

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

**AUDIT REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012**

***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, 2011 through June 30, 2012. 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

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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 10, 2012

**This page intentionally left blank.**

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

**AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

---

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-12
Statement of Net Assets –Cash Basis	13
Statement of Activities – Cash Basis	14
Statement of Assets and Fund Balances – Cash Basis - Governmental Funds	15
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances - Cash Basis - Governmental Funds	16
Statement of Receipts, Disbursements, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - General Fund	17
Statement of Fund Net Assets - Cash Basis - Proprietary Fund	18
Statement of Cash Receipts, Disbursements, and Changes in Fund Net Assets - Cash Basis - Proprietary Fund	19
Statement of Fiduciary Net Assets – Cash Basis – Fiduciary Funds	20
Notes to the Basic Financial Statements	21-47
Schedule of Expenditures of Federal Awards	48
Notes to the Schedule of Expenditures of Federal Awards	49
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>	50-51
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	52-53
Schedule of Findings and Questioned Costs	54-57
Schedule of Prior Audit Findings and Recommendations	58

**This page intentionally left blank.**

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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

---

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**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, 2012, 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, 2012, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting described in Note 2.

As discussed in Note 3, the District restated its fund balance/net assets of the Classroom Facilities Fund and the governmental activities to reflect disbursements that were not recorded in the prior year.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2012, 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.

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. Management's Discussion and Analysis includes tables of net assets, changes in net assets, governmental activities, governmental fund balances, and debt. The Schedule of Expenditures of Federal Awards (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However, these tables and the Schedule are management's responsibility and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subjected to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, 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 taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in the Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

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

October 3, 2012



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(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, 2012, 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 2012 are:

- In total, Governmental net assets decreased by \$131,533 primarily due to the disbursement of existing resources for the building project in 2012.
- General receipts related to governmental activities accounted for \$11,395,732 or 89.05 percent of total receipts. Program specific receipts in the form of charges for services and sales, grants, and contributions accounted for \$1,400,728 or 10.95 percent of total receipts of \$12,796,460.
- The District had \$12,927,993 in program disbursements related to governmental activities.
- The District's major governmental funds are the General Fund and Classroom Facilities Fund. The General Fund had \$10,587,631 in receipts, \$10,509,464 in disbursements, and (\$122,234) in other financing sources (uses). During fiscal year 2012, the General Fund's fund balance decreased by \$44,067 from \$3,386,234 to \$3,342,167.
- As expected, the classroom facilities funds experienced a significant decrease in fund balance due to additional capital outlay disbursements.
- 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

---

**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.

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 statement 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

---

***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 2012, 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.

The District's Statement of Net Assets and Statement of Activities can be found on pages 13 and 14 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

---

***Reporting the District's Most Significant Funds***

*Fund Financial Statements*

The analysis of the District's major funds begins on page 10 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 financial 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 proprietary fund financial statements can be found on pages 18 and 19 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 20. 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, 2012  
(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 2012 compared to 2011 on a cash basis:

**Table 1 - Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	Restated		2012	2011	2012	Restated 2011
	2012	2011				
<b><u>ASSETS</u></b>						
Equity in pooled cash and cash equivalents	\$7,887,407	\$ 8,018,940	\$ 278,481	\$ 148,634	\$ 8,165,888	\$ 8,167,574
<b><u>NET ASSETS</u></b>						
Restricted	4,545,240	4,632,706	-	-	4,545,240	4,632,706
Unrestricted	3,342,167	3,386,234	278,481	148,634	3,620,648	3,534,868
<b>Total Net Assets</b>	<b>\$7,887,407</b>	<b>\$ 8,018,940</b>	<b>\$ 278,481</b>	<b>\$ 148,634</b>	<b>\$ 8,165,888</b>	<b>\$ 8,167,574</b>

By comparing net assets from 2012 to 2011, one can see the overall cash position of the District has slightly diminished by the decrease in net assets of only \$1,686.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

Table 2 shows the changes in net assets for fiscal year 2012, compared to 2011 on a cash basis:

