other Uses	194,460	(13,109)		37,433	218,784
Fund Cash Balances, July 1	3,939,230	109,811	\$2,755	31,430	4,083,226
Fund Cash Balances, June 30	4,133,690	96,702	2,755	68,863	4,302,010
Reserve for Encumbrances	\$367,944	\$17,702	\$0	\$43,027	\$428,673

See Accompanying Notes to the Financial Statements.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Proprietary Fund Type</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
Operating Cash Receipts:				
Sales/Charges for Services	\$361,911			\$361,911
Extracurricular Activities			\$150,431	150,431
Miscellaneous	13,488	\$5,189	4,491	23,168
Total Operating Cash Receipts	<u>375,399</u>	<u>5,189</u>	<u>154,922</u>	<u>535,510</u>
Operating Cash Disbursements:				
Personal Services	259,137			259,137
Contract Services	3,707		17,413	21,120
Materials and Supplies	210,708		125,419	336,127
Capital Outlay	225		378	603
Other Expenses	743	5,334	20,686	26,763
Total Operating Cash Disbursements	<u>474,520</u>	<u>5,334</u>	<u>163,896</u>	<u>643,750</u>
Operating Loss	<u>(99,121)</u>	<u>(145)</u>	<u>(8,974)</u>	<u>(108,240)</u>
Non-operating Cash Receipts:				
Grants	65,613			65,613
Refund of Prior Year Expenditures	18		165	183
Total Non-operating Cash Receipts	<u>65,631</u>		<u>165</u>	<u>65,796</u>
Receipts Over (Under) Disbursements Before Interfund Transfers	(33,490)	(145)	(8,809)	(42,444)
Transfer In			1,000	1,000
Advances In	12,000			12,000
Net Receipts Over (Under) Disbursements	(21,490)	(145)	(7,809)	(29,444)
Fund Cash Balances, July 1	<u>49,257</u>	<u>3,294</u>	<u>97,060</u>	<u>149,611</u>
Fund Cash Balances, June 30	<u>27,767</u>	<u>3,149</u>	<u>89,251</u>	<u>120,167</u>
Reserve for Encumbrances	<u>\$1,544</u>	<u>\$112</u>	<u>\$9,252</u>	<u>\$10,908</u>

See Accompanying Notes to the Financial Statements.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Fund Types/Fund	<u>Budget</u>	<u>Actual</u>	Variance Favorable/ <u>(Unfavorable)</u>
Governmental:			
General Fund	\$10,201,835	\$10,274,267	\$72,432
Special Revenue Funds	719,591	731,533	11,942
Capital Projects Funds	93,702	92,952	(750)
Proprietary:			
Enterprise Funds	452,929	453,030	101
Internal Service	4,851	5,189	338
Fiduciary:			
Agency Funds	<u>155,987</u>	<u>156,087</u>	<u>100</u>
Total (Memorandum Only)	<u><u>\$11,628,895</u></u>	<u><u>\$11,713,058</u></u>	<u><u>\$84,163</u></u>

See Accompanying Notes to the Financial Statements.

VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Fund Types/Fund	Prior Year Carryover Appropriations	2006 Appropriations	Total	Actual 2006 Disbursements	Encumbrances Outstanding At June 30, 2006	Total	Variance Favorable/ (Unfavorable)
Governmental:							
General Fund	\$260,710	\$11,010,664	\$11,271,374	\$10,079,807	\$367,944	\$10,447,751	\$823,623
Special Revenue Funds	11,139	719,048	730,187	744,642	17,702	762,344	(32,157)
Capital Projects Funds	15,627	100,000	115,627	55,519	43,027	98,546	17,081
Proprietary:							
Enterprise Funds		478,418	478,418	474,520	1,544	476,064	2,354
Internal Service Funds		6,000	6,000	5,334	112	5,446	554
Fiduciary:							
Agency Funds	14,117	196,699	210,816	163,896	9,252	173,148	37,668
Total (Memorandum Only)	<u>\$301,593</u>	<u>\$12,510,829</u>	<u>\$12,812,422</u>	<u>\$11,523,718</u>	<u>\$439,581</u>	<u>\$11,963,299</u>	<u>\$849,123</u>

