

**VERSAILLES EXEMPTED
VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Education
Versailles Exempted Village School District
459 South Center Street
Versailles, Ohio 45380

We have reviewed the *Independent Auditor's Report* of the Versailles Exempted Village School District, Darke County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Finding for Recovery

The Master Agreement between the Versailles Education Association and the Versailles Board of Education dated July 1, 2008 – June 30 2011, states that upon separation from employment, employees will be compensated at the rate of 25% (1/4th) the value of his/her accrued but unused sick leave or (63) days whichever is smaller between the fraction of accrued, but unused sick leave or the maximum allowable severance days in effect. Two employees were overpaid retirement/severance payouts upon employment separation due to the utilization of an incorrect formula.

Barb Garke was paid \$6,771 upon separation of employment for unused sick leave. Barb Garke had 282.5 accumulated sick leave days and was paid for 25% of those accumulated days (70.63), however the negotiated agreement policy stipulates the maximum number of sick leave days paid upon separation of employment is 63 days. The calculation using the district's corrected calculation formula amounted to \$6,040, which resulted in a \$731 overpayment.

Janeen Foltz was paid \$22,636 upon separation of employment for unused sick leave. Janeen Foltz had 192 accumulated sick leave days and was paid for 63 days. However, she was only entitled to 48 days (192 x 25%=48). The calculation using the district's corrected calculation formula amounted to \$17,246, which resulted in a \$5,390 overpayment.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Barb Garke in the amount of \$731 and Janeen Foltz in the amount of \$5,390.

Versailles Exempted Village School District
459 South Center Street Versailles, Ohio 45380
Page -2-

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; Board of Education

1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

District Treasurer, Alan Barga, approved the payments to Barb Garke and Janeen Foltz. Accordingly, District Treasurer, Alan Barga, and his bonding company, Liberty Mutual Insurance Company, will be jointly and severally liable in the amount of \$6,121 and in favor of the Versailles Exempted Village School District.

Barb Garke repaid \$731 on December 12, 2011, on district receipt number 52655.

Janeen Foltz repaid \$1,000 of the \$5,390 on December 12, 2011, on district receipt number 52656.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Versailles Exempted Village School District is responsible for compliance with these laws and regulations.



Dave Yost
Auditor of State

February 22, 2012

VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Statement of Net Assets –Cash Basis	11
Statement of Activities – Cash Basis	12
Statement of Assets and Fund Balances – Cash Basis - Governmental Funds	13
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances - Cash Basis - Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - General Fund	15
Statement of Fund Net Assets - Cash Basis - Enterprise Fund	16
Statement of Cash Receipts, Disbursements, and Changes in Fund Net Assets - Cash Basis - Enterprise Fund	17
Statement of Fiduciary Net Assets – Cash Basis – Fiduciary Funds	18
Notes to the Basic Financial Statements	19-46
Schedule of Expenditures of Federal Awards	47
Notes to the Supplemental Schedule of Expenditures of Federal Awards	48
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49-50
Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	51-52
Schedule of Findings and Questioned Costs	53-55
Schedule of Prior Audit Findings and Recommendations	56
Independent Accountant's Report on Applying Agreed-Upon Procedures	57

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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INDEPENDENT AUDITOR’S REPORT

Board of Education
Versailles Exempted Village School District
Versailles, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Versailles Exempted Village School District, Darke County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the District’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Versailles Exempted Village School District, Ohio’s management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03(B) requires the Versailles Exempted Village School District, Ohio, 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 follow the cash basis of accounting. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Versailles Exempted Village School District, Ohio, as of June 30, 2011, and the respective changes in cash financial position, thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting described in Note 2.

As described in Note 3 for the year ended June 30, 2011, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*. Also, as described in Note 3 to the financial statements, the District restated its July 1, 2010 governmental fund balances due to changes in fund structure as a result of implementing GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2011, on our consideration of the Versailles Exempted Village School District, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Versailles Exempted Village School District, Ohio's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


James G. Zupka, CPA, Inc.
Certified Public Accountants

December 1, 2011

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The management discussion and analysis of the Versailles Exempted Village School District (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2011, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to those respective statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2011 are:

- In total, net assets decreased by \$5,160,724 primarily due to the capital outlay for the District's building acquisition and construction.
- General receipts related to governmental activities accounted for \$11,279,561 or 86.82 percent of total receipts. Program specific receipts in the form of charges for services and sales, grants, and contributions accounted for \$1,711,883 or 13.18 percent of total receipts of \$12,991,444.
- The District had \$18,264,874 in program disbursements related to governmental activities. Capital outlay disbursements accounted for 24.64 percent of the total disbursements which highlights the significance of the current year building acquisition and construction activity. Excluding capital outlay and the related grant and investment receipts, the general receipts were not adequate to provide for the instructional, support services and other programs.
- The Districts major governmental funds are the General Fund and Classroom Facilities Fund. The General Fund had \$10,163,154 in receipts, \$11,095,877 in disbursements, and (\$324,500) in other financing sources (uses). During fiscal year 2011, the General Fund's fund balance decreased by \$1,257,223 from \$4,643,457 to \$3,386,234.
- As expected, the classroom facilities funds experienced a significant decrease in fund balance as the resources in that fund were disbursed for the capital outlay mentioned earlier.
- Food service, the District's only business-type activity, increased net assets as program receipts for charges for services and sales and operating grants and contributions exceeded program cash disbursements.

Using these Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's cash basis of accounting. Accordingly, it consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting an aggregate view of the District's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other nonmajor funds presented in total in one column. In the case of the District, the General Fund and the Classroom Facilities Fund are by far the most significant funds, and the only funds reported as major governmental funds.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related receipts (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within the report, the reader must keep in mind the limitations resulting from the use of the cash basis of reporting.

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The Statement of Net Assets and the Statement of Activities reflect how the District did financially during fiscal year 2011, within the limitations of the cash basis of accounting. The Statement of Net Assets presents the equity in pooled cash and cash equivalents of the governmental and business-type activities of the District at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental program draws from the District's general receipts.

