



Mary Taylor, CPA
Auditor of State

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
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 year ended June 30, 2009. 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, 2009 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 29, 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 Schedule of Federal Awards Receipts and Expenditures 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, 2009, 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 Schedule of Federal Awards Receipts and Expenditures.

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

Mary Taylor, CPA
Auditor of State

October 29, 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, 2009**

	<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	\$3,770,050	\$53,854	\$850,744		\$4,674,648
Tuition	237,070				237,070
Earnings on Investments	71,493	2,371	5,530	\$783,396	862,790
Extracurricular Activities		202,912			202,912
Classroom Materials and Fees	18,439				18,439
Other Local Revenues	431,994	35,319		106,874	574,187
Intergovernmental - State	6,880,090	60,159	116,638	14,987,250	22,044,137
Intergovernmental - Federal	18,893	427,599			446,492
Total Cash Receipts	<u>11,428,029</u>	<u>782,214</u>	<u>972,912</u>	<u>15,877,520</u>	<u>29,060,675</u>
Cash Disbursements:					
Current:					
Instruction:					
Regular	5,371,859	50,044			5,421,903
Special	790,351	124,307			914,658
Vocational	469,408				469,408
Support Services:					
Pupils	344,289	267,356			611,645
Instructional Staff	642,876	10,702			653,578
Board of Education	15,520				15,520
Administration	1,240,974	12,000			1,252,974
Fiscal	332,746	1,354	21,301		355,401
Operation and Maintenance of Plant	690,387			57,776	748,163
Pupil Transportation	529,608				529,608
Central	9,852	5,000			14,852
Extracurricular Activities	290,934	233,595			524,529
Building Acquisition & Construction	37,980			18,905,399	18,943,379
Repayment of Debt			894,656		894,656
Total Cash Disbursements	<u>10,766,784</u>	<u>704,358</u>	<u>915,957</u>	<u>18,963,175</u>	<u>31,350,274</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	<u>661,245</u>	<u>77,856</u>	<u>56,955</u>	<u>(3,085,655)</u>	<u>(2,289,599)</u>
Other Financing Sources (Uses):					
Sale of Assets	3,055				3,055
Operating Transfers In				75,000	75,000
Advances In	85,300				85,300
Refund of Prior Year Expenditures	16,316	1,069		740	18,125
Operating Transfers Out	(75,500)				(75,500)
Advances Out	(60,000)	(15,300)			(75,300)
Total Other Financing Sources (Uses)	<u>(30,829)</u>	<u>(14,231)</u>		<u>75,740</u>	<u>30,680</u>
Excess of Cash Receipts and Other Financing Sources Over (Under) Disbursements and Other Uses	630,416	63,625	56,955	(3,009,915)	(2,258,919)
Fund Cash Balances, July 1	4,234,612	264,027	252,848	22,866,390	27,617,877
Fund Cash Balances, June 30	<u>4,865,028</u>	<u>327,652</u>	<u>309,803</u>	<u>19,856,475</u>	<u>25,358,958</u>
Reserve for Encumbrances	<u>\$448,746</u>	<u>\$32,096</u>	<u>\$0</u>	<u>\$9,829,796</u>	<u>\$10,310,638</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, 2009**

	<u>Proprietary Fund Type</u>		<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
Operating Cash Receipts:				
Sales/Charges for Services	\$426,251			\$426,251
Extracurricular Activities			\$144,351	144,351
Miscellaneous	14,191	\$698	7,074	21,963
Total Operating Cash Receipts	<u>440,442</u>	<u>698</u>	<u>151,425</u>	<u>592,565</u>
Operating Cash Disbursements:				
Personal Services	244,186			244,186
Contract Services	5,279		22,508	27,787
Materials and Supplies	253,766		115,640	369,406
Capital Outlay				0
Other Expenses	770	1,754	25,520	28,044
Total Operating Cash Disbursements	<u>504,001</u>	<u>1,754</u>	<u>163,668</u>	<u>669,423</u>
Operating Loss	<u>(63,559)</u>	<u>(1,056)</u>	<u>(12,243)</u>	<u>(76,858)</u>
Non-operating Cash Receipts:				
Grants	76,264			76,264
Total Non-operating Cash Receipts	<u>76,264</u>			<u>76,264</u>
Receipts Over (Under) Disbursements Before Interfund Transfers	12,705	(1,056)	(12,243)	(594)
Transfer In			500	500
Advances In	60,000			60,000
Advances Out	<u>(70,000)</u>			<u>(70,000)</u>
Net Receipts Over (Under) Disbursements	2,705	(1,056)	(11,743)	(10,094)
Fund Cash Balances, July 1	<u>50,252</u>	<u>2,111</u>	<u>111,279</u>	<u>163,642</u>
Fund Cash Balances, June 30	<u>52,957</u>	<u>1,055</u>	<u>99,536</u>	<u>153,548</u>
Reserve for Encumbrances	<u>\$6,809</u>	<u>\$0</u>	<u>\$6,250</u>	<u>\$13,059</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, 2009**