See Accompanying Notes to the Financial Statements.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Versailles Exempted Village School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately 80 square miles. It is located in Darke County, and includes all of the Villages of Versailles, Yorkshire, and North Star and portions of surrounding Townships. It is staffed by 57 non-certificated employees, 97 certificated employees who provide services to 1406 students and other community members. The School District currently operates three instructional building, one administrative building, and leases facilities from St. Denis Catholic Church.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Versailles Exempted Village School District, this includes general operations, food service, preschool and student related activities.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in three jointly governed organizations, one related organization, and two insurance purchasing pools. These organizations are discussed in Note 9 to the financial statements. These organizations are:

Jointly Governed Organizations:

- Metropolitan Dayton Educational Cooperative Association (for transmission of reports)
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association

Related Organization:

- Worch Memorial Library

Insurance Purchasing Pools:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan
- Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The School District chose to prepare its financial statements and notes in accordance with the standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting 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, in accordance with the basis of accounting described in the preceding paragraph.

B. Fund Accounting

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording receipts and disbursements in accordance with special restrictions or limitations. For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

1. Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The following are the School District's governmental fund types.

General Fund - The General Fund is the general operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition of equipment and for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Fund - The enterprise fund is used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Funds – The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

3. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include agency funds.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund, function level for the General Fund, and fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

1. Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the ensuing fiscal year starting July 1. The budget includes proposed expenditures and the means for financing for all funds. Public hearings are conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Darke County Budget Commission for rate determination.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund.

Prior to June 30, the School District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amount in the final amended certificate issued during fiscal year 2006.

3. Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function level for the General fund and the fund level for all other funds, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District.

The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund, function appropriation in the General Fund, or alter the total fund level of appropriations for all other funds, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the fiscal year, two supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the fiscal year for all funds other than agency funds, consistent with statutory provisions.

4. Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures in order to reserve that portion of applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Investments

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this account or are temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records.

Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon School District policy.

E. Unpaid Vacation and Sick Leave

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

F. Property, Plant and Equipment

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

G. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transfers are reported as operating transfers.

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Total – (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

3. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings accounts, including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

As of June 30, 2006, the District had \$3,400 in undeposited cash on hand which is included in the fund balance.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of the School District's cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third parties of the financial institution.

At fiscal year-end, the carrying amount of the School District's deposits was \$499,555 and the bank balance was \$586,074. Of the bank balance, \$100,000 was covered by federal depository insurance and \$486,074 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

B. Investments

As of June 30, 2006, the School District's only investments were with STAR Ohio. The STAR Ohio is an internal investment pool. The carrying and fair value of STAR Ohio was \$3,919,222 with an average maturity of 30 days.

Interest Rate Risk – As a means of limiting its exposure to fair value losses caused by rising interest rates, investment made by the Treasurer must mature within five (5) years, unless they are matched to a specific obligation or debt of the School District.

Credit Risk – STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

4. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District operates on a fiscal year from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property taxes are levied April 1 on the assessed value listed as of the prior January 1, the lien date.

Public utility property taxes attached as a lien on December 31 of the prior fiscal year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All real property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The School District receives property taxes from Shelby and Darke Counties.

The Counties' Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$107,477,640	87.35%	\$113,200,480	87.95%
Public Utility – Real	64,590	.05%	64,050	.05%
Tangible Personal Property	15,503,900	12.60%	15,443,560	12.00%
Total Assessed Value	<u>\$123,046,130</u>	<u>100.00%</u>	<u>\$128,708,090</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.18		\$40.18	

5. INCOME TAX

The School District levies a voted tax of .75 percent for general obligations on the income of residents and estates. The .75 percent tax was effective January 1, 2005 and the levy period is for four-years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

6. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2006, the School District contracted with Phelan Insurance Agency of Versailles, Ohio to provide insurance for those risks. The coverage provide by Phelan Insurance Agency as follows:

Insurance coverage provided includes the following:

Property (\$5,000 deductible, subject to scheduled limits)	\$18,471,609
Boiler and Machinery (\$5,000 deductible)	1,000,000
Auto Liability/Physical Damage (\$1,000 deductible)	1,000,000
General Liability	2,000,000
Educator's Legal Liability (\$1,000 deductible, \$2,500 for Employment practices)	1,000,000
Umbrella Coverage	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in coverage from previous year.

B. Medical, Dental and Vision Benefits

Effective June 1, 2005, the School District joined the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 9). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria. The School District also purchases its dental and vision insurance in the purchasing pool agreements with the Southwestern Ohio Educational Purchasing Council.

