



Mary Taylor, CPA
Auditor of State

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Disbursements, and Changes In Fund Cash Balances – All Governmental Fund Types For the Fiscal Year Ended June 30, 2008	3
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, 2008	4
Combined Statement of Receipts – Budget and Actual For the Fiscal Year Ended June 30, 2008	5
Combined Statement of Disbursements and Encumbrances Compared With Expenditure Authority For the Fiscal Year Ended June 30, 2008	6
Notes to the Financial Statements For Fiscal Year Ended June 30, 2008	7
Schedule of Federal Awards Receipts and Expenditures For Fiscal Year Ended June 30, 2008.....	25
Notes to the Schedules of Federal Awards Receipts and Expenditures For the Fiscal Years Ended June 30, 2008.....	26
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	27
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	29
Schedule of Findings.....	31
Schedule of Prior Audit Finding	33

This page intentionally left blank.



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 Member of 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 year ended June 30, 2008. 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 District as of and for the year ended June 30, 2008 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 February 9, 2009, 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 Receipts and 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 basic 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, 2008, or its changes in financial position or its cash flows for the year then ended. Therefore we are unable to express, and we do not express, an opinion on the Federal Awards Receipts and Expenditure Schedule.

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

Mary Taylor, CPA
Auditor of State

February 9, 2009

**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, 2008**

	<u>Governmental Fund Types</u>				Total (Memorandum Only)
	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
From Local Sources:					
Taxes	\$3,537,313	\$55,790	\$839,128		\$4,432,231
Tuition	259,618				259,618
Earnings on Investments	228,384	1,495	4,438	\$644,053	878,370
Extracurricular Activities		242,537			242,537
Classroom Materials and Fees	18,895				18,895
Other Local Revenues	10,242	20,310		489,000	519,552
Intergovernmental - State	6,707,750	96,682	96,949	7,340,462	14,241,843
Intergovernmental - Federal	22,269	451,072			473,341
Total Cash Receipts	<u>10,784,471</u>	<u>867,886</u>	<u>940,515</u>	<u>8,473,515</u>	<u>21,066,387</u>
Cash Disbursements:					
Current:					
Instruction:					
Regular	5,114,575	30,010			5,144,585
Special	772,543	122,538			895,081
Vocational	450,411				450,411
Support Services:					
Pupils	323,286	357,058			680,344
Instructional Staff	557,428	17,677			575,105
Board of Education	16,287				16,287
Administration	1,161,294	12,000			1,173,294
Fiscal	327,634	1,425	21,433		350,492
Operation and Maintenance of Plant	659,555			43,498	703,053
Pupil Transportation	524,766				524,766
Central	6,449	5,000			11,449
Extracurricular Activities	281,756	211,964			493,720
Building Acquisition & Construction	33,600			1,872,850	1,906,450
Repayment of Debt			838,842		838,842
Total Cash Disbursements	<u>10,229,584</u>	<u>757,672</u>	<u>860,275</u>	<u>1,916,348</u>	<u>13,763,879</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	<u>554,887</u>	<u>110,214</u>	<u>80,240</u>	<u>6,557,167</u>	<u>7,302,508</u>
Other Financing Sources (Uses):					
Sale of Bonds					
Proceeds from Sale of Notes					
Refund of Prior Years Expenditures	78,358	440			78,798
Sale of Assets	70				70
Operating Transfers In				972,500	972,500
Advances In	104,819	15,300			120,119
Operating Transfers Out	(973,000)				(973,000)
Advances Out	(85,300)	(4,819)			(90,119)
Total Other Financing Sources (Uses)	<u>(875,053)</u>	<u>10,921</u>		<u>972,500</u>	<u>108,368</u>
Excess of Cash Receipts and Other Financing Sources Over (Under) Disbursements and Other Uses	<u>(320,166)</u>	<u>121,135</u>	<u>80,240</u>	<u>7,529,667</u>	<u>7,410,876</u>
Fund Cash Balances, July 1	<u>4,554,553</u>	<u>144,023</u>	<u>\$172,820</u>	<u>15,336,723</u>	<u>20,208,119</u>
Fund Cash Balances, June 30	<u>4,234,387</u>	<u>265,158</u>	<u>253,060</u>	<u>22,866,390</u>	<u>27,618,995</u>
Reserve for Encumbrances	<u>\$410,535</u>	<u>\$46,538</u>	<u>\$0</u>	<u>\$1,053,059</u>	<u>\$1,510,132</u>