These statements report the District's cash position and changes in cash position. Keeping in mind the limitations of the cash basis of accounting, the reader can think of the changes in cash position as one way to measure the District's financial health. Over time, increases or decreases in the district's cash position is one indicator of whether the District's financial health is improving or deteriorating. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting receipts growth, facility conditions, required educational programs, and other factors.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The District's Statement of Net Assets and Statement of Activities can be found on pages 11 and 12 of the report.

In the Statement of Net Assets and Statement of Activities, the District is divided into two distinct kinds of activities:

- Governmental Activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant services, pupil transportation, extracurricular activities, capital outlay, and debt service.
- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the costs of the goods or services provided. The District's food service is reported as a business-type activity.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 13 of the financial statements. Fund financial statements provide detailed information about the District's major funds. The District established separate funds to better manage its many activities and to demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The District's funds are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds

Most of the District's activities are reported in governmental funds. The governmental fund statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent to finance educational programs. The programs reported in the governmental funds are directly related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Fund

The District maintains a proprietary fund. Food service is reported as an enterprise fund. The basic proprietary fund financial statements can be found on pages 16 and 17 of this report.

Fiduciary Funds

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 18. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for 2011 compared to 2010 on a cash basis:

Table 1 - Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>						
Equity in pooled cash and cash equivalents	\$8,319,369	\$ 13,592,799	\$ 148,634	\$ 35,928	\$ 8,468,003	\$ 13,628,727
<u>NET ASSETS</u>						
Restricted	4,933,135	8,949,342	0	0	4,933,135	8,949,342
Unrestricted	3,386,234	4,643,457	148,634	35,928	3,534,868	4,679,385
Total Net Assets	<u>\$8,319,369</u>	<u>\$ 13,592,799</u>	<u>\$ 148,634</u>	<u>\$ 35,928</u>	<u>\$ 8,468,003</u>	<u>\$ 13,628,727</u>

By comparing net assets from 2011 to 2010, one can see the overall cash position of the District has diminished as evidenced by the decrease in net assets of \$5,160,724; however, it should be noted that a decrease of \$4,197,358 is directly related to the capital acquisition and construction of the new school facilities.

Table 2 shows the changes in net assets for fiscal year 2011, but does not present a comparative analysis to fiscal year 2010 for governmental activities and business-type activities, as fiscal year 2010 was reported on a different basis of accounting than fiscal year 2011.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Table 2 - Change in Net Assets

	Governmental	Business-Type	Total
	Activities	Activities	
	2011	2011	
RECEIPTS			
Program Cash Receipts:			
Charges for Services	\$ 559,620	\$ 481,868	\$ 1,041,488
Operating Grants and Contributions	1,152,263	119,339	1,271,602
Total Program Cash Receipts	1,711,883	601,207	2,313,090
General Receipts:			
Property Taxes	3,276,594	0	3,276,594
Income Taxes	1,058,875	0	1,058,875
Payment in Lieu of Taxes	15,813	0	15,813
Grants and Entitlements	6,768,302	0	6,768,302
Gifts and Donations	14,695	0	14,695
Investment Earnings	25,575	0	25,575
Sale of Capital Assets	72,604	0	72,604
Miscellaneous	47,103	1,772	48,875
Total General Receipts	11,279,561	1,772	11,281,333
Total Receipts	12,991,444	602,979	13,594,423
DISBURSEMENTS			
Program Cash Disbursements:			
Instruction:			
Regular	6,240,536	0	6,240,536
Special	925,520	0	925,520
Vocational	518,519	0	518,519
Supporting Services:			
Pupil	653,120	0	653,120
Instructional Staff	701,519	0	701,519
Board of Education	19,088	0	19,088
Administration	1,226,129	0	1,226,129
Fiscal	356,995	0	356,995
Operation and Maintenance of Plant	1,238,848	0	1,238,848
Pupil Transportation	460,772	0	460,772
Central	9,423	0	9,423
Extracurricular Activities	520,257	0	520,257
Capital Outlay	4,500,992	0	4,500,992
Debt Service	893,156	0	893,156
Food Service	0	490,273	490,273
Total Disbursements	18,264,874	490,273	18,755,147
Change in Net Assets	(5,273,430)	112,706	(5,160,724)
Net Assets - Beginning of Year, Restated	13,592,799	35,928	13,628,727
Net Assets - End of Year	\$ 8,319,369	\$ 148,634	\$ 8,468,003

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Governmental Activities

The vast majority of receipts supporting all governmental activities consist of general receipts. General receipts totaled \$11,279,561 or 86.82 percent of the total receipts. The most significant portions of the general receipts are local property taxes, school district income taxes and unrestricted grants and entitlements. The remaining amount of receipts was in the form of program receipts, which equated to \$1,711,883 or only 13.18 percent.

Excluding capital outlay and debt service, the largest disbursement for the District is for instructional programs. Instructional programs disbursements totaled \$7,684,575 or 59.71 percent of the remaining \$12,870,726 cash disbursements.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements.

Table 3 - Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011
Instruction	\$ 7,684,575	\$ 6,484,219
Supporting Services:		
Pupils and Instructional Staff	1,354,639	1,101,769
Board of Education, Administration, and Fiscal	1,602,212	1,595,387
Operation and Maintenance of Plant	1,238,848	1,238,069
Pupil Transportation	460,772	460,772
Central	9,423	4,423
Extracurricular Activities	520,257	274,204
Capital Outlay	4,500,992	4,500,992
Debt Service	893,156	893,156
Total Cost of Service	\$ 18,264,874	\$ 16,552,991

The dependence upon taxes and other general receipts is apparent, 84.38 percent of instruction activities and 94.31 percent of support services were supported through taxes and other general receipts.

Business Type Activities

Business-type activities include the food service operation. This program had receipts of \$602,979 and disbursements of \$490,273 in fiscal year 2011, or an increase in net assets of \$112,706.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The District's Funds

The District's governmental funds reported a combined fund balance of \$8,319,369, which is significantly lower than last year's restated balance of \$13,592,799. The following table indicates the fund balance and the change in fund balance from June 30, 2010 to June 30, 2011 for each major governmental fund and the total of the nonmajor governmental funds.