Fund Types/Fund	Budget	Actual	Variance Favorable/ (Unfavorable)
Governmental:			
General Fund	\$11,425,000	\$11,532,700	\$107,700
Special Revenue Funds	785,025	783,283	(1,742)
Debt Service Fund	1,015,999	972,912	(43,087)
Capital Projects Funds	15,847,949	15,953,260	105,311
Proprietary:			
Enterprise Funds	516,706	576,706	60,000
Internal Service	373	698	325
Fiduciary:			
Agency Funds	151,915	151,925	10
Total (Memorandum Only)	<u>\$29,742,967</u>	<u>\$29,971,484</u>	<u>\$228,517</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, 2009

Fund Types/Fund	Prior Year Carryover Appropriations	2009 Appropriations	Total	Actual 2009 Disbursements	Encumbrances Outstanding At June 30, 2009	Total	Variance Favorable/ (Unfavorable)
Governmental:							
General Fund	\$410,535	\$12,559,530	\$12,970,065	\$10,902,284	\$448,746	\$11,351,030	\$1,619,035
Special Revenue Funds	46,538	923,531	970,069	719,658	32,096	751,754	218,315
Debt Service Fund		925,000	925,000	915,957		915,957	9,043
Capital Projects Funds	1,053,059	28,600,000	29,653,059	18,963,175	9,829,796	28,792,971	860,088
Proprietary:							
Enterprise Funds	4,495	452,731	457,226	574,001	6,809	580,810	(123,584)
Internal Service Funds		2,000	2,000	1,754		1,754	246
Fiduciary:							
Agency Funds	13,301	189,500	202,801	163,668	6,250	169,918	32,883
Total (Memorandum Only)	<u>\$1,527,928</u>	<u>\$43,652,292</u>	<u>\$45,180,220</u>	<u>\$32,240,497</u>	<u>\$10,323,697</u>	<u>\$42,564,194</u>	<u>\$2,616,026</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, 2009**

1. 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, 95 certificated employees who provide services to 1380 students and other community members. The School District currently operates three instructional buildings, one administrative building, and leases facilities from St. Denis Catholic Church.

The District participates in three jointly governed organizations, one related organization, and two insurance purchasing pools. Notes 14 through 16 to the financial statements provides additional information for these entities. 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

Public Entity Risk Pool:

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

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

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.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into three categories, governmental, proprietary and fiduciary.

1. Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. 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).

2. Proprietary Funds

The School District classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds.

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 Funds

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.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund, function level for the General Fund, and fund level for all other funds. Budgetary allocations at these levels within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

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.

During 2009, the School District invested in nonnegotiable certificates of deposit, federal agency securities, a money market fund, and STAR Ohio. Investments are reported at cost, except for the STAR Ohio. The School District's money market fund investment is recorded at amount reported by Ross Sinclair & Associates at June 30, 2009. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2009.

E. Accumulated Leave

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

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant, and Equipment

The School District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. 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

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 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 or deposit accounts, including passbook accounts.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. 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;
7. 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.

