



**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2000 AND 1999



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying financial statements of the Versailles Exempted Village School District, Darke County, (the "District"), as of and for the years ended June 30, 2000, and June 30, 1999. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-01 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 2, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of Versailles Exempted Village School District, Darke County, as of June 30, 2000, and June 30, 1999, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the years then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 3, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

November 3, 2000

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Project	
Receipts:					
Property and Other Taxes	\$2,842,915		\$0	\$0	\$2,842,915
Tuition	37,767				37,767
Earnings on Investment	163,885	\$1,497			165,382
Extracurricular Activities		185,430			185,430
Classroom Materials and Fees	17,388				17,388
Miscellaneous Receipts	53,063	52,879			105,942
Total Local Sources	3,115,018	239,806	0	0	3,354,824
Restricted Grants-In-Aid	500				500
Revenue on Behalf of the School District	34,839				34,839
Total Intermediate Sources	35,339	0	0	0	35,339
Unrestricted Grants-In-Aid	4,402,901			1,750	4,404,651
Restricted Grants-In-Aid		43,604		195,502	239,106
Revenue on Behalf of the School District	17,214				17,214
Total State Sources	4,420,115	43,604	0	197,252	4,660,971
Unrestricted Grants-In-Aid		7,677			7,677
Restricted Grants-In-Aid		197,259			197,259
Total Federal Sources	0	204,936	0	0	204,936
Total Receipts	7,570,472	488,346	0	197,252	8,256,070
Disbursements:					
Regular Instruction	3,522,031	49,159		87,271	3,658,461
Special Instruction	404,529	71,963			476,492
Vocational Instruction	439,422			1,405	440,827
Total Instruction	4,365,982	121,122	0	88,676	4,575,780
Support Services:					
Pupils	279,429	109,102			388,531
Instructional Staff	321,120	15,282			336,402
Board of Education	19,066				19,066
School Administration	691,302	10,455			701,757
Fiscal	199,610				199,610
Operation and Maintenance	435,543	1,431		284,320	721,294
Student Transportation	282,948				282,948
Support Services - Central	10,201	988			11,189
Total Support Services	2,239,219	137,258	0	284,320	2,660,797

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Project	
Extracurricular Activities					
Academic and Subject Oriented	39,897	3,799			43,696
Sports Oriented	162,755	168,217			330,972
Co-Curricular Activities		133			133
Total Extracurricular Activities	202,652	172,149	0	0	374,801
Facilities Acquisition					
Building Improvement				447	447
Building Acquisition & Construction	22,500			140	22,640
Total Facilities Acquisition	22,500	0	0	587	23,087
Total Disbursements	6,830,353	430,529	0	373,583	7,634,465
Excess of Receipts Over/ (Under) Disbursements	740,119	57,817	0	(176,331)	621,605
Operating Transfers-In				57,000	57,000
Advances In				33,911	33,911
Refund of Prior Year Expenditures	9,694				9,694
Operating Transfers-Out	(57,500)				(57,500)
Advances Out	(33,911)				(33,911)
Total Other Financing Sources (Uses)	(81,717)	0	0	90,911	9,194
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	658,402	57,817	0	(85,420)	630,799
Fund Cash Balances, July 1, 1999	1,848,539	124,964	2,755	427,247	2,403,505
Fund Cash Balances, June 30, 2000	\$2,506,941	\$182,781	\$2,755	\$341,827	\$3,034,304
Reserve for Encumbrances	\$335,223	\$52,227	\$0	\$124,660	\$512,110

The notes to the financial statements are an integral part of this statement.