	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
<b>RECEIPTS</b>						
Program Cash Receipts:						
Charges for Services	\$ 636,607	\$ 559,620	\$ 483,064	\$481,868	\$ 1,119,671	\$1,041,488
Operating Grants and Contributions	764,121	1,152,263	134,262	119,339	898,383	1,271,602
<b>Total Program Cash Receipts</b>	<b>1,400,728</b>	<b>1,711,883</b>	<b>617,326</b>	<b>601,207</b>	<b>2,018,054</b>	<b>2,313,090</b>
General Receipts:						
Property Taxes	3,363,509	3,276,594	-	-	3,363,509	3,276,594
Income Taxes	1,138,293	1,058,875	-	-	1,138,293	1,058,875
Payment in Lieu of Taxes	16,021	15,813	-	-	16,021	15,813
Grants and Entitlements	6,707,797	6,768,302	-	-	6,707,797	6,768,302
Contributions and Donations	10,489	14,695	-	-	10,489	14,695
Investment Earnings	15,165	25,575	-	-	15,165	25,575
Sale of Capital Assets	114,801	72,604	-	-	114,801	72,604
Miscellaneous	29,657	47,103	1,265	1,772	30,922	48,875
<b>Total General Receipts</b>	<b>11,395,732</b>	<b>11,279,561</b>	<b>1,265</b>	<b>1,772</b>	<b>11,396,997</b>	<b>11,281,333</b>
<b>Total Receipts</b>	<b>12,796,460</b>	<b>12,991,444</b>	<b>618,591</b>	<b>602,979</b>	<b>13,415,051</b>	<b>13,594,423</b>
<b>DISBURSEMENTS</b>						
Program Cash Disbursements:						
Instruction:						
Regular	5,995,362	6,240,536	-	-	5,995,362	6,240,536
Special	823,075	925,520	-	-	823,075	925,520
Vocational	470,662	518,519	-	-	470,662	518,519
Supporting Services:						
Pupil	628,373	653,120	-	-	628,373	653,120
Instructional Staff	479,927	701,519	-	-	479,927	701,519
Board of Education	17,531	19,088	-	-	17,531	19,088
Administration	1,130,414	1,226,129	-	-	1,130,414	1,226,129
Fiscal	371,524	356,995	-	-	371,524	356,995
Operation and Maintenance of Plant	843,240	1,238,848	-	-	843,240	1,238,848
Pupil Transportation	472,062	460,772	-	-	472,062	460,772
Central	3,004	9,423	-	-	3,004	9,423
Extracurricular Activities	536,298	520,257	-	-	536,298	520,257
Capital Outlay	262,465	4,801,421	-	-	262,465	4,801,421
Debt Service	894,056	893,156	-	-	894,056	893,156
Food Service	-	-	488,744	490,273	488,744	490,273
<b>Total Disbursements</b>	<b>12,927,993</b>	<b>18,565,303</b>	<b>488,744</b>	<b>490,273</b>	<b>13,416,737</b>	<b>19,055,576</b>
<b>Change in Net Assets</b>	<b>(131,533)</b>	<b>(5,573,859)</b>	<b>129,847</b>	<b>112,706</b>	<b>(1,686)</b>	<b>(5,461,153)</b>
Net Assets - Beginning of Year, restated	8,018,940	13,592,799	148,634	35,928	8,167,574	13,628,727
<b>Net Assets - End of Year</b>	<b>\$ 7,887,407</b>	<b>\$8,018,940</b>	<b>\$ 278,481</b>	<b>\$148,634</b>	<b>\$ 8,165,888</b>	<b>\$8,167,574</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

***Governmental Activities***

The vast majority of receipts supporting all governmental activities consist of general receipts. General receipts totaled \$11,395,732 or 89.05 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 \$1,400,728 or only 10.95 percent.

Operating grants and contributions have decreased as a result of the expiration of funding from the American Recovery and Reinvestment Act (ARRA).

The largest disbursement for the District is for instructional programs. Instructional programs disbursements totaled \$7,289,099 or 56.38 percent of the total cash disbursements.

Supporting Services – Instructional Staff cash disbursements decreased due to reductions in staffing, reduced staff development and a reduction in library supplies. Operation and Maintenance of Plant and Capital Outlay disbursements decreased due to Board of Education renovations and building projects that were primarily in fiscal year 2011.

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	Restated	Net Cost	Restated
	of Services	Total Cost	of Services	Net Cost
	2012	2011	2012	2011
Instruction	\$ 7,289,099	\$ 7,684,575	\$ 6,392,618	\$ 6,484,219
Supporting Services:				
Pupils and Instructional Staff	1,108,300	1,354,639	864,719	1,101,769
Board of Education, Administration, and Fiscal	1,519,469	1,602,212	1,514,069	1,595,387
Operation and Maintenance of Plant	843,240	1,238,848	841,391	1,238,069
Pupil Transportation	472,062	460,772	472,062	460,772
Central	3,004	9,423	3,004	4,423
Extracurricular Activities	536,298	520,257	282,881	274,204
Capital Outlay	262,465	4,801,421	262,465	4,801,421
Debt Service	894,056	893,156	894,056	893,156
<b>Total Cost of Service</b>	<b>\$ 12,927,993</b>	<b>\$ 18,565,303</b>	<b>\$ 11,527,265</b>	<b>\$ 16,853,420</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

The dependence upon taxes and other general receipts is apparent, 87.70 percent of instruction activities and 93.64 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 \$618,591 and disbursements of \$488,744 in fiscal year 2012, or an increase in net assets of \$129,847.

**The District's Funds**

The District's governmental funds reported a combined fund balance of \$7,887,407, which is lower than last year's balance of \$8,018,940. The following table indicates the fund balance and the change in fund balance from June 30, 2011 to June 30, 2012 for each major governmental fund and the total of the nonmajor governmental funds.