As of June 30, 2009, the District had \$5,400 in undeposited cash on hand which is included in the fund balance.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$4,136,419 of the School District's bank balance of \$4,386,419 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

B. Investments

As of June 30, 2009, the School District's only investments were STAR Ohio and a Government and Agency Portfolio provided by AIM Investments that is actively managed by Ross, Sinclair, and Associates, Inc. The STAR Ohio is an internal investment pool. The carrying and fair value of STAR Ohio was \$6,136,112 with an average maturity of 60 days. The carrying value of the investment portfolio managed by Ross, Sinclair, and Associates, Inc. was \$15,268,641.

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.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Credit Risk – The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes and Federal Home Loan Bank Notes carry a rating of Aaa by Moody's. The Ohio State Building Authority Notes carry a rating of Aa3 by Moody's. STAR Ohio carries a rating of AAAM by Standard and Poor's. The money market fund carries a rating of Aaa by Standards and Poor's. The School District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, the Federal Home Loan Bank Notes, and Ohio State Building Authority Notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

4. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the School District. Property tax receipts received in 2009 for real and public utility property taxes represents collections of the 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) is for 2009 taxes.

2009 real property taxes are levied after October 1, 2009 on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

Real property taxes are payable annually or semi-annually. 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.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes which became a lien on December 31, 2008, are levied after October 1, 2009 and are collected in 2010 with real property taxes.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

4. PROPERTY TAXES (Continued)

2009 tangible property taxes are levied after October 1, 2008, on the value as of December 31, 2008. Collections are made in 2009. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2009 zero percent. Payments 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 3, with the remainder due September 20.

The School District receives property taxes from Darke and Shelby counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2009, are available to finance fiscal year 2009 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 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property	\$116,791,600	93.71%	\$127,849,060	98.79%
Public Utility Property	71,550	0.06%	81,130	0.06%
Tangible Personal Property	7,773,230	6.23%	1,481,780	1.15%
Total Assessed Value	<u>\$124,636,380</u>	<u>100.00%</u>	<u>\$129,411,970</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.18		\$40.18	

5. INCOME TAXES

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was originally effective on January 1, 2005 for four-years. A renewal tax was effective on January 1, 2009 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 receipts are recorded in 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 year 2009, the School District contracted with Phelan Insurance Agency for the following insurance coverage:

Property (\$5,000 limit, subject to scheduled limits)	\$21,457,880
Boiler and Machinery (\$5,000 deductible)	21,457,880
Auto Liability/Physical Damage (\$1,000 deductible)	1,000,000
General Liability	2,000,000
Per Occurrence	1,000,000
Educator's Legal Liability & Employment Practices (\$2,500 deductible each occurrence)	1,000,000
Umbrella Coverage	2,000,000

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

6. RISK MANAGEMENT (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal 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 15). 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 2009, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). 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.

7. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description - The School District participates in 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

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 a 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 the 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.

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 these active 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 (most recent information available), 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 2008, the portion used to fund pension obligations was also 14 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 STRS Ohio for the fiscal years ended June 30, 2009 2008, and 2007 were \$772,798, \$727,984 and \$702,130 respectively; 83.13 percent has been contributed for fiscal year fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$6,596 made by the School District and \$22,645.09 made by the plan members.

B. 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.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

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 (most recent information available), 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 the 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, 2009, 2008 and 2007 were \$129,402, \$105,773 and \$129,198 respectively; 46.70 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2009, all of the Board of Education members have elected Social Security. The contribution rate is 6.2 percent of wages paid.

8. POSTEMPLOYMENT BENEFITS

A. 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 hospitalization, 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.

Funding Policy – Ohio law authorizes STRS Ohio to offer the 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 (most recent available), 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, 2009, 2008, and 2007 were \$59,446, \$55,999, and \$54,010 respectively. The full amount has been contributed for 2009, 2008 and 2007.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

8. POSTEMPLOYMENT BENEFITS (Continued)

B. School Employees 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-certificated 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.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the 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 (most recent available), 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 2009, this amount was \$19,111.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a 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, 2009, 2008, and 2007 were \$772,798, \$727,984, and \$702,130 respectively; 46.70 percent has been contributed for fiscal year 2009 and 100 percent has been contributed for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008 (most recent available), 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, 2009, 2008, and 2007 were \$8,845, \$8,320, and \$8,127 respectively; 83.13 percent has been contributed for fiscal year 2009 and 100 percent has been contributed for fiscal years 2008 and 2007.