Table 4 - Governmental Fund Balances

	Fund Balance June 30, 2011	Fund Balance June 30, 2010 as Restated	Increase (Decrease)	Percentage Change
General	\$ 3,386,234	\$ 4,643,457	\$ (1,257,223)	-27.08%
Classroom Facilities	3,600,043	7,797,401	(4,197,358)	-53.83%
Other Governmental	1,333,092	1,151,941	181,151	15.73%
Total	\$ 8,319,369	\$ 13,592,799	\$ (5,273,430)	-38.80%

The District's General Fund balance decreased \$1,257,223 which can be attributed to decreases in donations, State basic aid, advances in and interest income combined with increases in salaries and wages, benefits, purchased services, and transfers out.

As discussed previously, the Classroom Facilities Capital Projects Fund decreased due to the disbursements of existing resources for the building project.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2011, the District's amended its General Fund budget several times. The original budget General Fund receipts were \$10,750,000 and final budgeted receipts and other financing sources were \$10,017,657. Actual receipts and other financing sources were \$10,067,058, which was \$49,401 higher than the final budgeted receipts.

General Fund original appropriations were \$13,257,030 and final appropriations were \$13,173,030. The actual budget basis disbursements and other financing uses for fiscal year 2011 totaled \$11,918,885 which was \$1,254,145 lower than final appropriations.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Capital Assets and Debt Administration

Capital Assets

The District does not report its capital assets under the cash basis of accounting.

Debt

At June 30, 2011, the District had \$12,687,998 in bonds with \$360,000 due within one year. Table 5 summarizes the District's bonds outstanding.

Table 5 - Outstanding Debt at Year End

	Governmental Activities	
	2011	2010
General Obligation Bonds:		
Term	\$ 8,215,000	\$ 8,215,000
Serial	4,320,000	4,665,000
Capital Appreciation	152,998	152,998
Total Outstanding Debt	\$ 12,687,998	\$ 13,032,998

See Note 14 to the basic financial statements for additional information on the District's debt.

For the Future

State Funding for K-12 education remained relatively flat for the FY10-11 biennium. However, this was only accomplished through use of \$8 billion of "one-time" money, the largest amount being fiscal stabilization funding from the federal government's fiscal stimulus package.

Additional federal monies are not available for the State's next budget cycle, which began July 1, 2011. As the State's economy has not yet fully recovered from the recession, a significant reduction in funding for K-12 education resulted.

In order to address the financial difficulties, the District plans to increase the school district income tax from 0.75 percent to 1 percent and implement budget cuts, which would nearly balance revenue and expenditures in fiscal year 2013.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Alan Barga, Treasurer at Versailles Exempted Local School District, 459 S. Center St, P.O. Box 313, Versailles, OH 45380 or at alan_barga@darke.k12.oh.us.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**STATEMENT OF NET ASSETS – CASH BASIS
JUNE 30, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	<u>\$ 8,319,369</u>	<u>\$ 148,634</u>	<u>\$ 8,468,003</u>
<u>Net Assets</u>			
Restricted for:			
Capital Projects	\$ 3,849,558	\$ 0	\$ 3,849,558
Debt Service	471,632	0	471,632
Classroom Facilities Maintenance	433,870	0	433,870
State Funded Programs	222	0	222
Federally Funded Programs	156,311	0	156,311
Student Activities	21,542	0	21,542
Unrestricted	<u>3,386,234</u>	<u>148,634</u>	<u>3,534,868</u>
Total Net Assets	<u>\$ 8,319,369</u>	<u>\$ 148,634</u>	<u>\$ 8,468,003</u>

See accompanying notes to the basic financial statements

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**STATEMENT OF ACTIVITIES – CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Instruction:						
Regular	\$ 6,240,536	\$ 312,788	\$ 793,943	\$ (5,133,805)	\$ 0	\$ (5,133,805)
Special	925,520	0	93,625	(831,895)	0	(831,895)
Vocational	518,519	0	0	(518,519)	0	(518,519)
Support Services:						
Pupils	653,120	0	239,131	(413,989)	0	(413,989)
Instructional Staff	701,519	0	13,739	(687,780)	0	(687,780)
Board of Education	19,088	0	0	(19,088)	0	(19,088)
Administration	1,226,129	0	6,825	(1,219,304)	0	(1,219,304)
Fiscal	356,995	0	0	(356,995)	0	(356,995)
Operation and Maintenance of Plant	1,238,848	779	0	(1,238,069)	0	(1,238,069)
Pupil Transportation	460,772	0	0	(460,772)	0	(460,772)
Central	9,423	0	5,000	(4,423)	0	(4,423)
Extracurricular Activities	520,257	246,053	0	(274,204)	0	(274,204)
Capital Outlay	4,500,992	0	0	(4,500,992)	0	(4,500,992)
Debt Service	893,156	0	0	(893,156)	0	(893,156)
Total Governmental Activities	<u>18,264,874</u>	<u>559,620</u>	<u>1,152,263</u>	<u>(16,552,991)</u>	<u>0</u>	<u>(16,552,991)</u>
Business Type Activity						
Food Service	490,273	481,868	119,339	0	110,934	110,934
Total	<u>\$ 18,755,147</u>	<u>\$ 1,041,488</u>	<u>\$ 1,271,602</u>	<u>(16,552,991)</u>	<u>110,934</u>	<u>(16,442,057)</u>
General Receipts						
Property Taxes Levied for:						
General Purposes				2,357,841	0	2,357,841
Debt Service				865,541	0	865,541
Capital Maintenance				53,212	0	53,212
Income Taxes Levied for General Purposes				1,058,875	0	1,058,875
Payment in Lieu of Taxes				15,813	0	15,813
Grants and Entitlements not Restricted						
to Specific Programs				6,492,772	0	6,492,772
Grant from School Facilities Commission				275,530	0	275,530
Gifts and Donations not Restricted						
to Specific Programs				14,695	0	14,695
Investment Earnings				25,575	0	25,575
Sale of Capital Assets				72,604	0	72,604
Miscellaneous				47,103	1,772	48,875
Total General Receipts				<u>11,279,561</u>	<u>1,772</u>	<u>11,281,333</u>
Change in Net Assets				(5,273,430)	112,706	(5,160,724)
Net Assets Beginning of Year, as Restated				13,592,799	35,928	13,628,727
Net Assets End of Year				<u>\$ 8,319,369</u>	<u>\$ 148,634</u>	<u>\$ 8,468,003</u>