**Table 4 - Governmental Fund Balances**

	Fund Balance	Restated	Increase (Decrease)	Percentage Change
	June 30, 2012	June 30, 2011		
General	\$ 3,342,167	\$ 3,386,234	\$ (44,067)	-1.30%
Classroom Facilities	3,060,893	3,299,614	(238,721)	-7.23%
Other Governmental	1,484,347	1,333,092	151,255	11.35%
<b>Total</b>	<b>\$ 7,887,407</b>	<b>\$ 8,018,940</b>	<b>\$ (131,533)</b>	<b>-1.64%</b>

The District's General Fund balance decreased \$44,067 which can be attributed to decreases in State basic aid.

As discussed previously, the Classroom Facilities Capital Projects Fund decreased due to the disbursement of existing resources for the building project in 2012.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

***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 2012, the District amended its General Fund budget several times. The original budgeted General Fund receipts and other financing sources were \$10,163,250 and final budgeted receipts and other financing sources were \$10,432,298. Actual receipts and other financing sources were \$10,479,213, which was \$46,915 higher than the final budgeted receipts.

General Fund original appropriations were \$12,958,846 and final appropriations were \$12,959,846. The actual budget basis disbursements and other financing uses for fiscal year 2012 totaled \$11,078,201 which was \$1,881,645 lower than final appropriations.

**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, 2012, the District had \$12,327,998 in bonds with \$375,000 due within one year. Table 5 summarizes the District's bonds outstanding.

**Table 5 - Outstanding Debt at Year End**

	Governmental Activities	
	2012	2011
General Obligation Bonds:		
Term	\$ 8,215,000	\$ 8,215,000
Serial	3,960,000	4,320,000
Capital Appreciation	152,998	152,998
<b>Total Outstanding Debt</b>	<b>\$ 12,327,998</b>	<b>\$ 12,687,998</b>

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

---

**For the Future**

State Funding for K-12 education remained relatively flat for the FY12-13 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, 2012. 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 has increased the school district income tax from 0.75 percent to 1 percent and implemented 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 Village School District, 459 S. Center St, P.O. Box 313, Versailles, OH 45380 or at [alan\\_barga@darke.k12.oh.us](mailto:alan_barga@darke.k12.oh.us).

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

**STATEMENT OF NET ASSETS – CASH BASIS  
JUNE 30, 2012**

	Governmental Activities	Business-Type Activities	Total
<b><u>Assets</u></b>			
Equity in Pooled Cash and Cash Equivalents	<u>\$ 7,887,407</u>	<u>\$ 278,481</u>	<u>\$ 8,165,888</u>
<b><u>Net Assets</u></b>			
Restricted for:			
Capital Projects	\$ 3,498,366	\$ -	\$ 3,498,366
Debt Service	570,669	-	570,669
Classroom Facilities Maintenance	452,980	-	452,980
State Funded Programs	222	-	222
Federally Funded Programs	2,346	-	2,346
Student Activities	20,657	-	20,657
Unrestricted	<u>3,342,167</u>	<u>278,481</u>	<u>3,620,648</u>
<b>Total Net Assets</b>	<u>\$ 7,887,407</u>	<u>\$ 278,481</u>	<u>\$ 8,165,888</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, 2012**

	Program Cash Receipts			Net(Disbursements) Receipts and Changes in Net Assets		Total
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business Type Activity	
<b>Governmental Activities</b>						
Instruction:						
Regular	\$ 5,995,362	\$ 381,341	\$ 351,485	\$ (5,262,536)	\$ -	\$ (5,262,536)
Special	823,075	-	125,229	(697,846)	-	(697,846)
Vocational	470,662	-	38,426	(432,236)	-	(432,236)
Support Services:						
Pupils	628,373	-	228,352	(400,021)	-	(400,021)
Instructional Staff	479,927	-	15,229	(464,698)	-	(464,698)
Board of Education	17,531	-	-	(17,531)	-	(17,531)
Administration	1,130,414	-	5,400	(1,125,014)	-	(1,125,014)
Fiscal	371,524	-	-	(371,524)	-	(371,524)
Operation and Maintenance of Plant	843,240	1,849	-	(841,391)	-	(841,391)
Pupil Transportation	472,062	-	-	(472,062)	-	(472,062)
Central	3,004	-	-	(3,004)	-	(3,004)
Extracurricular Activities	536,298	253,417	-	(282,881)	-	(282,881)
Capital Outlay	262,465	-	-	(262,465)	-	(262,465)
Debt Service	894,056	-	-	(894,056)	-	(894,056)
<b>Total Governmental Activities</b>	<u>12,927,993</u>	<u>636,607</u>	<u>764,121</u>	<u>(11,527,265)</u>	<u>-</u>	<u>(11,527,265)</u>
<b>BusinessType Activity:</b>						
Food Service	488,744	483,064	134,262	-	128,582	128,582
<b>Total</b>	<u>\$ 13,416,737</u>	<u>\$ 1,119,671</u>	<u>\$ 898,383</u>	<u>(11,527,265)</u>	<u>128,582</u>	<u>(11,398,683)</u>
<b>General Receipts</b>						
Property Taxes Levied for:						
General Purposes				2,421,409	-	2,421,409
Debt Service				887,725	-	887,725
Capital Maintenance				54,375	-	54,375
Income Taxes Levied for General Purposes				1,138,293	-	1,138,293
Payments in Lieu of Taxes				16,021	-	16,021
Grants and Entitlements not Restricted to Specific Programs				6,696,414	-	6,696,414
Grant from School Facilities Commission				11,383	-	11,383
Contributions and Donations not Restricted to Specific Programs				10,489	-	10,489
Investment Earnings				15,165	-	15,165
Sale of Assets				114,801	-	114,801
Miscellaneous				29,657	1,265	30,922
<b>Total General Receipts</b>				<u>11,395,732</u>	<u>1,265</u>	<u>11,396,997</u>
Change in Net Assets				(131,533)	129,847	(302,115)
Net Assets Beginning of Year, restated				<u>8,018,940</u>	<u>148,634</u>	<u>8,167,574</u>
Net Assets End of Year				<u>\$ 7,887,407</u>	<u>\$ 278,481</u>	<u>\$ 8,165,888</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, 2012**