9. DEBT

The changes in the School District's long-term obligations during fiscal year 2009 were as follows:

	<u>Interest Rate</u>	<u>Balance at 6/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/09</u>	<u>Due Within One Year</u>
General Long-Term Debt						
General Obligation Bonds						
2007 School Improvement						
Term	4.375-4.5%	\$ 8,215,000	\$		\$ 8,215,000	
Serial	4%	5,315,000		\$320,000	4,995,000	\$330,000
Capital Appreciation	4.4-4.45%	152,998			152,998	
Total General Long-Term Debt		<u>\$13,682,998</u>	<u>\$</u>	<u>\$320,000</u>	<u>\$13,362,998</u>	<u>\$330,000</u>

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

9. DEBT (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>
2010	\$ 330,000
2011	345,000
2012	360,000
2013	375,000
2014	390,000
2015 – 2017	1,260,000
2020 - 2023	1,935,000
Total	<u>\$4,995,000</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:

<u>Fiscal Year ending June 30:</u>	<u>Principal</u>
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 general obligation bonds outstanding at June 30, 2009, were as follows:

<u>Fiscal Year ending June 30</u>	<u>Serial</u>	<u>Term</u>	<u>Capital Appreciation</u>	<u>Interest</u>	<u>Total</u>
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	390,000			511,856	901,856
2014 - 2018	1,260,000		\$ 82,642	2,257,784	3,600,426
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>\$4,995,000</u>	<u>\$8,215,000</u>	<u>\$152,998</u>	<u>\$10,043,657</u>	<u>\$23,406,655</u>

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

10. SET ASIDE REQUIREMENTS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, and capital improvements during fiscal year 2009.

	Textbooks	Capital Improvements
Balance June 30, 2008	(\$355,288)	(\$13,731,176)
Current Year Set Aside Requirement	215,267	215,267
Current Year Offsets		(128,855)
Qualifying Cash Disbursements	(204,744)	(86,412)
Amount Carried Forward to Future Fiscal Years	(344,765)	(13,731,176)
Set Aside Reserve Balance June 30, 2009	(\$344,765)	(\$13,731,176)

The School District had qualifying cash disbursements during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years. The School District also had qualifying bond proceeds in prior years that reduced the capital acquisition set aside amount to below zero. This amount may be used to reduce the capital acquisition set aside requirement in future years.

11. INTERFUND TRANSFERS

During fiscal year 2009, the General Fund transferred \$75,000 to the Permanent Improvement Capital Projects Fund to subsidize permanent improvement costs. The District also transferred from the General Fund \$500 to the Agency Fund to subsidize operations.

12. CONSTRUCTION AND CONTRACTUAL COMMITMENTS

As of June 30, 2009, the School District had contractual commitments as follows:

Company	Project	Amount Remaining on Contract
Peterson Construction	General Trades Sitework	\$ 6,765,918
GM Mechanical	Plumbing/HVAC	1,348,565
Chapel Electric, Co.	Electrical	2,001,679
Wasserstrom Company	Food Service	409,347
Tyco Simplex	Fire Suppression	206,154
Structured Cabling System	Technology	947,189
Total		\$11,678,852

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

13. CONTINGENT LIABILITIES

A. Grants

Amounts grantor agencies pay to the School District are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

B. Litigation

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

14. 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 2009, the School District paid \$53,897 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 2009, the School District paid \$64,327 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.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 2009, the School District paid \$3,835 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.

15. PUBLIC ENTITY RISK POOLS

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - Purchasing The School District participates in the Southwestern Ohio Educational 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.