C. Workers' Compensation

For fiscal year 2006, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 9). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating School Districts is calculated as one experience and a common premium rate is applied to all School Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to School Districts that can meet the GRP's selection criteria. The firm of Hunter Consulting Company provides administrative, cost control, and actuarial services to the GRP.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$126,581, \$125,191, and \$107,368 respectively; 45.81 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

B. State Teachers Retirement System of Ohio

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of the DC plan and the DB plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. DC and the Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the STRS Ohio for fiscal years ended June 30, 2006, 2005, and 2004 were \$705,748, \$679,764, and \$679,290 respectively; 82.70 percent has been contributed for 2006 and 100 percent for 2005 and 2004. Contributions to the DC and Combined Plans for the fiscal year 2006 were \$5,039 made by the School District and \$17,882 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2006, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

8. POST-EMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District this amount equaled \$54,288 for fiscal year 2006.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premiums. The portion is based on years of service, Medicare eligibility and retirement status

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$58,454.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 20, 2006, were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has approximately 59,492 participants eligible to receive health care benefits.

9. JOINTLY GOVERNED ORGANIZATIONS, RELATED ORGANIZATION AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

Metropolitan Dayton Education Cooperative Association - The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA), which is a computer consortium. MDECA is an association of Public School Districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member School Districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts with the exception of the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. During fiscal year 2006, the School District paid \$90,430 to MDECA. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 School Districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

**9. JOINTLY GOVERNED ORGANIZATIONS, RELATED ORGANIZATION AND INSURANCE
PURCHASING POOLS (Continued)**

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2006, the School District paid \$101,791 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2006, the School District paid \$6,655 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Dave Gibson, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

B. Related Organization

Worch Memorial Library – The Worch Memorial Library is a distinct political subdivision of the State of Ohio created under Ohio Rev. Code Chapter 3375. The Library is governed by a Board of Trustees appointed by the Versailles Exempted Village School Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Worch Memorial Library, Gail Benesh, Clerk/Treasurer, at 790 S Center Street, Versailles, Ohio 45380.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

9. JOINTLY GOVERNED ORGANIZATIONS, RELATED ORGANIZATION AND INSURANCE PURCHASING POOLS (Continued)

C. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member School Districts. The Chief Administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating School Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan – Effective June 1, 2005, the School District joined the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The School District also purchases its dental and vision insurances in the purchasing pool agreements with the Southwestern Ohio Educational Purchasing Council.

10. SET-ASIDE DISCLOSURE

The School District is required by State statute to annually set aside in the General Fund an amount based upon a statutory formula for the acquisition and construction of capital improvements and an equal amount for the purchase of textbooks and other instructional materials. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. Based upon legislative changes, this is the only money still required to be set aside for this purpose.

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks and instructional materials and capital acquisition. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-Aside Reserve Balance as of June 30, 2005	(\$314,128)	\$42,967
Current Fiscal Year Set-aside Requirement	207,840	207,840
Qualifying Off Sets	-0-	(79,000)
Qualifying Disbursements	(209,205)	(94,505)
Excess Expenditures Available for Carry-over to Subsequent Year	<u>(\$315,493)</u>	<u>\$77,302</u>

The excess qualifying expenditures in the textbook reserve may be carried forward to offset future years reserve set aside.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

11. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

12. COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District chose to prepare its financial statements and notes in accordance with the standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, net assets/fund balances and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

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**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	Not Available	10.550		\$60,271		\$60,271
National School Lunch Program	LLP4 2006	10.555	\$14,449		\$14,449	
	LLP4 2007		39,548		39,548	
Total National School Lunch Program			<u>53,997</u>		<u>53,997</u>	
Total U.S. Department of Agriculture			53,997	60,271	53,997	60,271
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I - Grants to Local Educational Agencies	C1S1 2006	84.010	22,066		22,372	
	C1S1 2007		95,642		88,886	
Total Title I			<u>117,708</u>		<u>111,258</u>	
Special Education - Grants to States (Part B - IDEA)	6BSF 2006	84.027	56,752		61,394	
	6BSF 2007		205,331		200,019	
Total Part B - IDEA			<u>262,083</u>		<u>261,413</u>	
Drug Free Schools and Communities	DRS1-2006	84.186	5,112			
	DRS1-2005		4,119		4,119	
Total Drug Free Schools and Communities			<u>9,231</u>		<u>4,119</u>	
Innovative Education Program Strategies	C2S1-2007	84.298	1,849		1,849	
Title II-D, Technology Program	TJS1 2006	84.318	1,547			
	TJS1 2007		984		869	
Total Title II-D, Technology Program			<u>2,531</u>		<u>869</u>	
Title II-A Improving Teacher Quality	TRS1-2007	84.367	36,446		36,729	
Total Department of Education			429,848		416,237	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Dept. of Jobs and Family Services</i>						
<i>Passed Through Montgomery County ESC</i>						
Medical Assistance Program	N/A	93.778	1,105			
Total Federal Assistance			<u>\$484,950</u>	<u>\$60,271</u>	<u>\$470,234</u>	<u>\$60,271</u>