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$ 3,342,167	\$ 3,060,893	\$ 1,484,347	\$ 7,887,407
<b>Total Assets</b>	<b><u>\$ 3,342,167</u></b>	<b><u>\$ 3,060,893</u></b>	<b><u>\$ 1,484,347</u></b>	<b><u>\$ 7,887,407</u></b>
<b><u>Fund Balances</u></b>				
Restricted	\$ -	\$ 3,060,893	\$ 1,484,347	\$ 4,545,240
Assigned	2,413,669	-	-	2,413,669
Unassigned	928,498	-	-	928,498
<b>Total Fund Balances</b>	<b><u>\$ 3,342,167</u></b>	<b><u>\$ 3,060,893</u></b>	<b><u>\$ 1,484,347</u></b>	<b><u>\$ 7,887,407</u></b>

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 BALANCES –  
CASH BASIS - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property Taxes	\$ 2,421,409	\$ -	\$ 942,100	\$ 3,363,509
Income Taxes	1,138,293	-	-	1,138,293
Intergovernmental	6,565,515	11,383	895,020	7,471,918
Interest	12,074	2,977	114	15,165
Tuition and Fees	381,341	-	-	381,341
Extracurricular Activities	22,617	-	230,800	253,417
Rentals	1,849	-	-	1,849
Contributions and Donations	10,489	-	-	10,489
Payments in Lieu of Taxes	16,021	-	-	16,021
Miscellaneous	18,023	9,384	2,250	29,657
<b>Total Receipts</b>	<b>10,587,631</b>	<b>23,744</b>	<b>2,070,284</b>	<b>12,681,659</b>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	5,489,839	-	505,523	5,995,362
Special	696,778	-	126,297	823,075
Vocational	470,662	-	-	470,662
Support Services:				
Pupils	399,790	-	228,583	628,373
Instructional Staff	466,070	-	13,857	479,927
Board of Education	17,531	-	-	17,531
Administration	1,125,014	-	5,400	1,130,414
Fiscal	347,165	-	24,359	371,524
Operation and Maintenance of Plant	719,186	-	124,054	843,240
Pupil Transportation	472,062	-	-	472,062
Central	3,004	-	-	3,004
Extracurricular Activities	302,363	-	233,935	536,298
Capital Outlay	-	262,465	-	262,465
Debt Service:				
Principal	-	-	360,000	360,000
Interest	-	-	534,056	534,056
<b>Total Disbursements</b>	<b>10,509,464</b>	<b>262,465</b>	<b>2,156,064</b>	<b>12,927,993</b>
Excess of Revenues Over (Under) Expenditures	78,167	(238,721)	(85,780)	(246,334)
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Assets	2,766	-	112,035	114,801
Transfers In	-	-	125,000	125,000
Transfers Out	(125,000)	-	-	(125,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(122,234)</b>	<b>-</b>	<b>237,035</b>	<b>114,801</b>
Net Change in Fund Balances	(44,067)	(238,721)	151,255	(131,533)
Fund Balance at Beginning of Year, restated	3,386,234	3,299,614	1,333,092	8,018,940
Fund Balance at End of Year	<b>\$ 3,342,167</b>	<b>\$ 3,060,893</b>	<b>\$ 1,484,347</b>	<b>\$ 7,887,407</b>