See accompanying notes to the basic financial statements

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**STATEMENT OF ASSETS AND FUND BALANCES – CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 3,386,234	\$ 3,600,043	\$ 1,333,092	\$ 8,319,369
Total Assets	<u>\$ 3,386,234</u>	<u>\$ 3,600,043</u>	<u>\$ 1,333,092</u>	<u>\$ 8,319,369</u>
<u>Fund Balances</u>				
Restricted	\$ 0	\$ 3,600,043	\$ 1,333,092	\$ 4,933,135
Assigned	2,842,147	0	0	2,842,147
Unassigned	544,087	0	0	544,087
Total Fund Balances	<u>\$ 3,386,234</u>	<u>\$ 3,600,043</u>	<u>\$ 1,333,092</u>	<u>\$ 8,319,369</u>

See accompanying notes to the basic financial statements

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES –
CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$ 2,357,841	\$ 0	\$ 918,753	\$ 3,276,594
Income Taxes	1,058,875	0	0	1,058,875
Intergovernmental	6,324,123	275,530	1,320,912	7,920,565
Interest	14,611	10,115	849	25,575
Tuition and Fees	312,788	0	0	312,788
Extracurricular Activities	16,766	0	221,287	238,053
Contributions and Donations	14,695	0	8,000	22,695
Rentals	779	0	0	779
Payments in Lieu of Taxes	15,813	0	0	15,813
Miscellaneous	46,863	0	240	47,103
Total Receipts	<u>10,163,154</u>	<u>285,645</u>	<u>2,470,041</u>	<u>12,918,840</u>
Disbursements				
Current:				
Instruction:				
Regular	5,519,702	0	720,834	6,240,536
Special	834,508	0	91,012	925,520
Vocational	518,519	0	0	518,519
Support Services:				
Pupil	395,607	0	257,513	653,120
Instructional Staff	687,997	0	13,522	701,519
Board of Education	19,088	0	0	19,088
Administration	1,219,304	0	6,825	1,226,129
Fiscal	333,719	0	23,276	356,995
Operation and Maintenance of Plant	793,848	0	445,000	1,238,848
Pupil Transportation	460,772	0	0	460,772
Central	4,423	0	5,000	9,423
Extracurricular Activities	308,890	0	211,367	520,257
Capital Outlay	0	4,483,003	17,989	4,500,992
Debt Service:				
Principal Retirement	0	0	345,000	345,000
Interest and Fiscal Charges	0	0	548,156	548,156
Total Disbursements	<u>11,096,377</u>	<u>4,483,003</u>	<u>2,685,494</u>	<u>18,264,874</u>
Excess of Receipts Over (Under) Disbursements	<u>(933,223)</u>	<u>(4,197,358)</u>	<u>(215,453)</u>	<u>(5,346,034)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	1,000	0	71,604	72,604
Transfers In	0	0	325,000	325,000
Transfers Out	(325,000)	0	0	(325,000)
Total Other Financing Sources (Uses)	<u>(324,000)</u>	<u>0</u>	<u>396,604</u>	<u>72,604</u>
Net Change in Fund Balances	(1,257,223)	(4,197,358)	181,151	(5,273,430)
Fund Balances Beginning of Year, as Restated	<u>4,643,457</u>	<u>7,797,401</u>	<u>1,151,941</u>	<u>13,592,799</u>
Fund Balances End of Year	<u>\$ 3,386,234</u>	<u>\$ 3,600,043</u>	<u>\$ 1,333,092</u>	<u>\$ 8,319,369</u>

See accompanying notes to the basic financial statements

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BASIS) AND ACTUAL -
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$ 2,530,464	\$ 2,357,841	\$ 2,357,841	\$ 0
Income Tax	1,136,398	1,058,875	1,058,875	0
Intergovernmental	6,734,154	6,274,765	6,324,123	49,358
Interest	15,635	14,568	14,611	43
Tuition and Fees	262,569	244,657	244,657	0
Rent	836	779	779	0
Gifts & Donations	11,823	11,016	11,016	0
Payments in Lieu of Taxes	16,971	15,813	15,813	0
Miscellaneous	41,150	38,343	38,343	0
Total Receipts	<u>10,750,000</u>	<u>10,016,657</u>	<u>10,066,058</u>	<u>49,401</u>
Disbursements				
Current:				
Instruction:				
Regular	6,180,682	5,880,682	5,574,534	306,148
Special	1,044,832	1,119,832	1,002,537	117,295
Vocational	600,338	600,338	525,093	75,245
Support Services:				
Pupil	473,659	433,659	380,873	52,786
Instructional Staff	734,093	774,093	715,161	58,932
Board of Education	22,807	22,807	19,288	3,519
Administration	1,385,422	1,446,422	1,314,139	132,283
Fiscal	420,782	420,782	351,365	69,417
Operation and Maintenance of Plant	1,026,545	1,056,545	877,711	178,834
Pupil Transportation	704,075	704,075	518,971	185,104
Central	16,834	16,834	5,323	11,511
Extracurricular Activities	345,555	345,555	308,390	37,165
Capital Outlay	1,406	1,406	0	1,406
Total Disbursements	<u>12,957,030</u>	<u>12,823,030</u>	<u>11,593,385</u>	<u>1,229,645</u>
Excess of Receipts Over (Under) Disbursements	<u>(2,207,030)</u>	<u>(2,806,373)</u>	<u>(1,527,327)</u>	<u>1,279,046</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	1,000	1,000	0
Transfers Out	(300,000)	(350,000)	(325,500)	24,500
Total Other Financing Sources (Uses)	<u>(300,000)</u>	<u>(349,000)</u>	<u>(324,500)</u>	<u>24,500</u>
Net Change in Fund Balance	<u>(2,507,030)</u>	<u>(3,155,373)</u>	<u>(1,851,827)</u>	<u>1,303,546</u>
Fund Balance Beginning of Year	3,938,735	3,938,735	3,938,735	0
Prior Year Encumbrances Appropriated	617,099	617,099	617,099	0
Fund Balance End of Year	<u>\$ 2,048,804</u>	<u>\$ 1,400,461</u>	<u>\$ 2,704,007</u>	<u>\$ 1,303,546</u>