Note: the general fund cash balance at July 1, 1999 contained a statutory reserve balance for budget stabilization in the amount of \$92,512. At June 30, 2000, there is a restricted cash balance in the general fund of \$159,072 in the budget stabilization reserve. See note 13 to these financial statements.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES - PROPRIETARY FUND TYPES
AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
Operating Receipts:				
Food Services	\$293,409			\$293,409
Extracurricular Activities			\$125,169	125,169
Classroom Materials and Fees	36,265			36,265
Self Insurance Premiums		\$496,665		496,665
Miscellaneous	62		5,675	5,737
	<u>329,736</u>	<u>496,665</u>	<u>130,844</u>	<u>957,245</u>
Operating Disbursements:				
Personal Services - Salaries	131,219			131,219
Employees' Retirement and Insurance	49,585			49,585
Purchased Services	5,421	99,534	18,562	123,517
Supplies and Materials	187,267		94,441	281,708
Capital Outlay	120		1,521	1,641
Capital Outlay - Replacement	960			960
Other Objects	404	322,914	17,316	340,634
	<u>374,976</u>	<u>422,448</u>	<u>131,840</u>	<u>929,264</u>
Excess of Cash Operating Receipts Over/ (Under) Operating Disbursements	(45,240)	74,217	(996)	27,981
Non-Operating Receipts/(Disbursements)				
Earnings on Investment	3,473	53,930	2,493	59,896
State Grants-in-Aid	950			950
Federal Grants-in-Aid	43,317			43,317
	<u>47,740</u>	<u>53,930</u>	<u>2,493</u>	<u>104,163</u>
Excess of Receipts Over / (Under) Disbursements	2,500	128,147	1,497	132,144
Transfers In			500	500
Net Excess of Receipts Over / (Under) Disbursements	2,500	128,147	1,997	132,644
Fund Cash Balance, July 1, 1999	119,158	1,073,693	71,394	1,264,245
Fund Cash Balance, June 30, 2000	<u>\$121,658</u>	<u>\$1,201,840</u>	<u>\$73,391</u>	<u>\$1,396,889</u>
Reserve for Encumbrances	<u>\$6,385</u>	<u>\$0</u>	<u>\$13,348</u>	<u>\$19,733</u>

The notes to the financial statements are an integral part of this statement.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2000**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	\$7,545,329	\$7,570,472	\$25,143
Special Revenue	485,511	488,346	2,835
Capital Projects	288,163	288,163	0
Proprietary			
Enterprise	377,476	377,476	0
Internal Service	550,595	550,595	0
Fiduciary			
Agency	<u>133,837</u>	<u>133,837</u>	<u>0</u>
Total (Memorandum Only)	<u>\$9,380,911</u>	<u>\$9,408,889</u>	<u>\$27,978</u>

The notes to the financial statements are an integral part of this statement.

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**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2000**

Fund Types/Funds	Prior Year Carryover Appropriations	2000 Appropriations	Total
Governmental			
General	\$284,201	\$7,298,390	\$7,582,591
Special Revenue	68,641	460,974	529,615
Capital Projects	309,919	273,429	583,348
Proprietary			
Enterprise	41,688	407,553	449,241
Internal Service	0	525,000	525,000
Fiduciary			
Agency	15,340	136,397	151,737
Total (Memorandum Only)	<u>\$719,789</u>	<u>\$9,101,743</u>	<u>\$9,821,532</u>

The notes to the financial statements are an integral part of this statement.

Actual Disbursements	Encumbrances Outstanding At 6/30/00	Total	Variance Favorable (Unfavorable)
\$6,921,764	\$335,223	\$7,256,987	\$325,604
430,529	52,227	482,756	46,859
373,583	124,660	498,243	85,105
374,976	6,385	381,361	67,880
422,448	0	422,448	102,552
<u>131,840</u>	<u>13,348</u>	<u>145,188</u>	<u>6,549</u>
<u><u>\$8,655,140</u></u>	<u><u>\$531,843</u></u>	<u><u>\$9,186,983</u></u>	<u><u>\$634,549</u></u>