See accompanying notes to the basic financial statements

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -  
BUDGET (NON-GAAP BASIS) AND ACTUAL -  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property Taxes	\$ 2,357,000	\$ 2,421,409	\$ 2,421,409	\$ -
Income Tax	1,050,000	1,138,293	1,138,293	-
Intergovernmental	6,436,800	6,518,688	6,565,515	46,827
Interest	12,000	11,986	12,074	88
Tuition and Fees	243,250	303,932	303,932	-
Rent	700	1,849	1,849	-
Contributions and Donations	8,979	218	218	-
Payments in Lieu of Taxes	16,021	16,021	16,021	-
Miscellaneous	21,807	17,136	17,136	-
<b>Total Receipts</b>	<b>10,146,557</b>	<b>10,429,532</b>	<b>10,476,447</b>	<b>46,915</b>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	5,682,331	5,678,031	5,449,177	228,854
Special	1,290,267	1,290,267	914,424	375,843
Vocational	577,361	577,361	478,767	98,594
Support Services:				
Pupils	441,205	441,205	385,440	55,765
Instructional Staff	741,207	741,207	498,790	242,417
Board of Education	23,271	23,571	17,576	5,995
Administration	1,497,401	1,497,401	1,177,616	319,785
Fiscal	428,581	428,581	352,038	76,543
Operation and Maintenance of Plant	1,059,639	1,064,639	775,911	288,728
Pupil Transportation	740,024	740,024	598,095	141,929
Central	18,500	18,500	3,004	15,496
Extracurricular Activities	334,059	334,059	302,363	31,696
<b>Total Disbursements</b>	<b>12,833,846</b>	<b>12,834,846</b>	<b>10,953,201</b>	<b>1,881,645</b>
Excess of Revenues Over (Under) Expenditures	(2,687,289)	(2,405,314)	(476,754)	1,928,560
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	1,000	2,766	2,766	-
Refund of Prior Year Expenditures	15,693	-	-	-
Transfers Out	(125,000)	(125,000)	(125,000)	-
<b>Total Other Financing Sources and Uses</b>	<b>(108,307)</b>	<b>(122,234)</b>	<b>(122,234)</b>	<b>-</b>
Net Change in Fund Balances	(2,795,596)	(2,527,548)	(598,988)	1,928,560
Fund Balance at Beginning of Year	2,704,007	2,704,007	2,704,007	-
Prior Year Encumbrances Appropriated	595,135	595,135	595,135	-
<b>Fund Balance at End of Year</b>	<b>\$ 503,546</b>	<b>\$ 771,594</b>	<b>\$ 2,700,154</b>	<b>\$ 1,928,560</b>

See accompanying notes to the basic financial statements

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

**STATEMENT OF FUND NET ASSETS – CASH BASIS  
PROPRIETARY FUND  
JUNE 30, 2012**

---

---

	<u>Enterprise Fund</u>
	<u>Food Service</u>
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$ 278,481
	<u><u>278,481</u></u>
<b><u>Net Assets</u></b>	
Unrestricted	\$ 278,481
	<u><u>278,481</u></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 – PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

		<u>Enterprise Fund</u>
		<u>Food Service</u>
<b><u>Operating Receipts</u></b>		
Sales	\$	483,064
Other Revenues		1,265
<b>Total Operating Receipts</b>		<u>484,329</u>
<b><u>Operating Disbursements</u></b>		
Salaries		179,077
Fringe Benefits		67,406
Purchased Services		1,902
Materials and Supplies		238,881
Other		1,478
<b>Total Operating Disbursements</b>		<u>488,744</u>
Operating Loss		(4,415)
<b><u>Non-Operating Receipts</u></b>		
Federal and State Subsidies		134,262
Change in Net Assets		<u>129,847</u>
Net Assets at Beginning of Year		<u>148,634</u>
<b>Net Assets at End of Year</b>	<b>\$</b>	<b><u>278,481</u></b>

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, 2012**

---

	<u>Agency</u>
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 101,810</u>
<b><u>Net Assets</u></b>	
Held on Behalf of Students	100,845
Held on Behalf of Others	965
<b>Total Net Assets</b>	<u>\$ 101,810</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, 2012**

---

**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 51 non-certificated employees, 90 certificated employees who provide services to 1,401 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 17 through 19 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

Metropolitan Dayton Education 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, 2012  
(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 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 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, 2012  
(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 proprietary 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 for 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, 2012  
(CONTINUED)

---

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

B. **Fund Accounting** (Continued)

**PROPRIETARY FUNDS**

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, 2012  
(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, 2012  
(CONTINUED)**

---

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

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

During fiscal year 2012, 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, 2012.

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 2012 was \$12,074, which included \$5,648 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.

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, 2012  
(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 \$4,545,240. 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 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)

---

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

N. **Fund Balance**

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 2012.

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, 2012  
(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 non-operating 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 ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR PERIOD'S FUND BALANCE AND NET ASSETS**

A. **Changes in Accounting Principles**

For fiscal year 2012, the District has implemented GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The Statements sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should be applied. The implementation of this Statement did not have an effect on the District's financial statements.