See accompanying notes to the basic financial statements

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**STATEMENT OF FUND NET ASSETS – CASH BASIS
ENTERPRISE FUND
JUNE 30, 2011**

	<u>Food Service</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 148,634</u>
<u>Net Assets</u>	
Unrestricted	<u>\$ 148,634</u>

See accompanying notes to the basic financial statements

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND NET ASSETS –
CASH BASIS – ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Food Service</u>
<u>Operating Receipts</u>	
Sales	\$ 481,868
Other	1,772
Total Operating Receipts	<u>483,640</u>
<u>Operating Disbursements</u>	
Salaries	202,585
Fringe Benefits	76,369
Materials and Supplies	210,080
Purchased Services	743
Other	496
Total Operating Disbursements	<u>490,273</u>
<i>Operating Income (Loss)</i>	(6,633)
<u>Non-Operating Receipts (Disbursements)</u>	
Federal and State Subsidies	<u>119,339</u>
Change in Net Assets	112,706
Net Assets Beginning of Year	<u>35,928</u>
Net Assets End of Year	<u>\$ 148,634</u>

See accompanying notes to the basic financial statements.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**STATEMENT OF FIDUCIARY NET ASSETS –CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2011**

	<u>Agency</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 104,687</u>
<u>Net Assets</u>	
Held on Behalf of Students	\$ 103,838
Held on Behalf of Others	<u>849</u>
Total Net Assets	<u>\$ 104,687</u>

See accompanying notes to the basic financial statements.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1: REPORTING ENTITY

Versailles Exempted Village School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The 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 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 1,389 students and other community members. The 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 18 through 20 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

Metropolitan Dayton Educational Cooperative Association
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 District's management believes these financial statements present all activities for which the District is financially accountable.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2 C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The District does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the District's accounting policies:

A. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets presents the cash balance of the governmental and business-type activities of the District at fiscal year end. The Statement of Activities compares disbursements with program receipts for each function or program of the District's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fund Financial Statements During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The 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 District are divided into three categories: governmental, proprietary, and fiduciary.

GOVERNMENTAL FUNDS

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

The following are the District's major governmental funds:

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

Classroom Facilities Fund - This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account grants and other resources whose use is restricted to a particular purpose.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Fund Accounting** (Continued)

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has one enterprise fund. The following is a description of the District's Enterprise Fund:

Food Service Fund – This fund is used to account for charges for services and operating grants restricted to the food service operations of the District.

FIDUCIARY FUNDS

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature. The District's agency fund accounts for student activities and for payments made by employees to maintain health care coverage for periods when payroll deductions are not possible.

C. **Basis of Accounting**

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. 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 of Education at the fund, function level for the general fund, and at the fund level for all other funds. The Treasurer has been given the authority to allocate Board appropriations to the function and object level within all funds without resolution by the Board of Education.

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 and final budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original and 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.

E. Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are stated at cost which approximates market value.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Cash and Investments** (Continued)

During fiscal year 2011, investments were limited to STAROhio and a U.S. Government money market mutual fund. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for at June 30, 2011.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2011 was \$14,611, which included \$8,681 assigned from other District funds.

F. **Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent money required by State statute to be set aside for the purchase of textbooks and other instructional materials. See Note 15 for additional information regarding set asides.

G. **Inventory and Prepaid Items**

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. **Capital Assets**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. **Interfund Receivables/Payables**

The District reports advances-in and advances-out for interfund loans approved by the Board. These items are not reflected as assets and liabilities in the accompanying financial statements.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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 District's cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 12 and 13, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide Statement of Net Assets reports restricted net assets of \$4,933,135. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are not spendable in form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned. This fund balance classification was not utilized in fiscal year 2011.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

N. **Fund Balance** (Continued)

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District’s Board of Education. Those committed amounts cannot be used for any other purpose unless the District’s Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. This fund balance classification was not utilized in fiscal year 2011.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts would represent intended uses established by the District’s Board of Education.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In the other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when disbursements are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

O. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3: **CHANGE IN BASIS OF ACCOUNTING, ACCOUNTING PRINCIPLES, AND RESTATEMENT OF FUND BALANCES AND NET ASSETS**

A. Change in Financial Statement Presentation

Last year, the District reported fund financial statements by fund type using the cash basis of accounting. In implementing the other comprehensive basis of accounting presentation described in Note 2, the fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type, comparable to the requirements of Governmental Accounting Standards Board (GASB) Statement No 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

B. Change in Accounting Principles and Restatement of Fund Equity

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The implementation of these changes had the following effects on fund balances of the major and nonmajor funds of the District as they were previously reported, due to changes in fund structure. The effects on net assets of governmental activities are also presented and also resulted from changes in fund structure.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)

NOTE 3: CHANGE IN BASIS OF ACCOUNTING, ACCOUNTING PRINCIPLES, AND RESTATEMENT OF FUND BALANCES AND NET ASSETS (Continued)

	General	Special Revenue	Debt Service	Capital Projects	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Fund Balances at June 30, 2010, as Previously Reported	\$ 4,555,834	\$ 483,824	\$ 393,130	\$ 8,103,839	\$ 0	\$ 0	\$ 13,536,627
Fund Reclassification	87,623	(483,824)	(393,130)	(8,103,839)	7,797,401	1,151,941	56,172
Fund Balances at June 30, 2010, as Restated	\$ 4,643,457	\$ 0	\$ 0	\$ 0	\$ 7,797,401	\$ 1,151,941	\$ 13,592,799

	Enterprise	Food Service	Internal Service	Agency
Net Assets at June 30, 2010, as Previously Reported	\$ 92,100	\$ 0	\$ 1,025	\$ 93,125
Fund Reclassification	(92,100)	35,928	(1,025)	(57,197)
Net Asset at June 30, 2010, as Restated	\$ 0	\$ 35,928	\$ 0	\$ 35,928

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)

NOTE 4: **FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the General, Building, Classroom Facilities, and other governmental funds are presented below:

Fund Balances	General	Classroom Facilities	Other Governmental	Total
<i>Restricted for</i>				
Capital Projects	\$ 0	\$ 3,600,043	\$ 249,515	\$ 3,849,558
Debt Service	0	0	471,632	471,632
Classroom Facilities				
Maintenance	0	0	433,870	433,870
State Funded Programs	0	0	222	222
Federally Funded Programs	0	0	156,311	156,311
Student Activities	0	0	21,542	21,542
Total Restricted	<u>0</u>	<u>3,600,043</u>	<u>1,333,092</u>	<u>4,933,135</u>
<i>Assigned to</i>				
FY 2012 Appropriations	2,206,808	0	0	2,206,808
Instruction	306,849	0	0	306,849
Support Services	303,501	0	0	303,501
Public School Support	24,989	0	0	24,989
Total Assigned	<u>2,842,147</u>	<u>0</u>	<u>0</u>	<u>2,842,147</u>
<i>Unassigned</i>	<u>544,087</u>	<u>0</u>	<u>0</u>	<u>544,087</u>
Total Fund Balances	<u>\$ 3,386,234</u>	<u>\$ 3,600,043</u>	<u>\$ 1,333,092</u>	<u>\$ 8,319,369</u>

NOTE 5: **COMPLIANCE**

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the 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 District can be fined and various other administrative remedies may be taken against the District.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)

NOTE 6: **BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than restricted, committed, or assigned fund balance (cash basis) and three funds were budgeted as special revenue funds, but are reported as part of the General Fund on the cash basis statements in accordance with GASB Statement No. 54.

The following table summarizes the adjustments necessary to reconcile the cash basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance	General
Cash Basis	\$ (1,257,223)
Encumbrances	(595,138)
Funds Budgeted as Special Revenue Funds but Reported as Part of the General Fund for the Cash Basis Reports	534
Budget Basis	\$ (1,851,827)

NOTE 7: **DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 7: DEPOSITS AND INVESTMENTS (Continued)

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 or Ohio local governments;
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 divisions (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 (STAROhio);
8. Commercial paper and bankers' acceptances if training requirements have been met.

Protection of the 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.

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 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.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 7: **DEPOSITS AND INVESTMENTS** (Continued)

At fiscal year end, the District had \$400 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, none of the District’s bank balance of \$3,730,196 was exposed to custodial credit risk because it was all insured by the FDIC. \$3,500,000 of the bank balance consists of certificates of deposit issued by The Park National Bank utilizing the Certificate of Deposit Account Registry Service (CDARS).

The 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 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.

Investments

As of June 30, 2011, the District’s only investments were StarOhio and a Government and Agency Portfolio provided by Invesco Investments that is actively managed by Ross, Sinclair, and Associates, Inc., which consists of a U.S. Government money market mutual fund. The carrying and fair value of StarOhio was 1,672,960 with an average maturity of 58.3 days. The carrying value of the investment portfolio managed by Ross, Sinclair, and Associates, Inc. was \$3,352,511 while the fair value was \$3,051,931.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less, unless they are matched to a specific obligation or debt of the District.

Credit Risk The District’s U.S. Government money market mutual fund carries a rating of AAA by Standard & Poor’s. STAROhio carries a rating of AAAM by Standard & Poor’s. The District has no investment policy dealing with credit risk, beyond the requirements in state statutes. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard service 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 service rating service.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 7: DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Custodial Credit Risk For an investment, custodial credit risk is the risk that in the event of failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The 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."

NOTE 8: PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the 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 certain tangible personal (used in business) property located in the District. Real property tax receipts received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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. Public utility property tax receipts received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Darke and Shelby counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)

NOTE 8: **PROPERTY TAXES** (Continued)

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Real Property	\$ 128,623,690	98.91%	\$ 130,183,360	99.63%
Public Utility Property	1,414,800	1.09%	478,450	0.37%
	\$ 130,038,490	100.00%	\$ 130,661,810	100.00%
Tax Rate (per \$1,000 of Assessed Valuation)	\$ 40.18		\$ 40.18	

NOTE 9: **INCOME TAX**

The District levies a voted tax of 0.75 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 District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the General Fund.

NOTE 10: **INTERFUND TRANSACTIONS**

During fiscal year 2011, the General Fund transferred \$325,000 to the Permanent Improvement Capital Projects Fund to subsidize permanent improvement costs.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 11: RISK MANAGEMENT

A. Property and Liability

The 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 2011, the District contracted with Phelan Insurance Agency for the following insurance coverage:

Property (5,000 deductible, subject to scheduled limits)	\$ 62,011,841
Boiler and Machinery (\$5,000 deductible)	62,011,841
Auto Liability/Physical Damage (\$1,000 deductible)	1,000,000
General Liability	2,000,000
Per Occurrence	1,000,000
Educator's Legal Liability and Employment Practices (\$2,500 deductible each occurrence)	1,000,000
Umbrella Coverage	2,000,000

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 District joined the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 19). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the 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 District also purchases its dental and vision insurance in the purchasing pool agreements with the Southwestern Ohio Educational Purchasing Council.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)

NOTE 11: **RISK MANAGEMENT** (Continued)

C. Workers' Compensation

For fiscal year 2011, the District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the 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.

NOTE 12: **PENSION PLANS**

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 12: **PENSION PLANS** (Continued)

A. **School Employees Retirement System** (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years ending June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contributions refer is allocated to the Health Care Fund and the Medicare Part B Fund. 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 District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$177,629, \$207,243, and \$129,402, respectively; 43.85 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. **State Teachers Retirement System of Ohio**

Plan Description - The 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.