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Project	
Receipts:					
Property and Other Taxes	\$2,614,478		\$0	\$0	\$2,614,478
Tuition	44,035				44,035
Earnings on Investment	121,373	\$1,882			123,255
Extracurricular Activities		144,929			144,929
Classroom Materials and Fees	14,854				14,854
Miscellaneous Receipts	714	39,362			40,076
Total Local Sources	2,795,454	186,173	0	0	2,981,627
Revenue on Behalf of the School District	38,986				38,986
Total Intermediate Sources	38,986	0	0	0	38,986
Unrestricted Grants-In-Aid	4,257,579	2,160			4,259,739
Restricted Grants-In-Aid		29,093		291,079	320,172
Revenue on Behalf of the School District	1,715				1,715
Total State Sources	4,259,294	31,253	0	291,079	4,581,626
Unrestricted Grants-In-Aid		16,976			16,976
Restricted Grants-In-Aid		148,846			148,846
Total Federal Sources	0	165,822	0	0	165,822
Total Receipts	7,093,734	383,248	0	291,079	7,768,061
Disbursements:					
Regular Instruction	3,295,320	16,736		78,339	3,390,395
Special Instruction	397,026	79,456			476,482
Vocational Instruction	401,610	4,394		252	406,256
Total Instruction	4,093,956	100,586	0	78,591	4,273,133
Support Services:					
Pupils	244,471	82,251			326,722
Instructional Staff	273,802	17,443		2,754	293,999
Board of Education	14,393				14,393
School Administration	652,419	1,432			653,851
Fiscal	197,910				197,910
Operation and Maintenance	383,004			68,026	451,030
Student Transportation	374,328			91,849	466,177
Support Services - Central	6,769	4,103			10,872
Total Support Services	2,147,096	105,229	0	162,629	2,414,954

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Project	
Extracurricular Activities					
Academic and Subject Oriented	27,886	4,716			32,602
Sports Oriented	165,740	136,120			301,860
Co-Curricular Activities		174			174
Total Extracurricular Activities	193,626	141,010	0	0	334,636
Facilities Acquisition & Construction					
Building Acquisition & Construction	22,500				22,500
Total Disbursements	6,457,178	346,825	0	241,220	7,045,223
Excess of Receipts Over/ (Under) Disbursements	636,556	36,423	0	49,859	722,838
Operating Transfers-In				84,000	84,000
Advances In	960			183,818	184,778
Refund of Prior Year Expenditures	43,706				43,706
Operating Transfers-Out	(84,000)				(84,000)
Advances Out	(183,818)	(960)			(184,778)
Total Other Financing Sources (Uses)	(223,152)	(960)	0	267,818	43,706
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	413,404	35,463	0	317,677	766,544
Fund Cash Balances, July 1, 1998	1,435,135	89,501	2,755	109,570	1,636,961
Fund Cash Balances, June 30, 1999	\$1,848,539	\$124,964	\$2,755	\$427,247	\$2,403,505
Reserve for Encumbrances	\$284,201	\$68,641	\$0	\$309,919	\$662,761

The notes to the financial statements are an integral part of this statement.

Note: the general fund cash balance at July 1, 1998 contained a statutory reserve balance for budget stabilization in the amount of \$26,910. At June 30, 1999, there is a restricted cash balance in the general fund of \$92,512 in the budget stabilization reserve. See note 13 to these financial statements.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES - PROPRIETARY FUND TYPE
AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
Operating Receipts:				
Food Services	\$288,071			\$288,071
Extracurricular Activities			\$119,904	119,904
Classroom Materials and Fees	40,694			40,694
Self Insurance Premiums		\$443,151		443,151
Miscellaneous	90		9,867	9,957
	<u>328,855</u>	<u>443,151</u>	<u>129,771</u>	<u>901,777</u>
Operating Disbursements:				
Personal Services - Salaries	119,978			119,978
Employees' Retirement and Insurance	55,724			55,724
Purchased Services	4,889	102,768	20,281	127,938
Supplies and Materials	168,629		92,625	261,254
Capital Outlay			555	555
Other Objects	404	391,752	29,312	421,468
	<u>349,624</u>	<u>494,520</u>	<u>142,773</u>	<u>986,917</u>
Excess of Cash Operating Receipts Over/ (Under) Operating Disbursements	(20,769)	(51,369)	(13,002)	(85,140)
Non-Operating Receipts/(Disbursements)				
Earnings on Investment	284	55,498	3,538	59,320
State Grants-in-Aid	1,319			1,319
Federal Grants-in-Aid	50,531			50,531
	<u>52,134</u>	<u>55,498</u>	<u>3,538</u>	<u>111,170</u>
Excess of Receipts Over / (Under) Disbursements	31,365	4,129	(9,464)	26,030
Fund Cash Balance, July 1, 1998	<u>87,793</u>	<u>1,069,564</u>	<u>80,858</u>	<u>1,238,215</u>
Fund Cash Balance, June 30, 1999	<u>\$119,158</u>	<u>\$1,073,693</u>	<u>\$71,394</u>	<u>\$1,264,245</u>
Reserve for Encumbrances	<u>\$41,688</u>	<u>\$0</u>	<u>\$15,340</u>	<u>\$57,028</u>

