

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

**AUDIT REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016**

***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, 2015 through June 30, 2016. 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 16, 2016

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**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT  
DARKE COUNTY, OHIO  
AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	4-13
Statement of Net Position – Cash Basis	15
Statement of Activities – Cash Basis	16
Statement of Assets and Fund Balances – Cash Basis - Governmental Funds	17
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances - Cash Basis - Governmental Funds	18
Statement of Receipts, Disbursements and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - General Fund	19
Statement of Fund Net Position - Cash Basis - Proprietary Fund	20
Statement of Cash Receipts, Disbursements, and Changes in Fund Net Position - Cash Basis - Proprietary Fund	21
Statement of Fiduciary Net Position – Cash Basis – Fiduciary Funds	22
Notes to the Basic Financial Statements	23-54
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>	55-56
Schedule of Findings and Questioned Costs	57
Schedule of Prior Audit Findings and Recommendations	58

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

*Certified Public Accountants*

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

*Garfield Hts., Ohio 44125*

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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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activity, 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, 2016, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

***Management’s Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash accounting basis described in Note 2; this includes determining that the cash accounting basis is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor’s Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Versailles Exempted Village School District, Ohio’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

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 activity, each major fund, and the aggregate remaining fund information of the Versailles Exempted Village School District, Ohio, as of June 30, 2016, and the respective changes in cash financial position, and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the basis of accounting described in Note 2.

## ***Accounting Basis***

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

## ***Other Matters***

We applied no procedures to the Management's Discussion and Analysis presented on pages 4 through 13 of the report, and accordingly, we express no opinion or any other assurance on it.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2016, 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* in considering the Versailles Exempted Village School District, Ohio's internal control over financial reporting and compliance.

James G. Zupka  
CPA, President

Digitally signed by James G. Zupka, CPA,  
President  
DN: cn=James G. Zupka, CPA, President,  
o=James G. Zupka, CPA, Inc., ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2016.10.28 11:39:32 -0400

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

September 15, 2016

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

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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, 2016, 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 2016 are:

- In total, Governmental net position increased by \$605,991 primarily due to an increase in state funding.
- General receipts related to governmental activities accounted for \$24,296,205 or 95.97 percent of total receipts. Program specific receipts in the form of charges for services and sales, and grants and contributions accounted for \$1,021,248 or 4.03 percent of total receipts of \$25,317,453.
- The District had \$24,711,462 in program disbursements related to governmental activities.
- The District's major governmental funds are the General Fund, Bond Retirement Fund, and Permanent Improvement Fund. The General Fund had \$13,934,311 in receipts and other financing sources, \$12,605,667 in disbursements and other financing uses. During fiscal year 2016, the General Fund's fund balance increased by \$1,328,644 from \$6,233,109 to \$7,561,753.
- Food service, the District's only business-type activity, decreased total net position as program receipts for charges for services and sales and operating grants and contributions were not sufficient to cover program cash disbursements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

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**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 Position* 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, Bond Retirement Fund, and Permanent Improvement 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) and deferred inflows and outflows of resources 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, 2016  
(UNAUDITED)**

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***Reporting the District as a Whole***

*Statement of Net Position and Statement of Activities*

The Statement of Net Position and the Statement of Activities reflect how the District did financially during fiscal year 2016, within the limitations of the cash basis of accounting. The Statement of Net Position 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 net position and changes in net 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 Position and Statement of Activities can be found on pages 15 and 16 of the report.

In the Statement of Net Position 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 Activity – 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 the only business-type activity.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

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

*Fund Financial Statements*

The analysis of the District's major funds begins on page 11 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. The governmental fund financial statements can be found on pages 17 through 19 of this report.

*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 20 and 21 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 position on page 22. 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, 2016  
(UNAUDITED)

**The District as a Whole**

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for 2016 compared to 2015 on a cash basis:

**Table 1 - Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b><u>ASSETS</u></b>						
Equity in pooled cash and cash equivalents	\$ 10,771,154	\$ 10,165,163	\$ 247,355	\$ 332,190	\$ 11,018,509	\$ 10,497,353
<b><u>NET POSITION</u></b>						
Restricted	3,209,401	3,932,054	-	-	3,209,401	3,932,054
Unrestricted	7,561,753	6,233,109	247,355	332,190	7,809,108	6,565,299
<b>Total Net Position</b>	<b>\$ 10,771,154</b>	<b>\$ 10,165,163</b>	<b>\$ 247,355</b>	<b>\$ 332,190</b>	<b>\$ 11,018,509</b>	<b>\$ 10,497,353</b>

By comparing net position from 2016 to 2015, one can see the overall cash position of the District has improved by the increase in net position of \$521,156.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

Table 2 shows the changes in net position for fiscal year 2016 compared to 2015 on a cash basis:

	<b>Table 2 - Changes in Net Position</b>					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
<b>RECEIPTS</b>						
Program Cash Receipts:						
Charges for Services and Sales	\$ 491,867	\$ 465,756	\$ 476,572	\$ 480,297	\$ 968,439	\$ 946,053
Operating Grants and Contributions	529,381	493,446	149,236	132,928	678,617	626,374
<b>Total Program Cash Receipts</b>	<b>1,021,248</b>	<b>959,202</b>	<b>625,808</b>	<b>613,225</b>	<b>1,647,056</b>	<b>1,572,427</b>
General Receipts:						
Property Taxes	3,882,346	3,768,255	-	-	3,882,346	3,768,255
Income Taxes	1,937,716	1,876,720	-	-	1,937,716	1,876,720
Payment in Lieu of Taxes	35,666	39,364	-	-	35,666	39,364
Grants and Entitlements	8,544,477	7,777,349	-	-	8,544,477	7,777,349
Contributions and Donations	11,265	5,725	-	-	11,265	5,725
Investment Earnings	46,537	17,332	-	-	46,537	17,332
Sale of Assets	50	6,956	-	-	50	6,956
Miscellaneous	21,735	9,772	-	-	21,735	9,772
Debt Proceeds	9,816,413	-	-	-	9,816,413	-
<b>Total General Receipts</b>	<b>24,296,205</b>	<b>13,501,473</b>	<b>-</b>	<b>-</b>	<b>24,296,205</b>	<b>13,501,473</b>
<b>Total Receipts</b>	<b>25,317,453</b>	<b>14,460,675</b>	<b>625,808</b>	<b>613,225</b>	<b>25,943,261</b>	<b>15,073,900</b>
<b>DISBURSEMENTS</b>						
Program Cash Disbursements:						
Instruction:						
Regular	6,704,251	6,005,640	-	-	6,704,251	6,005,640
Special	1,224,582	1,076,220	-	-	1,224,582	1,076,220
Vocational	263,066	232,932	-	-	263,066	232,932
Adult/Continuing	-	5,963	-	-	-	5,963
Supporting Services:						
Pupils	498,833	502,603	-	-	498,833	502,603
Instructional Staff	264,633	240,811	-	-	264,633	240,811
Board of Education	16,373	16,011	-	-	16,373	16,011
Administration	1,173,937	1,080,640	-	-	1,173,937	1,080,640
Fiscal	398,042	407,561	-	-	398,042	407,561
Operation and Maintenance of Plant	1,204,215	1,924,600	-	-	1,204,215	1,924,600
Pupil Transportation	575,617	500,528	-	-	575,617	500,528
Central	306	3,167	-	-	306	3,167
Extracurricular Activities	530,491	518,171	-	-	530,491	518,171
Capital Outlay	-	111,157	-	-	-	111,157
Debt Service	11,857,116	893,156	-	-	11,857,116	893,156
Food Service	-	-	710,643	665,660	710,643	665,660
<b>Total Disbursements</b>	<b>24,711,462</b>	<b>13,519,160</b>	<b>710,643</b>	<b>665,660</b>	<b>25,422,105</b>	<b>14,184,820</b>
Change in Net Position	605,991	941,515	(84,835)	(52,435)	521,156	889,080
Net Position - Beginning of Year	10,165,163	9,223,648	332,190	384,625	10,497,353	9,608,273
<b>Net Position - End of Year</b>	<b>\$ 10,771,154</b>	<b>\$ 10,165,163</b>	<b>\$ 247,355</b>	<b>\$ 332,190</b>	<b>\$ 11,018,509</b>	<b>\$ 10,497,353</b>

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

***Governmental Activities***

The vast majority of receipts supporting all governmental activities consist of general receipts. General receipts totaled \$24,296,205 or 95.97 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 \$1,021,248 or only 4.03 percent.

Property taxes and Grants and Entitlements receipts have increased. Grants and Entitlements increased as a result of an increase in state funding.

The largest disbursement for the District is for instructional programs. Instructional programs disbursements totaled \$8,191,899 or 33.15 percent of the total cash disbursements. Instructional programs increased as a result of salary and insurance increases and a mandated reclassification of teachers’ aide’s salaries from Pupils and Instructional Staff to Instruction.

Operation and Maintenance of Plant disbursements decreased due to a decrease in permanent improvement expenditures.

Debt Service disbursements increased due to refunding bonds in fiscal year 2016.

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

**Table 3 - Governmental Activities**

	Total Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2016	Net Cost of Services 2015
Instruction	\$ 8,191,899	\$ 7,320,755	\$ 7,741,711	\$ 6,858,216
Supporting Services:				
Pupils and Instructional Staff	763,466	743,414	519,543	519,767
Board of Education, Administration, and Fiscal	1,588,352	1,504,212	1,582,952	1,498,812
Operation and Maintenance of Plant	1,204,215	1,924,600	1,153,435	1,888,598
Pupil Transportation	575,617	500,528	575,617	500,528
Central	306	3,167	306	3,167
Extracurricular Activities	530,491	518,171	259,534	286,557
Capital Outlay	-	111,157	-	111,157
Debt Service	11,857,116	893,156	11,857,116	893,156
<b>Total Cost of Service</b>	<u>\$ 24,711,462</u>	<u>\$ 13,519,160</u>	<u>\$ 23,690,214</u>	<u>\$ 12,559,958</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

***Business Type Activities***

Business-type activities include the food service operation. This program had receipts of \$625,808 and disbursements of \$710,643 in fiscal year 2016, or a decrease in net position of \$84,835.