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

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 12: **PENSION PLANS** (Continued)

B. State Teachers Retirement System of Ohio (Continued)

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 fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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 District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009, were \$767,423, \$786,160, and \$772,798, respectively; 82.78 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$8,060 made by the District and \$10,407 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)

NOTE 13: **POST-EMPLOYMENT BENEFITS**

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple-employer post-employment benefit plans administered by the School Employees Retirement System (SERS) 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 HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40 and SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

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 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the post-employment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 13: **POST-EMPLOYMENT BENEFITS** (Continued)

A. **School Employees Retirement System** (Continued)

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009, were \$42,474, \$26,706, and \$75,127, respectively; 43.85 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009, were \$11,404, 10,520, and \$8,845, respectively; 43.85 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. **State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "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 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009, were \$59,033, \$60,474, and \$59,446, respectively; 82.78 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)

NOTE 14: **DEBT**

The changes in the District's long-term obligations during fiscal year 2011 were as follows:

	<u>Interest Rate</u>	<u>Balance 6/30/2010</u>	<u>Reductions</u>	<u>Balance 6/30/2011</u>	<u>Due Within One Year</u>
<u>General Long-Term Debt</u>					
General Obligation Bonds					
2007 School Improvement					
Term	4.375-4.5%	\$ 8,215,000	\$ 0	\$ 8,215,000	\$ 0
Serial	4%	4,665,000	345,000	4,320,000	360,000
Capital Appreciation	4.4-4.45%	152,998	0	152,998	0
Total General Long-Term Debt		<u>\$ 13,032,998</u>	<u>\$ 345,000</u>	<u>\$ 12,687,998</u>	<u>\$ 360,000</u>

Classroom Facilities General Obligation Bonds – The 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>
2012	\$ 360,000
2013	375,000
2014	390,000
2015	405,000
2016	420,000
2017-2021	1,365,000
2022-2026	1,005,000
	<u>\$ 4,320,000</u>

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 14: DEBT (Continued)

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
2022-2026	\$ 1,670,000
2027-2031	3,310,000
2032-2034	3,235,000
	\$ 8,215,000

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, 2010, were as follows:

Fiscal Year ending June 30	Serial	Term	Capital Appreciation	Interest	Total
2012	\$ 360,000	\$ 0	\$ 0	\$ 534,056	\$ 894,056
2013	375,000	0	0	519,356	894,356
2014	390,000	0	0	504,056	894,056
2015	405,000	0	0	488,156	893,156
2016	420,000	0	0	471,656	891,656
2017-2021	1,365,000	0	152,998	2,957,033	4,475,031
2022-2026	1,005,000	1,670,000	0	1,764,535	4,439,535
2027-2031	0	3,310,000	0	1,111,507	4,421,507
2032-2035	0	3,235,000	0	299,363	3,534,363
	\$ 4,320,000	\$ 8,215,000	\$ 152,998	\$ 8,649,718	\$ 21,337,716

NOTE 15: SET-ASIDE REQUIREMENTS

The 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 District was also required to set aside money for budget stabilization.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)

NOTE 15: **SET-ASIDE REQUIREMENTS** (Continued)

The following cash basis information identifies the changes in the fund balance reserves for textbooks, and capital improvements during fiscal year 2011:

	Textbooks	Capital Acquisition
Set-aside balances as of June 30, 2010	\$ (344,765)	\$ (13,731,176)
Current year set-aside requirements	225,244	225,244
Current year offsets	0	(255,244)
Qualifying disbursements	(209,658)	0
Total	\$ (329,179)	\$ (13,761,176)

The 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 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.

NOTE 16: **CONTINGENCIES**

A. **Grants**

The District receives significant financial assistance from numerous Federal, State, and local agencies in the form of grants. The disbursement 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 District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. **Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 17: CONTRACTUAL COMMITMENTS

As of June 30, 2011, the District had contractual commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
A Perfect Enterprise	BOE Renovation	\$ 6,690
Bolyard Heating	BOE Renovation	21,593
Chapel Electric Company	Electrical	6,599
Cotterman & Company	Roofing	57,893
Freytag & Associates	Architectural Services	27,980
GM Mechanical	Plumbing/HVAC	5,000
Muhlenkamp Building	BOE Renovation	51,553
Touchstone CPM	Construction Management	11,383
Reese Electric	BOE Renovation	6,004
Total Contractual Commitments		<u>\$ 194,695</u>

NOTE 18: JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Dayton Education Cooperative Association – The 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 2011, the District paid \$58,495 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.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 18: JOINTLY GOVERNED ORGANIZATIONS (Continued)

Payments to SOEPC are made from the General Fund. During fiscal year 2011, the District paid \$114,632 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

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

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

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2011, the District paid \$1,046 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.

NOTE 19: PUBLIC ENTITY RISK POOLS

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The 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.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)

NOTE 19: **PUBLIC ENTITY RISK POOLS** (Continued)

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan – Effective June 1, 2005, the 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 District also purchases its dental and vision insurances in the purchasing pool agreements with the Southwestern Ohio Educational Purchasing Council.

NOTE 20: **RELATED ORGANIZATON**

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 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, Marie Rose, Treasurer, at 790 S Center Street, Versailles, Ohio 45380.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass through Grantor/ Program Title	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:					
National School Lunch Program	10.555	\$ 117,783	\$ 56,260	\$ 117,783	\$ 56,260
Total Child Nutrition Cluster		117,783	56,260	117,783	56,260
Total U.S. Department of Agriculture		117,783	56,260	117,783	56,260
U.S. Department of Education					
<i>Passed Through Ohio Department of Education</i>					
Title I Cluster:					
Title I - Grants to Local Educational Agencies	84.010	97,753	0	94,864	0
ARRA - Title I - Grants to Local Educational Agencies, Recovery Act	84.389	1,274	0	1,274	0
Total Title I Cluster		99,027	0	96,138	0
Special Education Cluster:					
Special Education - Grants to States, IDEA, Part B	84.027	228,155	0	257,513	0
ARRA-Special Education - Grants to States, IDEA, Part B	84.391	40,155	0	31,422	0
Total Special Education Cluster		268,310	0	288,935	0
Safe and Drug-Free Schools and Communities-State Grants	84.186	1,685	0	2,002	0
ARRA - State Fiscal Stabilization Fund	84.394	478,204	0	407,991	0
Title II-D - Education Technology - State Grants	84.318	902	0	961	0
Title II-A - Improving Teacher Quality - State Grants	84.367	29,560	0	28,698	0
Education Jobs Fund	84.410	255,315	0	250,722	0
Total U.S. Department of Education		1,133,003	0	1,075,447	0
U.S. Department of Health and Human Services					
<i>Passed Through Montgomery County ESC</i>					
Medical Assistance Program	93.778	2,294	0	2,294	0
Total U.S. Department of Health and Human Services		2,294	0	2,294	0
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 1,253,080	\$ 56,260	\$ 1,195,524	\$ 56,260

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

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Versailles Exempted Village School District and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2: NONCASH SUPPORT

The District receives noncash support in the form of food subsidies from the National School Lunch Program (NSLP), CFDA 10.555. The value of the food subsidies is determined by using the fair market value of the food items as quoted by local food suppliers.