The notes to the financial statements are an integral part of this statement.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 1999**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	\$7,099,413	\$7,138,400	\$38,987
Special Revenue	424,156	383,248	(40,908)
Capital Projects	748,146	558,897	(189,249)
Proprietary			
Enterprise	391,989	380,989	(11,000)
Internal Service	498,649	498,649	0
Fiduciary			
Agency	<u>146,438</u>	<u>133,309</u>	<u>(13,129)</u>
Total (Memorandum Only)	<u>\$9,308,791</u>	<u>\$9,093,492</u>	<u>(\$215,299)</u>

The notes to the financial statements are an integral part of this statement.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED JUNE 30, 1999**

Fund Types/Funds	Prior Year Carryover Appropriations	1999 Appropriations	Total
Governmental			
General	\$287,947	\$7,091,823	\$7,379,770
Special Revenue	31,822	403,153	434,975
Capital Projects	46,098	523,484	569,582
Proprietary			
Enterprise	3,187	400,084	403,271
Internal Service	0	500,000	500,000
Fiduciary			
Agency	1,380	147,614	148,994
Total (Memorandum Only)	<u>\$370,434</u>	<u>\$9,066,158</u>	<u>\$9,436,592</u>

The notes to the financial statements are an integral part of this statement.

Actual Disbursements	Encumbrances Outstanding At 6/30/99	Total	Variance Favorable (Unfavorable)
\$6,724,996	\$284,201	\$7,009,197	\$370,573
347,785	68,641	416,426	18,549
241,220	309,919	551,139	18,443
349,624	41,688	391,312	11,959
494,520	0	494,520	5,480
<u>142,773</u>	<u>15,340</u>	<u>158,113</u>	<u>(9,119)</u>
<u><u>\$8,300,918</u></u>	<u><u>\$719,789</u></u>	<u><u>\$9,020,707</u></u>	<u><u>\$415,885</u></u>

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**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000 AND 1999**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Versailles Exempted Village School District (the "District") is an exempted village district as defined by Ohio Rev. Code Section 3311.04. 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/or 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 Village of Versailles, North Star, Yorkshire and portions of surrounding townships. It is staffed by 55 non-certificated employees, 92 certificated employees who provide services to 1443 students and other community members. The District currently operates (3) instructional buildings, (1) administrative building, and leases (1) building from St. Denis Catholic Church.

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District is associated with two organizations which are defined as jointly governed organizations and a related organization. These organizations are the Metropolitan Dayton Educational Cooperative Association (MDECA) and the Southwestern Ohio Educational Purchasing Cooperative (SOEPC), and Worch Memorial Library. These organizations are discussed in Notes 10, 11, and 12 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-01 to prepare its annual financial report in accordance with generally accepted accounting principles, the District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000 AND 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting (Continued)

These statements include adequate disclosure of material matters, as formerly prescribed or permitted for school districts by the Auditor of State.

B. Fund Accounting

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

1. Governmental Funds Types:

General Fund

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds

To account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Funds

To account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For purposes of this report, these funds have been classified into the proper groups, if practicable.

Capital Projects Funds

To account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds, and Trust Funds).

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000 AND 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

2. Proprietary Fund Types:

Enterprise Funds

To account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds

To account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

3. Fiduciary Fund Types:

Trust and Agency Funds

To account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Agency Funds.

C. Budgetary Process

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

2. Estimated Resources

The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 1995 unencumbered fund balances. However, those fund balances are available for appropriations.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000 AND 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

4. Encumbrances

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

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

D. Cash and Investments

To improve cash management, all cash received by the District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District accounting records.