16. 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, Teresa Slonkosky, Interim 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, 2009
(Continued)**

17. 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 prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2009**

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>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2009	10.555		\$50,505		\$50,505
Cash Assistance:						
National School Lunch Program	2008	10.555	\$8,461		\$8,461	
	2009		66,412		66,412	
Total National School Lunch Program			<u>74,873</u>	<u>\$50,505</u>	<u>74,873</u>	<u>\$50,505</u>
Total U.S. Department of Agriculture			74,873	50,505	74,873	50,505
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to States	2008	84.010	16,841		19,808	
	2009		108,085		107,041	
Total Title I Grants to States			<u>124,926</u>		<u>126,849</u>	
Special Education Grants to States	2008	84.027	24,504		25,534	
	2009		215,797		202,751	
Total Special Education Grants to States			<u>240,301</u>		<u>228,285</u>	
Drug Free Schools and Communities	2009	84.186	2,197		1,677	
Innovation Education Program Strategies	2009	84.298	962		962	
Title 11-D, Technology Program	2008	84.318	1,294		1,533	
	2009		104			
Total Title II-D Technology Program			<u>1,398</u>		<u>1,533</u>	
Title II-A Improving Teacher Quality	2008	84.367	7,132		10,921	
	2009		47,451		36,484	
Total Title II-A Improving Teacher Quality			<u>54,583</u>		<u>47,405</u>	
Total Department of Education			<u>424,367</u>		<u>406,711</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	93.667	4,809			
Total Federal Assistance			<u>\$504,049</u>	<u>\$50,505</u>	<u>\$481,584</u>	<u>\$50,505</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, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedules (the Schedules) summarizes activity of the District's federal award programs. The schedule has 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 2009 since the receipts were reimbursement for CAFS expenditures incurred in prior periods.



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 the Versailles Exempted Village School District, Darke County, (the District) as of and for the year ended June 30, 2009, and have issued our report thereon dated October 29, 2009, wherein we noted the District followed accounting practices the Auditor of State prescribes 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.

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.

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

We noted certain matters that we reported to the District's management in a separate letter dated October 29, 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 matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated October 29, 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, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

October 29, 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

Compliance

We have audited the compliance of Versailles Exempted Village 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 year ended June 30, 2009. 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.

In our opinion, the Versailles Exempted Village School District complied, in all material respects, with the requirements referred to above applying to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings as item 2009-002.

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.

However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we have reported to the District's management in a separate letter dated October 29, 2009.

The District's response to the finding we identified 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, 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 29, 2009

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Adverse
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Special Education Grants to States, CFDA#84.027 Title I, CFDA#84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2009-001

Noncompliance Citation

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 2009-001
 (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 its annual financial reports in accordance with generally accepted accounting principles as required above to provide a complete presentation of its financial activity and status.

Officials Response:

GAAP will not be implemented until the District moves into the new facilities in the fall of 2010.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2009-002

Finding Number	2009-002
CFDA Title and Number	All Federal Programs
Federal Award Number / Year	All Federal Programs
Federal Agency	U.S. Department of Agriculture/U.S. Department of Education/U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Education/Ohio Dept of Jobs and Family Services/Montgomery County ESC

Finding Number 2009-002

Noncompliance Citation

OMB Circular A-133 Subpart C .320(a) & (b) requires the District to submit the Federal Single Audit data collection form described in Section .320(b) and the reporting package described in Section .320(c) within the earlier of 30 days after receipt of the auditor's report, or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The District did not submit the June 30, 2008 data collection form or the reporting package within either of the two prescribed time limits. The Federal Clearing House did not receive the required form or report.

Failure to complete and submit the Federal Single Audit data collection form described in Section .320(b) and the reporting package described in Section .320(c) will result in the District's designation as a high risk auditee requiring additional testing of federal programs and the possible loss of federal funding. The District should implement controls to assist in timely submissions and to determine whether it met the Single Audit requirements.

Officials Response

We will attempt to comply this year, had problems with the password last year.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Failure to File GAAP statements	No	Reissued as 2009-001
2008-002	Classification of Revenue and Expenditures	Yes	Fully Corrected

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Mary Taylor, CPA

Auditor of State

Independent Accountant's Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by to by the Board, solely to assist the Board in evaluating whether Versailles Exempted Village School District, Darke County (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on February 19, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - 5) A procedure for documenting any prohibited incident that is reported;
 - 6) A procedure for responding to and investigating any reported incident;
 - 7) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

- 8) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
 - 9) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.
3. We read the policy and noted that it did not include the following requirement from Ohio Rev. Code Section 3313.666(B):

A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 29, 2009



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
DECEMBER 15, 2009