The accompanying notes to this schedule are an integral part of this schedule.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	Not Available	10.550		\$48,177		\$48,177
National School Lunch Program	LLP4 2005	10.555	\$20,137		\$20,137	
	LLP4 2006		44,316		44,316	
Total National School Lunch			<u>64,453</u>		<u>64,453</u>	
Team Nutrition Grant	TWNT2005	10.574	490		490	
Total U.S. Department of Agriculture			64,943	48,177	64,943	48,177
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I - Grants to Local Educational Agencies	C1S1 2005	84.010	13,099		16,262	
	C1S1 2006		88,018		87,713	
Total Title I			<u>101,117</u>		<u>103,975</u>	
Special Education - Grants to States (Part B - IDEA)	6BSF 2005	84.027	72,440		39,024	
	6BSF 2006		201,492		196,850	
Total Part B - IDEA			<u>273,932</u>		<u>235,874</u>	
Drug Free Schools and Communities	DRS1-2005	84.186	1,843		605	
	DRS1-2006		1,261		6,553	
Total Drug Free Schools and Communities			<u>3,104</u>		<u>7,158</u>	
Innovative Education Program Strategies	C2S1-2006	84.298	3,834		3,834	
Title II-D, Technology Program	TJS1 2006	84.318	195		5,896	
Title II-A Improving Teacher Quality	TRS1-2006	84.367	41,337		41,337	
Total Department of Education			423,519		398,074	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Dept. of Jobs and Family Services</i>						
<i>Passed Through Montgomery County ESC</i>						
Medical Assistance Program	N/A	93.778	1,930			
Total Federal Assistance			<u>\$490,392</u>	<u>\$48,177</u>	<u>\$463,017</u>	<u>\$48,177</u>

The accompanying notes to this schedule are an integral part of this schedule.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedules (the Schedules) summarizes activity of the District's federal award programs. The schedules have been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

NOTE D - MEDICAL ASSISTANCE PROGRAM

The Medical Assistance Program did not have program expenditures in fiscal 2007 or 2006 since the receipts were reimbursement for CAFS expenditures incurred in prior periods.

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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*

Versailles Exempted Village School District
Darke County
P.O. Box 313
4 Virginia Street
Versailles, Ohio 45380

To the Board of Education:

We have audited the financial statements of Versailles Exempted Village School District, Darke County, (the District), as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated October 3, 2007, wherein, we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. 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 District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 through 2007-005.

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

**Internal Control Over Financial Reporting
(Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2007-001 through 2007-005 are also material weaknesses.

We also noted certain matters that we reported to the District's management in a separate letter dated October 3, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the District'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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-004.

We also noted certain noncompliance or other matters that we reported to the District's management in a separate letter dated October 3, 2007.

We intend this report solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies, and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 3, 2007



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Versailles Exempted Village School District
Darke County
P.O. Box 313
4 Virginia Street
Versailles, Ohio 45380

To the Board of Education:

Compliance

We have audited the compliance of Versailles Exempted Villages School District, Darke County, (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the years ended June 30, 2007 and 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District'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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

As described in Finding 2007-006 in the accompanying schedule of findings the District did not comply with the requirements regarding reporting applying to its Title I and Part B IDEA major federal programs. Compliance with this requirement is necessary in our opinion, for the District to comply with the requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Versailles Exempted Village School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the years ended June 30, 2007 and June 30, 2006.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as findings 2007-006 and 2007-007 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. We consider finding 2007-006 and 2007-007 described in the accompanying schedule of findings to be a material weaknesses.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 3, 2007

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007 AND 2006**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Adverse
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I, CFDA# 84.010 Title VI-B, CFDA# 84.027
<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**

FINDING 2007-001

Noncompliance / Material Weakness

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. This prohibits expenditures from exceeding appropriations.