B. **Restatement of Prior Period's Fund Balance/Net Assets**

A restatement was necessary to record disbursements that were not recorded in the Classroom Facilities Fund. The restatement is as follows

	Classroom Facilities
Fund Balance, June 30, 2011	\$ 3,600,043
Restatement:	
Understated Disbursements	(300,429)
Fund Balance, June 30 2011, Restated	\$ 3,299,614

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)

**NOTE 3: CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR PERIOD'S FUND BALANCE AND NET ASSETS** (Continued)

The following is the effect of those changes in the governmental activities' net assets:

	<u>Governmental Activities</u>
Net Assets as of June 30, 2011	\$ 8,319,369
Restatement:	
Understated Disbursements	(300,429)
Net Assets as of June 30, 2011, Restated	<u>\$ 8,018,940</u>

**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, Classroom Facilities, and other governmental funds are presented below:

Fund Balances	General	Classroom Facilities	Other Governmental	Total
<i>Restricted for</i>				
Capital Projects	\$ -	\$ 3,060,893	\$ 437,473	\$ 3,498,366
Debt Service	-	-	570,669	570,669
<i>Classroom Facilities</i>				
Maintenance	-	-	452,980	452,980
State Funded Programs	-	-	222	222
<i>Federally Funded</i>				
Programs	-	-	2,346	2,346
Student Activities	-	-	20,657	20,657
<i>Total Restricted</i>	-	3,060,893	1,484,347	4,545,240
<i>Assigned to</i>				
FY 2013 Appropriations	1,834,264	-	-	1,834,264
Instruction	261,995	-	-	261,995
Support Services	295,550	-	-	295,550
Public School Support	21,860	-	-	21,860
<i>Total Assigned</i>	2,413,669	-	-	2,413,669
<i>Unassigned</i>	928,498	-	-	928,498
<b>Total Fund Balances</b>	<b>\$ 3,342,167</b>	<b>\$ 3,060,893</b>	<b>\$ 1,484,347</b>	<b>\$ 7,887,407</b>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)

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 certain 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.

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	\$ (44,067)
Encumbrances	(552,285)
Funds Budgeted as Special Revenue Funds but Reported as Part of the General Fund for the Cash Basis Reports	(2,636)
<b>Budget Basis</b>	<b>\$ (598,988)</b>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

---

**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.

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;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

---

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

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.

At fiscal year end, the District had \$5,400 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 \$4,221,413 was exposed to custodial credit risk because it was all insured by the FDIC. \$4,000,000 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

---

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

**Investments**

As of June 30, 2012, the District's only investments were StarOhio and a U.S. Government money market mutual fund. The carrying and fair value of StarOhio was 1,273,567 with an average maturity of 51.5 days. The carrying value of the U.S. Government money market was \$2,807,563 while the fair value was \$2,807,311.

***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.

***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."



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)

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 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, 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, 2012, are available to finance fiscal year 2012 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.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	<u>2011 Second Half Collections</u>		<u>2012 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Property	\$ 130,183,360	99.63%	\$ 131,494,080	98.94%
Public Utility Property	478,450	0.37%	1,411,980	1.06%
	<u>\$ 130,661,810</u>	<u>100.00%</u>	<u>\$ 132,906,060</u>	<u>100.00%</u>
 Tax Rate	 <u>\$ 40.18</u>		 <u>\$ 40.18</u>	
(per \$1,000 of Assessed Valuation)				

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

---

**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. Effective January 1, 2013, the District will levy a voted tax of 1.00 percent. 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 2012, the General Fund transferred \$125,000 to the Permanent Improvement Capital Projects Fund to subsidize permanent improvement costs.

**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 2012, the District contracted with Phelan Insurance Agency for the following insurance coverage:

Property (5,000 deductible, subject to scheduled limits)	\$ 48,463,247
Boiler and Machinery (\$5,000 deductible)	48,463,247
Auto Liability/Physical Damage (\$1,000 deductible)	1,000,000
General Liability	2,000,000
Per Occurrence	1,000,000
School Leaders Errors and Omissions Liability (\$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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

---

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

**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 18). 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.

**C. Workers' Compensation**

For fiscal year 2012, the District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)

---

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](http://www.ohsers.org), under *Employers/Audit Resources*.

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. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70%. The remaining 1.30% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$175,880, \$177,629, and \$207,243, respectively; 67.97 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**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](http://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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

---

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

A. **State Teachers Retirement System of Ohio** (Continued)

Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2012, 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, 2012, 2011, and 2010, were \$722,304, \$767,423, and \$786,160, respectively; 84.31 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$14,778 made by the District and \$10,556 made by the plan members.

B. **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, 2012, 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, 2012  
(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. ORC 3309.375 and 3309.69 permits SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, 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 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - The Ohio Revised Code provides the statutory authority to fund SERS postemployment benefits through employer contributions. The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). 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 the year ended June 30, 2012, the health care allocation is 0.55 percent. 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 2012, the minimum compensation level was established at \$35,800.