**The District's Funds**

The District's governmental funds reported a combined fund balance of \$10,771,154, which is higher than last year's balance of \$10,165,163. The following table indicates the fund balance and the change in fund balance from June 30, 2015 to June 30, 2016 for each major governmental fund and the total of the nonmajor governmental funds.

**Table 4 - Governmental Fund Balances**

	Fund Balance June 30, 2016	Fund Balance June 30, 2015	Increase (Decrease)	Percentage Change
General	\$ 7,561,753	\$ 6,233,109	\$ 1,328,644	21.32%
Bond Retirement	2,190,647	2,512,462	(321,815)	-12.81%
Permanent Improvement	681,144	1,079,823	(398,679)	-36.92%
Other Governmental	337,610	339,769	(2,159)	-0.64%
<b>Total</b>	<b>\$ 10,771,154</b>	<b>\$ 10,165,163</b>	<b>\$ 605,991</b>	<b>5.96%</b>

The District's General Fund balance increased \$1,328,644 which can be attributed to increases in state funding, property tax and the school district income tax.

The District's Bond Retirement Fund, Permanent Improvement Fund, and Other Governmental Funds decreased by \$321,815, \$398,679, and \$2,159 respectively. The Bond Retirement Fund decreased mainly due to the additional pay down of debt in fiscal year 2016 related to the refunding. The Permanent Improvement Fund decreased due to the disbursements exceeding the receipts in fiscal year 2016.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(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.

General Fund original receipts and other financing sources were \$12,033,801 and final receipts and other financing sources were \$14,234,499. Actual receipts and other financing sources were \$13,904,499, which was \$330,000 lower than the final budgeted receipts.

During the course of fiscal year 2016, the District amended its General Fund budget several times. General Fund original appropriations and other financing uses were \$14,110,506 and final appropriations and other financing uses were \$13,969,249. The actual budget basis disbursements and other financing uses for fiscal year 2016 totaled \$13,023,911 which was \$945,338 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, 2016, the District had \$9,977,998 in bonds with \$520,000 due within one year. Table 5 summarizes the District's bonds outstanding.

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

	Governmental Activities	
	2016	2015
General Obligation Bonds:		
Term	\$ -	\$ 8,215,000
Serial	9,825,000	2,790,000
Capital Appreciation	152,998	152,998
<b>Total Outstanding Debt</b>	<b>\$ 9,977,998</b>	<b>\$ 11,157,998</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, 2016  
(UNAUDITED)**

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**For the Future**

Estimates for the FY16-17 biennium indicate the District should receive about the same funding and in FY17-18 should see a decrease due to the CAUV tax. Casino revenues should be in the range of \$70,000 per year.

**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 Jenna Whitton, Treasurer at Versailles Exempted Village School District, 459 S. Center St, P.O. Box 313, Versailles, OH 45380 or at [jenna.whitton@vtigers.org](mailto:jenna.whitton@vtigers.org).

## *Basic Financial Statements*

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

**STATEMENT OF NET POSITION – CASH BASIS  
JUNE 30, 2016**

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	<u>\$ 10,771,154</u>	<u>\$ 247,355</u>	<u>\$ 11,018,509</u>
<b>Net Position</b>			
Restricted for:			
Capital Projects	681,144	-	681,144
Debt Service	2,190,647	-	2,190,647
Classroom Facilities Maintenance	284,066	-	284,066
Locally Funded Programs	6,400	-	6,400
State Funded Programs	5,400	-	5,400
Student Activities	41,744	-	41,744
Unrestricted	<u>7,561,753</u>	<u>247,355</u>	<u>7,809,108</u>
<b>Total Net Position</b>	<u>\$ 10,771,154</u>	<u>\$ 247,355</u>	<u>\$ 11,018,509</u>