At June 30, 2007, the District had the following funds in which expenditures exceeded appropriations:

Fund	Total Appropriations	Total Actual Expenditures	Variance
Drug Free Schools Fund 584	\$4,119	\$8,116	(\$3,997)
Misc. Federal Grants Fund 599	869	6,248	(5,379)

**FINDING 2007-001
 (Continued)**

At May 31, 2007, the District had the following funds in which expenditures exceeded appropriations:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Actual Expenditures</u>	<u>Variance</u>
OSFC Fund 010		\$1,476,963	(\$1,476,963)
Lunchroom Fund 006	\$395,399	465,801	(70,402)
Athletic Fund 300	207,844	224,754	(16,911)
Title VI-B Fund 516	230,126	267,044	(36,918)
Title I Fund 572	99,225	102,073	(2,848)
Drug Free Schools Fund 584	4,120	8,116	(3,996)
Misc. Federal Grants Fund 599	1,159	6,248	(5,089)

At June 30, 2006, the District had the following funds in which expenditures exceeded appropriations:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Actual Expenditures</u>	<u>Variance</u>
Lunchroom Fund 006	\$421,350	\$426,539	(\$5,189)
Ohio Reads Fund 459	5,585	14,515	(8,930)
Title VI-B Fund 516	240,500	295,500	(55,000)
Drug Free Schools Fund 584	7,159	7,706	(547)

At May 31, 2006, the District had the following funds in which expenditures exceeded appropriations:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Actual Expenditures</u>	<u>Variance</u>
Lunchroom Fund 006	\$405,257	\$415,699	(\$10,442)
Uniform Supply Fund 009	43,310	50,471	(7,161)
Title VI-B Fund 516	224,500	246,150	(21,650)
Drug Free Schools Fund 584	5,057	7,706	(2,649)
Misc. Federal Grants Fund 599	1,500	5,896	(4,396)

The District should place policies and procedures in effect to prevent expenditures from exceeding the amounts appropriated. When it becomes apparent that the amounts appropriated are not sufficient to meet the Districts needs the Board should amend the amounts appropriated after reviewing the actual resources available.

Officials Response:

No response was received.

FINDING 2007-002

Noncompliance / Material Weakness

Ohio Rev. Code Section 135.14 states that investments or deposits cannot be made unless a written investment policy approved by the governing board is on file with the Auditor of State, with the following two exceptions:

- 1) If a written investment policy is not filed with the Auditor of State, the treasurer or governing board is permitted to invest only in interim deposits, STAR Ohio or no-load money market mutual funds.
or
- 2) A subdivision whose average annual portfolio of investments is \$100,000 or less is not required to file an investment policy, provided that the treasurer or governing board certifies to the Auditor of State that the treasurer or governing board will comply and is in compliance with the provisions of Section 135.01 to 135.21.

The investment policy must be signed by:

- All entities conducting investment business with the treasurer or governing board
- All brokers, dealers and financial institutions, described in Section 135.14(M)(1), initiating transactions with the treasurer or governing board by giving advice or making investment recommendations;
- All brokers, dealers and financial institutions, described in Section 135.14 (M)(1); executing transactions initiated by the treasurer or governing board.

The District did not have an investment policy on file with the Auditor of State since it previously meet the two exceptions noted above. During fiscal 2007 the District received and invested \$13,878,000 in school construction proceeds with Butler Wick and Company. The investment with Butler Wick resulted in noncompliance with this section as it did not meet the exceptions noted above.

The District should prepare an investment policy for Board approval and file the approved policy with the Auditor of State. The District should require Butler Wick and all other institutions conducting business with the District to sign the investment policy as proof they are aware of the District's policies.

Officials Response:

No response was received.

FINDING 2007-003

Noncompliance / Material Weakness

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**FINDING 2007-003
(Continued)**

Ohio Admin Code Section 117-2-03 (B) requires Versailles Exempted Village School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit entity-wide statements, assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District should prepare their annual financial reports in accordance with generally accepted accounting principles.

Officials Response:

No response was received.

FINDING NUMBER 2007-004

Noncompliance / Material Weakness

Ohio Adm. Code Section 117-2-02(C)(1) states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts.

Budgeted revenues were not recorded in the District's budgetary accounting system. By not monitoring or updating budgetary changes, there is a possibility that the District may violate budgetary compliance requirements. In addition, the Board cannot be provided accurate budget to actual revenue information the Board to monitor year to date performance.

The District should post budgeted revenues into the District's computer system and update those amounts whenever amendments are made. In addition, the Board should be provided with the most current budgeted versus actual revenue statements monthly in order to monitor the District's current financial position.

Officials Response:

No response was received.