JAMES G. ZUPKA, C.P.A., INC.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
Versailles Exempted Village School District
Versailles, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Versailles Exempted Village School District, Darke County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the Versailles Exempted Village School District, Ohio's basic financial statements and have issued our report thereon dated December 1, 2011, wherein we noted that the Versailles Exempted Village School District, Ohio, revised its financial statements presentation comparable to the requirements of Governmental Accounting Standards Board No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and noted that the Versailles Exempted Village School District uses a comprehensive basis of accounting other than generally accepted accounting principles. We also noted that the Versailles Exempted Village School District, Ohio, adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Versailles Exempted Village School District, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Versailles Exempted Village School District, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Versailles Exempted Village School District, Ohio's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as **Finding 2011-001** that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of significant deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Versailles Exempted Village School District, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Questioned Costs as **Item 2011-002**.

We noted certain matters that we reported to the management of the Versailles Exempted Village School District, Ohio, in a separate letter dated December 1, 2011.

The Versailles Exempted Village School District, Ohio's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Versailles Exempted Village School District, Ohio's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


James G. Zupka, CPA, Inc.
Certified Public Accountants

December 1, 2011

JAMES G. ZUPKA, C.P.A., INC.

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Versailles Exempted Village School District
Versailles, Ohio

Compliance

We have audited the Versailles Exempted Village School District, Darke County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Versailles Exempted Village School District, Ohio's major federal programs for the year ended June 30, 2011. The Versailles Exempted Village School District, Ohio's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Versailles Exempted Village School District, Ohio's management. Our responsibility is to express an opinion on the Versailles Exempted Village School District, Ohio's compliance based on our audit.

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

In our opinion, the Versailles Exempted Village School District, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.


Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

This report is intended solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


James G. Zupka, CPA, Inc.
Certified Public Accountants

December 1, 2011

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & § 505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS		
2011(i)	Type of Financial Statement Opinion	Unqualified
2011(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2011(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
2011(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
2011(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2011(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2011(v)	Type of Major Programs' Compliance Opinion	Unqualified
2011(vi)	Any there any reportable findings under .510?	No
2011(vii)	Major Programs (list):	
	Special Education Cluster:	
	Special Education - Grants to States, IDEA Part B - CFDA #84.027	
	ARRA - Special Education - Grants to States - IDEA Part B - CFDA #84.391	
	ARRA - State Fiscal Stabilization Fund - CFDA #84.394	
2011(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
2011 (ix)	Low Risk Auditee?	No

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & § 505
JUNE 30, 2011**

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

Finding 2011-001 – Significant Deficiency – Payroll Processing and Severance Payments

Condition/Criteria

During our review of payroll, we noted that one employee was responsible for the entire payroll process with minimal supervision. Furthermore, we noted that during this audit period, the retirement/severance payouts of two employees utilized an incorrect formula. Each resulted in errors and overpayments to two employees of \$5,390 and \$731, respectively.

Cause/Effect

With only one employee responsible for the entire payroll process, errors could be made and not detected on a timely basis. The District utilized an incorrect formula to calculate retirement/severance payouts for two (2) employees.

Recommendation

We recommend that the District review its payroll process and implement procedures to segregate duties in order to strengthen internal control over the process. Examples include the Treasurer monitoring and signing off on payroll reports and an independent individual reconciling the payroll account. We also recommend that the District review and update the procedures related to retirement/severance payouts and that an independent review is performed for all calculations prior to final payout.

As of December 15, 2011, the District has collected the overpayment of \$731 from the respective employee. In addition, the District received \$1,000 toward the \$5,390 from the other employee. A tentative payment schedule for the remaining balance is in the process of being finalized.

Client Response

The District acknowledges that the error was made in the calculation of the two employees. All future payments for retirement/severance payments will be computed separately and then again together to eliminate the changes of formula errors.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & § 505
JUNE 30, 2011**

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

Item 2011-002 - Noncompliance Finding

Condition/Criteria

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

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, the District prepares its financial statements and notes following the cash basis of accounting. This is a comprehensive basis other than generally accepted accounting principles.

Effect

The accompanying financial statements and footnotes omit assets, liabilities, fund equities, and disclosures that, while material cannot be determined at this time. Pursuant to the Ohio Revised Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report within the required time limited.

Recommendation

We recommend the District take the necessary steps to ensure the annual report is prepared in accordance with generally accepted accounting principles.

Client Response

The District's Board of Education voted to prepare cash statements to save the District money.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2011**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; significantly Different Corrective Action Take; or Finding No Longer Valid; Explain</u>
2010-001	Failure to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.	No	Reissued as 2011-002.
2010-002	Failure to file the Title I Final Expenditure Report for the 2009 grant year timely and incorrect coding of expenditures.	Yes	Fully corrected.

The prior audit report, as of June 30, 2010, also included management letter recommendations. Management letter recommendations as of June 30, 2010, have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

Versailles Exempted Village School District
Darke County
459 South Center Street
Versailles, Ohio 45380

To the Board of Education:


Ohio Revised 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 the Board, solely to assist the Board in evaluating whether the Versailles Exempted Village School District (the District), Darke County, Ohio, has updated its anti-harassment policy in accordance with Ohio Revised 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. In our report dated December 1, 2011, we noted the Board adopted an anti-harassment policy in February 2008. However, this policy did not include all matters required by Ohio Revised Code Section 3313.666.
2. The Board subsequently amended the policy. We read the amended policy, noting it now includes all the requirements listed in Ohio Revised Code Section 3313.666.

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 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.


James G. Zupka, CPA, Inc.
Certified Public Accountants

December 1, 2011

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Dave Yost • 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
MARCH 8, 2012