See accompanying notes to the basis financial statements

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

**STATEMENT OF ACTIVITIES – CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Program Cash Receipts			Net(Disbursement) Receipts and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activity	Total
<b><u>Governmental Activities</u></b>						
Instruction:						
Regular	\$ 6,704,251	\$ 215,191	\$ 38,799	\$ (6,450,261)	\$ -	\$ (6,450,261)
Special	1,224,582	-	90,234	(1,134,348)	-	(1,134,348)
Vocational	263,066	-	105,964	(157,102)	-	(157,102)
Support Services:						
Pupils	498,833	-	221,302	(277,531)	-	(277,531)
Instructional Staff	264,633	-	22,621	(242,012)	-	(242,012)
Board of Education	16,373	-	-	(16,373)	-	(16,373)
Administration	1,173,937	-	5,400	(1,168,537)	-	(1,168,537)
Fiscal	398,042	-	-	(398,042)	-	(398,042)
Operation and Maintenance of Plant	1,204,215	5,719	45,061	(1,153,435)	-	(1,153,435)
Pupil Transportation	575,617	-	-	(575,617)	-	(575,617)
Central	306	-	-	(306)	-	(306)
Extracurricular Activities	530,491	270,957	-	(259,534)	-	(259,534)
Debt Service:						
Principal Retirement	11,276,841	-	-	(11,276,841)	-	(11,276,841)
Interest and Fiscal Charges	420,703	-	-	(420,703)	-	(420,703)
Bond Issuance Costs	159,572	-	-	(159,572)	-	(159,572)
<b>Total Governmental Activities</b>	<b>24,711,462</b>	<b>491,867</b>	<b>529,381</b>	<b>(23,690,214)</b>	<b>-</b>	<b>(23,690,214)</b>
<b><u>Business-Type Activity</u></b>						
Food Service	710,643	476,572	149,236	-	(84,835)	(84,835)
<b>Total</b>	<b>\$ 25,422,105</b>	<b>\$ 968,439</b>	<b>\$ 678,617</b>	<b>(23,690,214)</b>	<b>(84,835)</b>	<b>(23,775,049)</b>
<b><u>General Receipts</u></b>						
Property Taxes Levied for:						
General Purposes				3,089,200	-	3,089,200
Debt Service				736,109	-	736,109
Capital Maintenance				57,037	-	57,037
Income taxes Levied for General Purposes				1,937,716	-	1,937,716
Payments in Lieu of Taxes				35,666	-	35,666
Grants and Entitlements not Restricted						
to Specific Programs				8,544,477	-	8,544,477
Contributions and Donations not Restricted						
to Specific Programs				11,265	-	11,265
Investment Earnings				46,537	-	46,537
Sale of Assets				50	-	50
Miscellaneous				21,735	-	21,735
Debt Proceeds				9,816,413	-	9,816,413
<b>Total General Receipts</b>				<b>24,296,205</b>	<b>-</b>	<b>24,296,205</b>
Change in Net Position				605,991	(84,835)	521,156
Net Position Beginning of Year				10,165,163	332,190	10,497,353
Net Position End of Year				<b>\$ 10,771,154</b>	<b>\$ 247,355</b>	<b>\$ 11,018,509</b>

See accompanying notes to the basis financial statements

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

**STATEMENT OF ASSETS AND FUND BALANCES – CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>					
Equity in Pooled Cash and Cash Equivalents	\$ 7,561,753	\$ 2,190,647	\$ 681,144	\$ 337,610	\$ 10,771,154
<b><u>Fund Balances</u></b>					
Restricted	\$ -	\$ 2,190,647	\$ 681,144	\$ 337,610	\$ 3,209,401
Assigned	493,802	-	-	-	493,802
Unassigned	7,067,951	-	-	-	7,067,951
<b>Total Fund Balances</b>	<b>\$ 7,561,753</b>	<b>\$ 2,190,647</b>	<b>\$ 681,144</b>	<b>\$ 337,610</b>	<b>\$ 10,771,154</b>

See accompanying notes to the basis 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, 2016**

	General	Bond Retirement	Permanent Improvement	All Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$ 3,089,200	\$ 736,109	\$ -	\$ 57,037	\$ 3,882,346
Income Tax	1,937,716	-	-	-	1,937,716
Intergovernmental	8,551,568	98,873	-	419,149	9,069,590
Interest	46,537	-	-	-	46,537
Tuition and Fees	215,191	-	-	-	215,191
Rent	5,719	-	-	-	5,719
Extracurricular Activities	19,664	-	-	251,293	270,957
Gifts and Donations	11,265	-	4,268	-	15,533
Payments in Lieu of Taxes	35,666	-	-	-	35,666
Miscellaneous	21,735	-	-	-	21,735
<b>Total Receipts</b>	<u>13,934,261</u>	<u>834,982</u>	<u>4,268</u>	<u>727,479</u>	<u>15,500,990</u>
<b>Disbursements</b>					
Current:					
Instruction:					
Regular	6,665,452	-	-	38,799	6,704,251
Special	1,131,286	-	-	93,296	1,224,582
Vocational	263,066	-	-	-	263,066
Support Services:					
Pupils	277,531	-	-	221,302	498,833
Instructional Staff	248,133	-	-	16,500	264,633
Board of Education	16,373	-	-	-	16,373
Administration	1,173,937	-	-	-	1,173,937
Fiscal	380,663	16,094	-	1,285	398,042
Operation and Maintenance of Plant	805,690	-	269,676	128,849	1,204,215
Pupil Transportation	442,346	-	133,271	-	575,617
Central	306	-	-	-	306
Extracurricular Activities	300,884	-	-	229,607	530,491
Debt Service:					
Principal	-	1,620,000	-	-	1,620,000
Interest	-	420,703	-	-	420,703
Issuance Costs	-	159,572	-	-	159,572
<b>Total Disbursements</b>	<u>11,705,667</u>	<u>2,216,369</u>	<u>402,947</u>	<u>729,638</u>	<u>15,054,621</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,228,594</u>	<u>(1,381,387)</u>	<u>(398,679)</u>	<u>(2,159)</u>	<u>446,369</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	-	900,000	-	-	900,000
Refunding Bonds Issued	-	9,390,000	-	-	9,390,000
Premium on Refunding Bonds Issued	-	426,413	-	-	426,413
Proceeds from Sale of Capital Assets	50	-	-	-	50
Transfers Out	(900,000)	-	-	-	(900,000)
Payment to Refunded Bond Escrow Agent	-	(9,656,841)	-	-	(9,656,841)
<b>Total Other Financing Sources and Uses</b>	<u>(899,950)</u>	<u>1,059,572</u>	<u>-</u>	<u>-</u>	<u>159,622</u>
Net Change in Fund Balances	1,328,644	(321,815)	(398,679)	(2,159)	605,991
Fund Balance at Beginning of Year	6,233,109	2,512,462	1,079,823	339,769	10,165,163
Fund Balance at End of Year	<u>\$ 7,561,753</u>	<u>\$ 2,190,647</u>	<u>\$ 681,144</u>	<u>\$ 337,610</u>	<u>\$ 10,771,154</u>