FINDING NUMBER 2007-005

Material Weakness

Posting of Debt Transaction

The District failed to post the \$13,878,000 retirement of the 2007 School Improvement Bond Anticipation Notes in the Building and Classroom Facilities Funds properly. The retirement of the notes was recorded as Building Acquisition/ Construction expenditures rather than as Debt Service expenditures. In addition, the premiums earned on the sale of the Bond Anticipation Notes and the later sale of the School Construction Bonds were incorrectly recorded as proceeds from those issues rather than as premium revenues.

**FINDING 2007-005
 (Continued)**

The failure to record debt transactions in accordance with Uniform School Accounting System (USAS) results in a lack of consistency for financial reporting with other Ohio school district's and could result in a lack of compliance with School Facilities Commission reporting requirements.

The District Treasurer should carefully review USAS account codes when determining the proper codes for recording unusual or infrequent transactions such as note retirements and the sale of debt issues at a premium.

The accompanying financial statements contain the adjustments required to present the transactions above in accordance with USAS.

Officials Response:

No response was received.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2007-006
CFDA Title and Number	Title I CFDA#84.010 Title VI-B CFDA# 84.027
Federal Award Number / Year	C1S1 2005, C1S1 2006 6BSF 2005, 6BSF 2006
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance / Material Weakness

34 CFR 80.20 (b)(1) states the financial management systems of other grantees and sub grantees must meet the following standards: (1) Financial reporting, accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or sub-grant. **Ohio Department of Education Final Expenditure Report Instructions #1** states a Final Expenditure Report must be submitted for each project no later than sixty days after the project ending date. The Final Expenditure Reports for Title I and Title VIB projects for fiscal year 2005 that were due by November 30, 2005, were filed March 31, 2006. The Final Expenditure Reports for Title I and Title VIB projects for fiscal year 2006 that were due by November 30, 2006, were filed February 16, 2007.

Failure to submit a final expenditure report in a timely manner may result in suspension of the flow of federal funds by the grantor and state pass-through agencies.

Management should implement policies and procedures to improve compliance with the federal program filing requirements.

Officials Response:

No response was received.

Finding Number	2007-007
CFDA Title and Number	All CFDA Title and Numbers
Federal Award Number / Year	All Federal Awards Numbers
Federal Agency	All Federal Agencies
Pass-Through Agency	All Pass-Through Agencies

Material Weakness

Federal Schedule Reporting

OMB Circular A-133, 300(a) requires federal recipients to identify in their accounts all federal awards received and expended. In assessing the appropriateness and completeness of the District's identification of federal programs in the schedule of federal awards expenditure, it must be determined whether the required reports for federal awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

Our testing indicated that federal expenditures were not reported accurately on the schedules prepared for fiscal 2007 and 2006, as follows:

- The expenditures reported for the Food Distribution Program (CFDA 10.550) did not equal the market value of the food received. The market value reported should match the amount reported on the MR-30 Purchased and Government Donated Food Report from the Ohio Department of Education. Donated Food Program disbursements were understated \$34,305 in 2007 and \$25,490 in 2006.
- For the fiscal 2007 schedule, Title VI-B was understated by \$4,642; Title I was understated by \$306; Drug Free School was overstated by \$3,997; Improving Teacher Quality was understated by \$284; Title II-D was overstated by \$1,547. This was due to not reporting actual expenditures on fiscal 2006 grants carried over into fiscal 2007 if they exceeded the grant revenue received in fiscal year 2007.
- For the fiscal 2006 schedule, Title I was understated by \$3,164; Title VI-B was overstated by \$33,416; Drug Free School was understated by \$4,054; and Title II-D was understated by \$5,702. This was due to not reporting actual expenditures on fiscal 2005 grants carried over into fiscal 2006 if they exceeded the grant revenue received in fiscal year 2006.

Due to the misstatements noted above, the schedules of federal awards expenditure prepared by the District understated federal expenditures for fiscal 2006 by \$4,994, and fiscal 2007 by \$33,993. This situation also was a factor in the District's failure to promptly notify the Auditor of State that the District required a single audit for fiscal 2006. The accompanying schedules of federal awards expenditures for fiscal 2007 and 2006 contain the required adjustments to present the schedules accurately.

The District should adopt policies and procedures that would verify the accuracy of the amounts posted to the schedule of federal awards expenditures.

Officials Response:

No response was received.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (B) failure to file GAAP financial statements.	No	Repeated as Finding 2007-003



Mary Taylor, CPA
Auditor of State

VERSAILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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
DECEMBER 20, 2007**