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

E. Property, Plant and Equipment

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

F. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

3. RESTATEMENT OF FUND BALANCES

The fund balance in the special revenue funds decreased \$1,529 due to the correction of an incorrect posting of receipts in the prior year. The fund balance decreased from \$91,030 to \$89,501 as of July 1, 1998.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000 AND 1999
(Continued)**

3. RESTATEMENT OF FUND BALANCES (Continued)

The fund balance in the expendable trust funds decreased \$2,597 due to the correction of an incorrect posting of receipts in the prior year. The fund balance decreased from \$2,597 to \$0 as of July 1, 1998.

The fund balance in the internal service funds decreased \$401 due to the correction of an incorrect posting of receipts in the prior year. The fund balance decreased from \$1,069,965 to \$1,069,564 as of July 1, 1998.

The fund balance in the agency funds increased \$4,527 due to the correction of incorrect posting of receipts. The fund balance increased from \$76,331 to \$80,858 as of July 1, 1998.

4. 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 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories or by savings or deposit accounts including, but not limited to passbook accounts.

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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

1. United States treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes debentures or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000 AND 1999
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio)
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligation, 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. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

During fiscal year 2000 and 1999 the District's investments were limited to STAR Ohio.

As of June 30, 2000 and 1999, the District had \$3,450 in undeposited cash on hand which is included in the Fund Cash Balances for both fiscal years.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At June 30, 2000, the carrying amount of the District's deposits were \$2,147,182 and the bank balance was \$2,153,324. Of the bank balance, \$200,000 was covered by federal depository insurance and \$1,953,324 was uncollateralized with securities held by its agent but not in the districts name. All deposits were in institutions who are members of the Federal Reserve System.

At June 30, 1999, the carrying amount of the District's deposits were \$1,402,125 and the bank balance was \$1,407,252. Of the bank balance, \$300,000 was covered by federal depository insurance and \$1,107,252 was uncollateralized with securities held by its agent but not in the districts name. All deposits were in institutions who are members of the Federal Reserve System.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000 AND 1999
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

Investments: Funds invested by the District are held in the State Treasurer's Investment Pool (Star Ohio), with a carrying value and market value of \$2,280,561 at June 30, 2000 and \$2,262,175 at June 30, 1999. The District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

5. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last appraisal was completed for tax year 1999 with the next triennial update due in 2002.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. 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 of the following year. Under certain circumstances, state statute permits later payment dates to be established. State automatically allows 30-day for extension and may treasurer of county may request additional 30 days. In Darke County, taxes are generally payable in February due to the County Treasurer's normal use of the automatic request followed by an approved extension.

The full tax rate applied to real property for the fiscal years ended June 30, 2000 and 1999, was \$44.08 per \$1000 of assessed valuation. After adjustment of the rate of inflationary increases in property values, the effective tax rate was \$26.396 for fiscal 2000 and \$30.521 for fiscal 1999, per \$1000 of assessed valuation for real property classified as residential/agricultural and \$28.639 and \$30.6812, respectively, per \$1000 of assessed valuation for all other real property.

Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended June 30, 2000 was \$44.08 per \$1000 of assessed valuation.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000 AND 1999
(Continued)**

5. PROPERTY TAX (Continued)

Real Property - 1999 Valuation	2000
Residential/Agricultural	\$ 77,690,550
Commercial/Industrial	15,530,430
Public Utilities	55,300
Tangible Personal Property - 2000 Valuation	
General	14,668,530
Public Utilities	<u>4,453,210</u>
Total Valuation	<u><u>\$112,398,020</u></u>
Real Property - 1998 Valuation	1999
Residential/Agricultural	\$ 62,783,620
Commercial/Industrial	13,028,510
Public Utilities	40,920
Tangible Personal Property - 1999 Valuation	
General	13,910,670
Public Utilities	<u>4,800,450</u>
Total Valuation	<u><u>\$ 94,564,170</u></u>

The Darke County Treasurer collects property tax on behalf of all taxing districts within the county. The Darke County Auditor periodically remits to the taxing districts their portions of the taxes collected.