See accompanying notes to the basis 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, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Property Taxes	\$ 2,673,052	\$ 3,089,200	\$ 3,089,200	\$ -
Income Tax	1,676,685	1,937,716	1,937,716	-
Intergovernmental	7,401,666	8,553,979	8,553,979	-
Interest	40,268	46,537	46,537	-
Tuition and Fees	182,030	210,369	210,369	-
Rent	4,949	5,719	5,719	-
Contributions and Donations	6,116	7,068	7,068	-
Payments in Lieu of Taxes	30,861	365,666	35,666	(330,000)
Miscellaneous	458	529	529	-
<b>Total Receipts</b>	<u>12,016,085</u>	<u>14,216,783</u>	<u>13,886,783</u>	<u>(330,000)</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	7,742,910	7,086,299	6,664,051	422,248
Special	1,255,034	1,306,415	1,268,267	38,148
Vocational	296,139	297,280	263,987	33,293
Support Services:				
Pupils	334,856	334,856	247,735	87,121
Instructional Staff	272,267	285,394	258,019	27,375
Board of Education	25,122	25,186	16,373	8,813
Administration	1,358,855	1,360,028	1,212,454	147,574
Fiscal	431,653	437,435	382,954	54,481
Operation and Maintenance of Plant	1,045,505	1,045,814	986,380	59,434
Pupil Transportation	533,512	568,629	522,497	46,132
Central	7,397	7,397	309	7,088
Extracurricular Activities				
Academic Oriented Activities	38,968	38,968	32,981	5,987
Occupation Oriented Activities	268,288	275,548	267,904	7,644
<b>Total Disbursements</b>	<u>13,610,506</u>	<u>13,069,249</u>	<u>12,123,911</u>	<u>945,338</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,594,421)</u>	<u>1,147,534</u>	<u>1,762,872</u>	<u>615,338</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Assets	50	50	50	-
Refund of Prior Year Expenditures	17,666	17,666	17,666	-
Transfers Out	(500,000)	(900,000)	(900,000)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(482,284)</u>	<u>(882,284)</u>	<u>(882,284)</u>	<u>-</u>
Net Change in Fund Balances	(2,076,705)	265,250	880,588	615,338
Fund Balance at Beginning of Year	5,664,804	5,664,804	5,664,804	-
Prior Year Encumbrances Appropriated	480,247	480,247	480,247	-
Fund Balance at End of Year	<u>\$ 4,068,346</u>	<u>\$ 6,410,301</u>	<u>\$ 7,025,639</u>	<u>\$ 615,338</u>

See accompanying notes to the basic financial statements



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

**STATEMENT OF FUND NET POSITION – CASH BASIS  
PROPRIETARY FUND  
JUNE 30, 2016**

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	<u>Enterprise Fund</u>
	<u>Food Service</u>
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 247,355</u>
<b><u>Net Position</u></b>	
Unrestricted	<u>\$ 247,355</u>

See accompanying notes to the basis financial statements

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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND NET POSITION –  
CASH BASIS – PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Enterprise Fund
	Food Service
<b><u>Operating Receipts</u></b>	
Sales	\$ 476,572
<b>Total Operating Receipts</b>	476,572
<b><u>Operating Disbursements</u></b>	
Salaries	277,615
Fringe Benefits	92,206
Purchased Services	17,619
Materials and Supplies	301,348
Other	599
Capital Outlay	21,256
<b>Total Operating Disbursements</b>	710,643
Operating Loss	(234,071)
<b><u>Non-Operating Receipts</u></b>	
Federal and State Subsidies	149,236
Change in Net Position	(84,835)
Net Position at Beginning of Year	332,190
Net Position at End of Year	\$ 247,355

See accompanying notes to the basis financial statements

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

**STATEMENT OF FIDUCIARY NET POSITION –CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2016**

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	<u>Agency</u>
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 103,862</u>
<b><u>Net Position</u></b>	
Held on Behalf of Students	98,302
Held on Behalf of Others	<u>5,560</u>
<b>Total Net Position</b>	<u>\$ 103,862</u>

See accompanying notes to the basis financial statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**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 68 non-certificated employees, 89 certificated employees who provide services to 1,380 students and other community members. The District currently operates one instructional and one administrative building.