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, 2008**

	<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	\$400,404			\$400,404
Extracurricular Activities			\$141,483	141,483
Miscellaneous	14,703	\$1,508	13,239	29,450
Total Operating Cash Receipts	<u>415,107</u>	<u>1,508</u>	<u>154,722</u>	<u>571,337</u>
Operating Cash Disbursements:				
Personal Services	254,885			254,885
Contract Services	3,247		18,119	21,366
Materials and Supplies	213,202		113,829	327,031
Capital Outlay	203		50	253
Other Expenses	765	581	19,637	20,983
Total Operating Cash Disbursements	<u>472,302</u>	<u>581</u>	<u>151,635</u>	<u>624,518</u>
Operating Loss	<u>(57,195)</u>	<u>927</u>	<u>3,087</u>	<u>(53,181)</u>
Non-operating Cash Receipts:				
Grants	73,964			73,964
Refund of Prior Year Expenditures				
Total Non-operating Cash Receipts	<u>73,964</u>			<u>73,964</u>
Receipts Over (Under) Disbursements Before Interfund Transfers	16,769	927	3,087	20,783
Transfer In			500	500
Advances In	70,000			70,000
Advances Out	<u>(100,000)</u>			<u>(100,000)</u>
Net Receipts Over (Under) Disbursements	(13,231)	927	3,587	(8,717)
Fund Cash Balances, July 1	<u>63,484</u>	<u>1,185</u>	<u>106,576</u>	<u>171,245</u>
Fund Cash Balances, June 30	<u>50,253</u>	<u>2,112</u>	<u>110,163</u>	<u>162,528</u>
Reserve for Encumbrances	<u>\$4,495</u>	<u>\$0</u>	<u>\$13,301</u>	<u>\$17,796</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, 2008**

Fund Types/Fund	Budget	Actual	Variance Favorable/ (Unfavorable)
Governmental:			
General Fund	\$10,845,000	\$10,967,718	\$122,718
Special Revenue Funds	857,042	883,626	26,584
Debt Service Fund	897,086	940,515	43,429
Capital Projects Funds	9,382,859	9,446,015	63,156
Proprietary:			
Enterprise Funds	489,070	559,071	70,001
Internal Service	1,231	1,508	277
Fiduciary:			
Agency Funds	155,007	155,222	215
Total (Memorandum Only)	<u>\$22,627,295</u>	<u>\$22,953,675</u>	<u>\$326,380</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, 2008

Fund Types/Fund	Prior Year Carryover Appropriations	2008 Appropriations	Total	Actual 2008 Disbursements	Encumbrances Outstanding At June 30, 2008	Total	Variance Favorable/ (Unfavorable)
Governmental:							
General Fund	\$436,860	\$11,628,038	\$12,064,898	\$11,287,884	\$410,535	\$11,698,419	\$366,479
Special Revenue Funds	24,278	808,091	832,369	762,491	46,538	809,029	23,340
Debt Service Fund		558,000	558,000	860,275		860,275	(302,275)
Capital Projects Funds	1,136,947	12,780,000	13,916,947	1,916,348	1,053,059	2,969,407	10,947,540
Proprietary:							
Enterprise Funds	875	425,506	426,381	572,302	4,495	576,797	(150,416)
Internal Service Funds		1,600	1,600	581		581	1,019
Fiduciary:							
Agency Funds	10,417	199,571	209,988	151,635	13,301	164,936	45,052
Total (Memorandum Only)	<u>\$1,609,377</u>	<u>\$26,400,806</u>	<u>\$28,010,183</u>	<u>\$15,551,516</u>	<u>\$1,527,928</u>	<u>\$17,079,444</u>	<u>\$10,930,739</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, 2008**

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 56 non-certificated employees, 95 certificated employees who provide services to 1382 students and other community members. The School District currently operates three instructional buildings, one administrative building, and leases facilities from St. Denis Catholic Church.

A. 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, 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, 2008
(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, 2008
(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.

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.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2008.

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, three supplemental appropriations were 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.

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.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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).

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, 2008, the District had \$5,400 in undeposited cash on hand which is included in the fund balance.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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 (\$3,018) and the bank balance was \$70,592 and was covered by federal depository insurance. 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, 2008, 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 \$13,219,135 with an average maturity. The carrying value of the investment portfolio managed by Butler Wick and Co., Inc. was \$14,560,006.