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000 and 1999, the District contracted with Indiana Insurance Company for property, fleet insurance, and inland marine coverage. Warsaw Insurance for liability insurance. Coverages provided by these insurance companies is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$ 11,526,075
Inland Marine Coverage (\$100 deductible)	257,300
Automobile Liability (\$100 deductible)	1,000,000
Uninsured Motorists (\$1,000 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reductions in coverage from prior years.

The District participates in the Southwestern Ohio Educational Purchasing Council (the Council), a public entity shared risk pool consisting of seventy school districts. The District pays monthly premiums to the Council for employee dental benefits. The District, a participant is responsible for the payment of all Council liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000 AND 1999
(Continued)**

6. RISK MANAGEMENT (Continued)

The District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Program (SOEPC GRP), an insurance purchasing pool. The intent of the SOEPC 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 SOEPC 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 SOEPC GRP. Each participant pays its workers' compensation premium to the State based on the rate for the SOEPC 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 SOEPC 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 SOEPC GRP. Participation in the SOEPC GRP is limited to school districts that can meet the SOEPC GRP's selection criteria. The firm of Anthem provides administrative, cost control and actuarial services to the SOEPC GRP.

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the SOEPC GRP. Participation in the SOEPC GRP is limited to school districts that can meet the SOEPC GRP's selection criteria. The firm of Anthem provides administrative, cost control and actuarial services to the SOEPC GRP.

7. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System of Ohio

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the School Teachers Retirement System Board. Full-time, permanent, non-certified employees of the District participate in STRS. STRS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 3307 of the Ohio Revised Code assigns the authority to establish and amend benefit provisions to the STRS Board. STRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to School Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for 1999 and 2000. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$560,944, \$543,086, and \$519,904, respectively.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000 AND 1999
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement System Board. Full-time, permanent, non-certified employees of the District participate in SERS. SERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 3309 of the Ohio Revised Code assigns the authority to establish and amend benefit provisions to the SERS Board. SERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent respectively of annual covered salary was the portion used to fund pension obligations. For fiscal year 1999, 7.7 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$131,872, \$130,413, and \$100,744, respectively.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, three members of the Board of Education elected social security. The Board's liability is 6.2 percent of wages paid.

8. POST-EMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$44,876 for fiscal year 2000, and \$43,446 for fiscal year 1999.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000 AND 1999
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$32,168, and \$ 32,724 for fiscal year 1999.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits.

9. LEASE COMMITMENTS

The District entered into a lease agreement with St. Denis Roman Catholic Church for the building known as the St. Denis School Building on June 15, 1999. The lease is for the two school years commencing August 15, 1999 through June 15, 2001. Rental of the building is \$22,500 per year, payable in ten equal monthly installments of \$2,250 per month.

The District also entered into a lease purchase agreement with Sharp Electronics Corporation for a copier for the High School on June 1, 2000. The District is required to make monthly lease payments of \$325.47 a month for 60 months. As of June 30, 2000, the District had 59 payments remaining until the end of the lease for a total of \$19,203. The copier lease costs per year for the remainder of the contract are as follows:

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000 AND 1999
(Continued)**

9. LEASE COMMITMENTS (Continued)

Fiscal Year	Lease Amount
2001	\$3,906
2002	3,906
2003	3,906
2004	3,906
2005	<u>3,579</u>
Total	<u>\$19,203</u>

10. JOINTLY GOVERNED ORGANIZATIONS

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 Montgomery County Educational Service acts as the Fiscal agent for the group. 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 by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal years 2000 and 1999, the District paid \$3,210 and \$2,901 respectively to SOEPC. To obtain financial information write to Southwestern Ohio Educational Purchasing Council, Robert Brown serving as director at 1831 Harshman Road, Dayton, Ohio 45424.

Metropolitan Dayton Educational Cooperative Association - The District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. (MDECA) is an association of public school districts in a geographic region 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 one representative from each of the participating members. During fiscal year 2000 and 1999, the district paid \$15,125 and \$15,208 respectively to MDECA for services provided. Financial information can be obtained from MDECA located at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000 AND 1999
(Continued)**

11. GROUP INSURANCE PURCHASING POOL

The Southwestern Ohio Educational Purchasing Council (the Council) is a public entity shared risk pool consisting of seventy school districts. The Council is organized as a Voluntary Employee Benefit Association under Section 501 (c)(9) of the Internal Revenue Code and provided sick, accident and other benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to a Board of Directors which advises the Trustee, National City Bank, concerning aspects of the administration of the Council.