The District participates in two 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

Public Entity Risk Pool:

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

Related Organization:

Worch Memorial Library

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, 2016  
(CONTINUED)**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)

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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.

*Bond Retirement Fund* - This fund is used to account for the retirement of serial bonds and short term notes and loans. All revenue derived from general or special levies, either within or exceeding the ten-mil limitation, which is levied for debt charges on bonds, notes or loans shall be paid into this fund.

*Permanent Improvement Fund* - This fund is used to account for all transactions related to the acquiring, construction, or improving of such permanent improvements.

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, 2016  
(CONTINUED)

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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 funds account 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) and deferred inflows and outflows of resources 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, 2016  
(CONTINUED)**

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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, 2016  
(CONTINUED)**

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

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

During fiscal year 2016, investments were limited to STAR Ohio, Negotiable CD's, U.S. Government money market mutual funds and U.S Agency Notes. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for at June 30, 2016.

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 2016 was \$46,537, which included \$13,866 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, 2016  
(CONTINUED)**

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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. Pensions**

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**M. 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.

**N. Net Position**

Net Position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The restricted component of net position is reported when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The government-wide statement of net position reports \$3,209,401 of the restricted component of net position, none of which is restricted by enabling legislation. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)**

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

**O. 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 2015.

**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 2015.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)

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

O. **Fund Balance** (Continued)

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.

P. **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**

A. **Changes in Accounting Principles**

GASB Statement No. 72, *Fair Value Measurement of Application*. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurement. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District has implemented but did not impact the District's financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The District has implemented but did not impact the District's financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES**

A. **Changes in Accounting Principles**

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The District has implemented but did not impact the District's financial statements.

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, Bond Retirement, Permanent Improvement, and Other Governmental funds are presented below:

Fund Balances	General	Bond Retirement	Permanent Improvement	Other Governmental	Total
<i>Restricted for</i>					
Capital Projects	\$ -	\$ -	\$ 681,144	\$ -	\$ 681,144
Debt Service	-	2,190,647	-	-	2,190,647
Classroom Facilities					
Maintenance	-	-	-	284,066	284,066
Locally Funded Programs	-	-	-	6,400	6,400
Federally Funded					
Programs	-	-	-	5,400	5,400
Student Activities	-	-	-	41,744	41,744
<i>Total Restricted</i>	<u>-</u>	<u>2,190,647</u>	<u>681,144</u>	<u>337,610</u>	<u>3,209,401</u>
<i>Assigned to</i>					
Instruction	157,419	-	-	-	157,419
Support Services	308,664	-	-	-	308,664
Public School Support	27,719	-	-	-	27,719
<i>Total Assigned</i>	<u>493,802</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>493,802</u>
<i>Unassigned</i>	<u>7,067,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,067,951</u>
<b>Total Fund Balances</b>	<u>\$ 7,561,753</u>	<u>\$ 2,190,647</u>	<u>\$ 681,144</u>	<u>\$ 337,610</u>	<u>\$ 10,771,154</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(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, deferred outflows/inflows of resources, net position/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 are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than restricted, committed, or assigned fund balance (cash basis) and three funds were budgeted as special revenue funds, but are reported as part of the General Fund on the cash basis statements in accordance with GASB Statement No. 54.

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

Net Change in Fund Balance	
	General
Cash Basis	\$ 1,328,644
Encumbrances	(466,083)
Funds Budgeted as Special Revenue Funds but Reported as part of the General Fund for the Cash Basis Reports	18,027
<b>Budget Basis</b>	<b>\$ 880,588</b>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)**

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**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, 2016  
(CONTINUED)**

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**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 (STAR Ohio); and
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 \$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. \$3,750,000 of the District's bank balance of \$5,145,881 was covered by Federal Depository Insurance and \$1,395,881 was uninsured and collateralized with securities held by the pledging financial institution's trust department, but not in the District's name. \$3,500,000 of the bank balance consists of certificates of deposit issued by The Park National Bank utilizing the Certificate of Deposit Account Registry Service (CDARS).

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)**

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

**Investments**

As of June 30, 2016, the District's investments were STAR Ohio, Negotiable CD's, U.S. Government money market mutual funds and U.S. Agency Notes. The carrying and fair value of STAR Ohio was \$1,277,944 with an average maturity of 51 days. The carrying and fair value of the Negotiable CD's was \$ 1,247,572 and \$1,282,700, respectively, and the carrying and fair value of the U.S. Government money market and notes were \$3,596,989 and \$3,603,239, respectively.