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.

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. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. PROPERTY TAXES (Continued)

Public utility property taxes received in calendar year 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2008 is 6.25. This will be reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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 County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 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 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$114,973,170	90.76%	\$116,971,600	93.71%
Public Utility – Personal	66,480	.05%	71,550	.06%
Tangible Personal Property	11,642,530	9.19%	7,773,230	6.23%
Total Assessed Value	<u>\$126,682,180</u>	<u>100.00%</u>	<u>\$124,816,380</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.

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 2008, 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:

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

6. RISK MANAGEMENT (Continued)

Insurance coverage provided includes the following:

Property (\$5,000 deductible, subject to scheduled limits)	\$20,997,853
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 2008, 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, 2008
(Continued)**

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost sharing multiple-employer 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.

Funding Policy - 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 2008, 9.16 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 by SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$105,773, \$129,198 and \$126,581 respectively; 41.10 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 (888) 227-7877, 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's lifetime 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 percent 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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, 2008
(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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding policy - For the fiscal year ended June 30, 2008, 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 2007, 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, 2008, 2007, and 2006 were \$727,984, \$702,130, and \$705,748, respectively; 83.80 percent has been contributed for 2008 and 100 percent for 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$5,949 made by the School District and \$21,106 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, 2008, 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

A. School Employee Retirement System

Plan Description - The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after all allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008 this amount was \$57,739.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$727,984; \$702,130; \$705,748 respectively; 83.8 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$8,320, \$8,127, and \$9,028 respectively; 83.8 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalizations, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Fund Policy – Ohio law authorizes STRS Ohio to offer that Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, 2006 were \$55,999, \$54,010, and \$54,588 respectively; 83.8 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. LONG TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Principal Outstanding 6/30/2007	Additions	Reductions	Principal Outstanding 6/30/2008
2008 General Obligation Bonds				
Serial Bonds 4%	\$ 5,510,000		\$195,000	\$ 5,315,000
Term Bonds 4.375 - 4.5%	8,215,000			8,215,000
Capital Appreciation Bond 4.4-4.45%	152,998			152,998
Total Long Term Obligations	<u>\$13,877,998</u>	<u>\$0</u>	<u>\$195,000</u>	<u>\$13,682,998</u>

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:

Fiscal Year ending June 30:	Principal
2009	\$ 320,000
2010	330,000
2011	345,000
2012	360,000
2013	375,000
2014 - 2017	1,650,000
2020 - 2023	1,935,000
Total	<u>\$5,315,000</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:

Fiscal Year ending June 30:	Principal
2028	\$2,910,000
2035	5,305,000
Total	<u>\$8,215,000</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 \$152,998, \$82,642 in fiscal 2018 and \$70,356 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, 2008
(Continued)**

9. LONG TERM OBLIGATIONS (Continued)

Fiscal Year ending June 30	Serial	Term	Capital Appreciation	Interest	Total
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	375,000			526,856	901,856
2014 - 2018	1,650,000		\$ 82,642	2,769,640	4,502,282
2019 - 2023	1,935,000		70,356	2,498,218	4,503,574
2024 - 2028		\$2,910,000		1,586,500	4,496,500
2029 - 2033				882,900	882,900
2033 - 2035		5,305,000		114,975	5,419,975
Total	<u>\$5,315,000</u>	<u>\$8,215,000</u>	<u>\$152,998</u>	<u>\$10,624,713</u>	<u>\$24,307,711</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 2008, the School District paid \$54,466 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 2008, 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, 2008
(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 2008, the School District paid \$3,710 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, 2008
(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, 2007	(\$368,006)	\$ 122,368
Current Fiscal Year Set-aside Requirement	212,336	212,336
Qualifying Off Sets (Not Available for Carry Forward)		(50,000)
Qualifying Off Set (Available for Carry Forward)		(13,877,998)
Qualifying Disbursements	<u>(199,618)</u>	<u>(137,882)</u>
Excess Expenditures Available for Carry-over to Subsequent Year	<u>(\$355,288)</u>	<u>(\$13,731,176)</u>

The excess qualifying expenditures in the textbook reserve may be carried forward to offset future years reserve set aside. For capital improvement set-aside, the extra amount, which was the result of proceeds from bonded debt for the construction of the K-12 building that is being used to reduce the set aside requirements for future years.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(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, 2008

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.