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, 2012  
(CONTINUED)**

---

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

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

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the fiscal years ended June 30, 2012, 2011, and 2010, were \$30,345, \$42,474, and \$26,706, respectively.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation is 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010, were \$10,387, \$11,404, and \$10,520, respectively; 67.97 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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](http://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 2012, 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, 2012, 2011, and 2010, were \$55,562, \$59,033, and \$60,474, respectively; 84.31 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)

NOTE 14: **DEBT**

The changes in the District's long-term obligations during fiscal year 2012 were as follows:

	<b>Interest Rate</b>	<b>Balance 6/30/2011</b>	<b>Reductions</b>	<b>Balance 6/30/2012</b>	<b>Due Within One Year</b>
<b><u>General Long-Term Debt</u></b>					
General Obligation Bonds					
2007 School Improvement					
Term	4.375-4.5%	\$ 8,215,000	-	\$ 8,215,000	-
Serial	4%	4,320,000	360,000	3,960,000	375,000
Capital Appreciation	4.4-4.45%	152,998	-	152,998	-
<b>Total General Long-Term Debt</b>		<b>\$ 12,687,998</b>	<b>\$ 360,000</b>	<b>\$ 12,327,998</b>	<b>\$ 375,000</b>

**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:

<b><u>Fiscal Year ending June 30</u></b>	<b><u>Principal</u></b>
2013	375,000
2014	390,000
2015	405,000
2016	420,000
2017	435,000
2018-2022	1,420,000
2023	515,000
	<b>\$ 3,960,000</b>



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(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:

<b>Fiscal Year ending June 30</b>	<b>Principal</b>
2023-2027	\$ 2,275,000
2028-2032	3,460,000
2033-2035	2,480,000
	\$ 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, 2012, were as follows:

<b>Fiscal Year ending June 30</b>	<b>Serial</b>	<b>Term</b>	<b>Capital Appreciation</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 375,000	\$ -	\$ -	\$ 519,356	\$ 894,356
2014	390,000	-	-	504,056	894,056
2015	405,000	-	-	488,156	893,156
2016	420,000	-	-	471,656	891,656
2017	435,000	-	-	454,556	889,556
2018-2022	1,420,000	-	152,998	2,899,864	4,472,862
2023-2027	515,000	2,275,000	-	1,646,888	4,436,888
2028-2032	-	3,460,000	-	960,353	4,420,353
2033-2035	-	2,480,000	-	170,775	2,650,775
	\$ 3,960,000	\$ 8,215,000	\$ 152,998	\$ 8,115,660	\$ 20,443,658

**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 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)

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

The following cash basis information identifies the changes in the fund balance reserves for capital improvements during fiscal year 2012:

	Capital Acquisition
Set-aside balances as of June 30, 2011	\$ -
Current year set-aside requirements	177,870
Current year offsets	(177,870)
Qualifying disbursements	-
Total	\$ -

The District has current year offsets that reduced the capital acquisition set aside amount to below zero.

NOTE 16: **CONTINGENCIES**

A. **Grants**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

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, 2012  
(CONTINUED)**

---

**NOTE 17: 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 2012, the District paid \$27,241 to MDECA. Financial information can be obtained from Dean A Reineke, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

Payments to SOEPC are made from the General Fund. During fiscal year 2012, the District paid \$1,014,643 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

---

**NOTE 17: JOINTLY GOVERNED ORGANIZATIONS** (Continued)

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

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke,

Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2012, the District paid \$1,027 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

**NOTE 18: 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, 2012  
(CONTINUED)

---

NOTE 18: **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 MBP 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 19: **RELATED ORGANIZATON**

**Worch Memorial Library** – The Worch Memorial Library is a distinct political subdivision of the State of Ohio created under Ohio Revised 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, 2012**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. Department of Agriculture</u></b>					
<i>Passed through Ohio Department of Education</i>					
Child Nutrition Cluster:					
National School Lunch Program	10.555	\$ 132,489	\$ 63,161	\$ 132,489	\$ 63,161
Total Child Nutrition Cluster		<u>132,489</u>	<u>63,161</u>	<u>132,489</u>	<u>63,161</u>
<b>Total U.S. Department of Agriculture</b>		<u>132,489</u>	<u>63,161</u>	<u>132,489</u>	<u>63,161</u>
<b><u>U.S. Department of Education</u></b>					
<i>Passed Through Ohio Department of Education</i>					
Title I Cluster:					
Title I - Grants to Local Educational Agencies	84.010	128,494	0	129,156	0
ARRA - Title I - Grants to Local Educational Agencies, Recovery	84.389	<u>8,479</u>	<u>0</u>	<u>8,479</u>	<u>0</u>
Total Title I Cluster		<u>136,973</u>	<u>0</u>	<u>137,635</u>	<u>0</u>
Special Education Cluster:					
Special Education - Grants to States, IDEA, Part B	84.027	224,721	0	228,583	0
ARRA - Special Education - Grants to States, IDEA, Part B	84.391	<u>197,826</u>	<u>0</u>	<u>206,559</u>	<u>0</u>
Total Special Education Cluster		<u>422,547</u>	<u>0</u>	<u>435,142</u>	<u>0</u>
ARRA - State Fiscal Stabilization Fund	84.394	<u>0</u>	<u>0</u>	<u>128,051</u>	<u>0</u>
Title II-D - Education Technology - State Grants	84.318	<u>1,107</u>	<u>0</u>	<u>1,025</u>	<u>0</u>
Title II-A - Improving Teacher Quality - State Grants	84.367	<u>66,102</u>	<u>0</u>	<u>74,247</u>	<u>0</u>
Education Jobs Fund	84.410	<u>90,081</u>	<u>0</u>	<u>94,674</u>	<u>0</u>
<b>Total U.S. Department of Education</b>		<u>716,810</u>	<u>0</u>	<u>870,774</u>	<u>0</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u>\$ 849,299</u>	<u>\$ 63,161</u>	<u>\$ 1,003,263</u>	<u>\$ 63,161</u>

See accompanying notes to Supplemental Schedule of Expenditures of Federal Awards.