***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 and the U.S Agency Notes carry a rating of AA+ by Standard & Poor's. STAR Ohio 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 STAR Ohio 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, 2016  
(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 and public utility property located in the District. Real property tax receipts received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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 2015 represent the collection of calendar year 2014 taxes. Public utility personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility 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, 2016, are available to finance fiscal year 2016 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 2016 taxes were collected are:

	<u>2015 Second Half Collections</u>		<u>2016 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Property	\$ 166,711,210	98.93%	\$ 168,152,270	99.01%
Public Utility Property	1,803,800	1.07%	1,689,606	0.99%
	<u>\$ 168,515,010</u>	<u>100.00%</u>	<u>\$ 169,841,876</u>	<u>100.00%</u>
 Tax Rate				
(per \$1,000 of Assessed Valuation)	<u>\$ 43.85</u>		<u>\$ 41.96</u>	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)**

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**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 levied 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 2015, the General Fund transferred \$900,000 to the Bond Retirement Fund to pay for the debt payments associated with the long-term debt obligations.

**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 2016, the District contracted with Phelan Insurance Agency for the following insurance coverage:

Property (\$5,000 deductible, subject to scheduled limits)	\$ 54,124,420
Boiler and Machinery (\$5,000 deductible)	54,124,420
Auto Liability/Physical Damage (\$1,000 deductible)	1,000,000
General Liability - Aggregate Limit	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, 2016  
(CONTINUED)**

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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 2016, 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, 2016  
(CONTINUED)

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NOTE 12: **PENSION PLANS**

**A. Net Pension Liability**

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the total employer contributions of all participating entities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)

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

**A. Net Pension Liability** (Continued)

Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$3,219,420	\$13,903,978	\$17,123,398
Proportion of the Net Pension Liability	0.0564207%	0.05030915%	

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation:	3.25 percent
Future Salary Increases, including inflation:	4.00 percent to 22 percent
COLA or Ad Hoc COLA:	3 percent
Investment Rate of Return:	7.75 percent net of investments expense, including inflation
Actuarial Cost Method:	Entry Age Normal

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)

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

**A. Net Pension Liability** (Continued)

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
 Total	 <u>100.00 %</u>	

***Discount Rate*** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)

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

**A. Net Pension Liability** (Continued)

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate (dollar amounts in thousands):

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$4,464	\$3,219	\$2,171

***Actuarial Assumptions - STRS***

The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.75 percent
Salary increases:	12.25% at age of 20 to 2.75% at age 70
Investment Rate of Return:	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA):	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)

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

**A. Net Pension Liability** (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

***Discount Rate*** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

***Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-a point higher (8.75 percent) than the current rate (dollar amounts in thousands):

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$19,314	13,904	\$9,329

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)

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

**B. School Employees Retirement System (SERS)**

*Plan Description* – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

*Funding Policy* – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14.00 percent. 0.00 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)**

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

**B. School Employees Retirement System (SERS)** (Continued)

The District's contractually required contribution to SERS was \$248,915 for fiscal year 2016.

**C. State Teachers Retirement System (STRS)**

*Plan Description* – STRS Ohio is a cost-sharing multiple employer statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or part, by the state or any political subdivision thereof. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

Additional financial information supporting the preparation of the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer, including the disclosure of the net pension liability and the unmodified audit opinion on the financial statements is located in STRS Ohio's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. The supporting actuarial information is included in the Schedules of Changes in Employers' Net Pension Liability and Employers' Net Pension Liability and Notes to Required Supplementary Information in STRS Ohio's June 30, 2015 CAFR and the Actuarial Valuation and Review as of July 1, 2015. The CAFR and actuarial valuation reports are available at [www.strsoh.org](http://www.strsoh.org) or by contacting STRS Ohio at: State Teachers Retirement System of Ohio, 275 E. Broad St., Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)**

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

**C. State Teachers Retirement System (STRS)** (Continued)

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 DB Plan and the DC Plan. In the Combined Plan, 11.0 of the 12.0 percent member rates goes to the DC Plan and 1.0 percent goes to the DB plan. Member contributions to the DC plan are allocated among investment choices by the member, and contributions to the DB plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options in the GASB 68 schedules of employer allocation and pension amounts by employer.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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* – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. Through June 30, 2015, the employer rate was 14.0 percent and the member rate was 12.0 percent of covered payroll. The statutory employer rate for fiscal 2016 and subsequent years is 14.0 percent. The statutory member contribution rate increased to 13.0 percent on July 1, 2015 and will increase to 14.0 percent on July 1, 2016.

The District's contractually required contribution to STRS was \$835,499 for fiscal year 2016.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)

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

**D. 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, 2016, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13: **POST-EMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

*Plan Description* – In addition to a cost-sharing multiple-employer defined benefit pension plan described in Note 9, the School Employees Retirement System (SERS) administers two postemployment benefit plans.

**Health Care Plan** - Sections 3309.375 and 3309.69 of the Ohio Revised Code permit 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 Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

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 pensions and benefits, the Retirement Board may allocate the remainder of the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2016, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the minimum compensation level was established at \$23,000. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2016, 2015 and 2014 were \$30,189, \$45,451, \$31,152, respectively; 86.91 percent has been contributed for fiscal year 2016 and 100 percent for fiscal years 2015 and 2014.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)

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

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

The SERS 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.