Each school district decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Council is by written application subject to acceptance by the Board of Directors and payment of monthly premiums. Financial information can be obtained from Barbara Coriell, who serves as administrator, at EPC Benefits Office, 1831 Harshman Road, Dayton, Ohio 45424.

The District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Program (SOEPC GRP), an insurance purchasing pool. The SOEPC GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the EPC. The Executive Director of the EPC, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the SOEPC GRP to cover the costs of administering the program.

12. RELATED ORGANIZATION

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 District 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. The Library's Financial information can be obtained by contacting Gail Benesh, the Library Treasurer at 161 East Main Street, Versailles, Ohio 45380.

13. STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Set-Aside Cash Balance June 30, 1998	\$ 0	\$ 0	\$ 26,910	\$26,910
Current Year Set-Aside Requirement	131,204	131,204	65,602	328,010
Current Year Offset	(19,813)	0	0	(19,813)
Qualifying Disbursements	<u>(111,391)</u>	<u>(131,204)</u>	<u>0</u>	<u>(242,595)</u>
Cash Balance Carried Forward to FY 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 92,512</u>	
Total Restricted General Fund Balance As of June 30, 1999				<u>\$92,512</u>

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000 AND 1999
(Continued)**

13. STATUTORY RESERVES (Continued)

The District had \$76,909 in qualifying expenditures for the Capital Maintenance Reserve which were available for carry-over to the fiscal year ending June 30, 2000.

During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Set-Aside Cash Balance June 30, 1999	\$ 0	\$ 0	\$ 92,512	\$92,512
Current Year Set-Aside Requirement	199,679	199,679	66,560	465,918
Current Year Offset	(10,376)	0	0	(10,376)
Prior Year Carry-over Expenditures	0	(76,909)	0	(76,909)
Qualifying Disbursements	<u>(189,303)</u>	<u>(122,770)</u>	<u>0</u>	<u>(312,073)</u>
Cash Balance Carried Forward to FY 2001	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 159,072</u>	
Total Restricted General Fund Balance As of June 30, 2000				<u>\$159,072</u>

The textbooks and instructional materials and the capital improvements and maintenance set-aside expenditures in excess of the set-aside requirements may be carried forward to offset future years set-aside requirements. The District had qualifying expenditures for carry-over to the fiscal year ending June 30, 2001, of \$10,461 for the Textbook Reserve and \$11,516 for the Capital Maintenance Reserve.

14. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2000.

B. Litigation

The District is currently not part to any legal proceedings.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000 AND 1999
(Continued)**

14. CONTINGENCIES (Continued)

C. School Funding Court Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. For the fiscal years ended June 30, 2000 and June 30, 1999, the School District received \$4,066,234 and \$3,912,789 respectively, in school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provides money to build schools and furnish classrooms. The School District has been approved to participate in the program; however, they have not received any funds as of June 30, 2000.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program (these programs) and on its financial operations.

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

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

To the Board of Education:

We have audited the financial statements of the Versailles Exempted Village School District, Darke County, (the "District"), as of and for the years ended June 30, 2000 and 1999, and have issued our report thereon dated November 3, 2000, wherein we noted that the District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2000-10319-001 and 2000-10319-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 3, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 3, 2000.

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

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

Jim Petro
Auditor of State

November 3, 2000

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

**SCHEDULE OF FINDINGS
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 and 1999**

FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2000-10319-001
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Ohio Administrative Code Section 117-2-01 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities 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.

Finding Number	2000-10319-002
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Ohio Rev. Code Section 5705.39, prohibits a political subdivision or taxing authority from making fund appropriations in excess of the estimated revenue available for expenditure as certified by amended certificates from the County budget commission. In fiscal year 2000, the Emergency School Building Repair Fund was determined to have appropriations of \$97,018 in excess of the available resources as certified by the County budget commission:

The District should develop policies and procedures to prevent appropriations from exceeding the amounts certified as available.



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VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT

DARKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 5, 2000**