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2012

---

---

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.**  
*Certified Public Accountants*  
*5240 East 98<sup>th</sup> Street*  
*Garfield Hts., Ohio 44125*

---

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**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, 2012, which collectively comprise the Versailles Exempted Village School District, Ohio's basic financial statements and have issued our report thereon dated October 3, 2012, wherein we 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 District restated its fund balance/net assets of the Classroom Facilities Fund and the governmental activities to reflect disbursements that were not recorded in the prior year. 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**

Management of the Versailles Exempted Village School District, Ohio is responsible for establishing and maintaining effective 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we have identified a certain deficiency in internal control over financial reporting that we consider to be material weaknesses.



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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as **Finding No. 2012-001** to be a material weakness.


### **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*, and which is described in the accompanying Schedule of Findings and Questioned Costs as **Finding 2012-002**.

We noted certain matters that we reported to the management of the Versailles Exempted Village School District, Ohio, in a separate letter dated October 3, 2012.

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 the responses.

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

October 3, 2012

**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
*5240 East 98<sup>th</sup> Street*  
*Garfield Hts., Ohio 44125*

---

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**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, 2012. 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, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as **Finding 2012-003**.

### **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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying Schedule of Findings and Questioned Costs as **Finding 2012-003**. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

October 3, 2012

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & §.505  
JUNE 30, 2012

---

**1. SUMMARY OF AUDITOR'S RESULTS**

2012(i)	Type of Financial Statement Opinion	Unqualified
2012(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
2012(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2012(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
2012(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2012(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
2012(v)	Type of Major Programs' Compliance Opinion	Unqualified
2012(vi)	Were there any reportable findings under .510?	Yes
2012(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 Title I Cluster: Title I - Grants to Local Educational Agencies - CFDA #84.010 ARRA - Title I - Grants to Local Educational Agencies - CFDA #84.389	
2012(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2012(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, 2012

---

---

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

**Finding 2012-001 – Material Weakness – Disbursement Reconciliation**

Condition/Criteria

Based on our audit of the disbursements and cash function for the District, we noted that the disbursements paid through the sale of investments were not recorded in the Classroom Facilities Fund and the amount of investments was not reduced on the bank reconciliations prepared by the District.

Cause/Effect

Bank reconciliations were not performed accurately by the District. This prevented the District from identifying the errors in a timely manner.

Recommendation

We recommend that the District review the bank reconciliations for accuracy by an individual independent of the preparation of the bank reconciliations. We also recommend that any reconciling items be investigated and correctly timely.

District Response

The District implemented the recommendation in June 2012.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & §.505  
JUNE 30, 2012

---

---

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

**Finding 2012-002 – Noncompliance Finding – Annual Financial Report**

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 limits.

Recommendation

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

District Response

The District intends to continue to prepare cash statements in order to save money.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & §.505  
JUNE 30, 2012

---

---

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**Finding No. 2012-003 – Noncompliance/Significant Deficiency – Cash Management**

**CFDA Title and Number:** CFDA 84.394 - State Fiscal Stabilization Fund, Recovery Act Funded

**Federal Award Year:** 2010-2011

**Federal Agency:** United States Department of Education

**Pass-Through Agency:** Ohio Department of Education

**Condition/Criteria**

During our review of the District's State Fiscal Stabilization Fund (SFSF) balances and subsequent monthly expenditures, we noted instances in which monies were not expended in a timely manner (i.e., 30 days). The year end balance of the SFSF Fund for the fiscal year 2011 was \$128,051, which was expended in the subsequent months (during the audit period).

**Cause/Effect**

The District did not comply with 34 CFR 80.20(b)(7) which states, in part, that when advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. State Fiscal Stabilization Fund (SFSF) monies are received in advance by the District through the foundation program as indicated in the Ohio Department of Education (ODE) Pathway to Student Success (PASS) form.

**Recommendation**

We recommend that the District implement an internal control system designed to ensure advance SFSF payments are expended timely.

**District Response**

The average balance of the State Fiscal Stabilization Fund for fiscal year 2012 was \$16,006, not \$128,051. In the future, State Fiscal Stabilization Fund funds will be disbursed in the month they are received.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2012**

Finding Number	Finding Summary	Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken, or Finding No Valid: <b>Explanation</b>
2011-001	Payroll Processing and Severance Payments	Yes	
2011-002	Failure to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.	No	Reissued as 2012-002.

The prior audit report, as of June 30, 2011, also included management letter recommendations. Management letter recommendations as of June 30, 2011, have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.





# 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  
DECEMBER 20, 2012**