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

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

*Plan Description* – STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

*Funding Policy* - Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14.00 percent employer contribution rate, 0.00 percent of covered payroll was allocated to post-employment health care for the year ended June 30, 2015 (latest information available). For the years ended June 30, 2014, and 2013, 1.00 percent of covered payroll was allocated to post-employment health care. The 14.00 percent employer contribution rate is the maximum rate established under Ohio law. For the fiscal years ended June 30, 2016, 2015, and 2014, the District's contributions to post-employment health care were \$0, \$0, \$36,762 respectively; 84.52 percent has been contributed for 2016 and 100 percent for fiscal years 2015 and 2014.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)**

**NOTE 14: DEBT**

The changes in the District's long-term obligations during fiscal year 2016 were as follows:

	<u>Rate</u>	<u>6/30/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2016</u>	<u>One Year</u>
<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%	2,790,000	-	2,355,000	435,000	435,000
Capital Appreciation	4.4-4.45%	152,998	-	-	152,998	-
2015 School Improvement Refunding Bond						
Serial	1.00-4.00%	-	9,390,000	-	9,390,000	85,000
<b>Total General Long-Term Debt</b>		<u>\$ 11,157,998</u>	<u>\$ 9,390,000</u>	<u>\$ 10,570,000</u>	<u>\$ 9,977,998</u>	<u>\$ 520,000</u>

**Classroom Facilities General Obligation Bonds –**

The District issued bonds in the amount of \$13,877,998 to finance the construction of new school facilities. The bond issue included serial, term and capital appreciation bonds, in the amount of \$5,510,000, \$8,215,000, and \$152,998 respectively. The bonds were issued for a twenty-seven year period, with final maturity in fiscal year 2035.

On December 8, 2015 the District issued \$9,390,000 of general obligation serial bonds. The bonds partially refunded the 2007 general obligation term and serial bonds. At the date of refunding, \$9,816,413 (including premium) was received to pay off old debt. The bonds were issued for a twenty-seven year period, with final maturity in fiscal year 2035.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)**

NOTE 14: **DEBT** (Continued)

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2016, were as follows:

Fiscal Year ending June 30	2007 Bond	2015 Bond	Capital Appreciation	Interest	Total
2017	\$ 435,000	\$ 85,000	\$ -	\$ 297,888	\$ 817,888
2018	-	80,000	82,642	661,121	823,763
2019	-	85,000	70,356	671,756	827,112
2020	-	465,000	-	280,813	745,813
2021	-	475,000	-	271,413	746,413
2022-2026	-	2,525,000	-	1,178,606	3,703,606
2027-2031	-	2,930,000	-	760,150	3,690,150
2032-2035	-	2,745,000	-	209,125	2,954,125
	<u>\$ 435,000</u>	<u>\$ 9,390,000</u>	<u>\$ 152,998</u>	<u>\$ 4,330,872</u>	<u>\$ 14,308,870</u>

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.

The following cash basis information identifies the changes in the fund balance reserves for capital improvements during fiscal year 2016:

	Capital Acquisition
Set-aside balances as of June 30, 2015	\$0
Current year set-aside requirements	212,988
Current year offsets	(63,689)
Qualifying disbursements	(149,299)
Total	<u>\$0</u>

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)**

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**NOTE 16: CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

**B. Litigation**

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

**C. State Foundation Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time.

**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 2016, the District paid \$21,688 to MDECA. Financial information can be obtained from Dean A Reineke, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)**

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

**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 primarily made from the General Fund. During fiscal year 2016, the District paid a total of \$1,328,426 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.

**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.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(CONTINUED)

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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, Meme Marlow, Director at 790 S Center Street, Versailles, Ohio 45380.

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

Board of Education  
Versailles Exempted Village School District  
Versailles, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activity, 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, 2016, and the related notes to the financial statements, which collectively comprise the Versailles Exempted Village School District, Ohio's basic financial statements and have issued our report thereon dated September 15, 2016, wherein we noted that the Versailles Exempted Village School District, Ohio, uses a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Versailles Exempted Village School District, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Versailles Exempted Village School District, Ohio's internal control.

*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 District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Versailles Exempted Village School District, Ohio's financial statements are free from 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 **Item 2016-001**.

### Versailles Exempted Village School District Response to Finding

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. The Versailles Exempted Village School District, Ohio's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Versailles Exempted Village School District, Ohio's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka,  
CPA, President

Digitally signed by James G. Zupka, CPA,  
President  
DN: cn=James G. Zupka, CPA, President,  
o=James G. Zupka, CPA, Inc., ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2016.10.28 11:40:39 -04'00'

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

September 15, 2016

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT  
DARKE COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2016**

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

**Finding 2016-001 – 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 PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
 JUNE 30, 2016**

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Finding Number	Finding Summary	Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken, or Finding No Valid: <b>Explanation</b>
2015-001	Failure to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.	No	Reissued as 2016-001.

The prior audit report, as of June 30, 2015, also included management letter recommendations. Management letter recommendations as of June 30, 2015, have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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# Dave Yost • Auditor of State

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT**

**DARKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 29, 2016**