This page intentionally left blank.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	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	2008	10.550		\$61,847		\$61,847
National School Lunch Program	2007	10.555	\$14,731		\$14,731	
	2008		58,118		58,118	
Total National School Lunch Program			<u>72,849</u>		<u>72,849</u>	
Total U.S. Department of Agriculture			72,849	61,847	72,849	61,847
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I	2007	84.010	14,993		21,750	
	2008		106,790		103,823	
Total Title I			<u>121,783</u>		<u>125,573</u>	
Special Education Grants to States	2007	84.027	53,870		59,181	
	2008		236,503		235,473	
Total Special Education Grants to States			<u>290,373</u>		<u>294,654</u>	
Drug Free Schools and Communities	2008	84.186	3,309		2,900	
Innovation Education Program Strategies	2008	84.298	3,000		3,000	
Title 11-D, Technology Program	2008	84.318	124			
Title II-A Improving Teacher Quality	2007	84.367	4,819		4,535	
	2008		23,364		19,574	
Total Title II-A Improving Teacher Quality			<u>28,183</u>		<u>24,109</u>	
Total Department of Education			<u>446,772</u>		<u>450,236</u>	
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	3,002		3,002	
Total Federal Assistance			<u>\$522,623</u>	<u>\$61,847</u>	<u>\$526,087</u>	<u>\$61,847</u>

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

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEARS ENDED JUNE 30, 2008**

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.



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 year ended June 30, 2008, have issued our report thereon dated February 9, 2009, wherein we noted the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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 finding 2008-002 described in the accompanying schedule of findings to be significant deficiencies in internal control over the financial reporting.

Internal Control Over Financial Reporting (Continued)

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.

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. We believe finding 2008-002 is also material a weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated February 9, 2009.

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain noncompliance or other matters that we reported to the District's management in a separate letter dated February 9, 2009.

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

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



Mary Taylor, CPA
Auditor of State

February 9, 2009



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 (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 its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. 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.

In our opinion, the Versailles Exempted Village School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

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.

**Internal Control Over Compliance
(Continued)**

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 District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

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.

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

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



Mary Taylor, CPA
Auditor of State

February 9, 2009

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

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?	No
<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	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Grants to States, 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 Number 2008-001

Noncompliance

Ohio Rev. Code Section 117.38, states 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 Number 2008-001
(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 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, therefore resulting in an adverse opinion issued over the financial statements.

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

Officials Response:

The Versailles Exempted School District does not intend to produce its annual report in accordance with generally accepted accounting principles (GAAP) until the new facilities are completed.

Finding Number 2008-002

Material Weakness

Classification of Revenues and Expenditures

Homestead and Rollback revenues received from the State of Ohio were not broken out into the levied funds that received property tax. When the revenue was received from the State of Ohio it was all posted to the General Fund instead of being proportioned out to the various levied funds as stated on the Tax Settlement Sheets received from the County Auditor. There was \$46,964 of intergovernmental revenue posted to the General Fund that should have been posted to the Debt Service Fund and Classroom Facility Maintenance Fund.

The District also failed to post \$3,002 of revenue and expenditure that it received in Community Alternative Fund System (CAFS) from Montgomery County Educational Service Center and was expensed on its' behalf by Montgomery County Educational Service Center

The failure to record revenue and expenditure transactions in accordance with Uniform School Accounting System (USAS) results in a lack of consistency for financial reporting with other Ohio school districts. Failure to post receipts and disbursements to the correct funds and accounts did result in a material misstatement on the financial statements, therefore an adjustment was made to the financial statements.

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, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Rev Code Section 5705.41 prohibits expenditures from exceeding appropriations	No	Moved to Management Letter
2007-002	Ohio Rev Code Section 135.14 establishing an investment policy.	No	Moved to Management Letter
2007-003	Ohio Rev Code Section 117.38 and Ohio Admin Code Section 117-2-03 (B) failure to file GAAP financial statements	No	Reissued as 2008-001
2007-004	Ohio Admin Code Section 117-2-02 (C) (1) integrating a budgetary system	No	Moved to Management Letter
2007-005	Posting of Debt Transaction	Yes	
2007-006	34CFR 80.20 (b) (1) failure to file Final Expenditure Report in a timely manner	Partially	Moved to Management Letter
2007-007	Federal Schedule Reporting	Partially	Moved to Management Letter



Mary Taylor, CPA
Auditor of State

VERSAILLES 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
APRIL 2, 2009