

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

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

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, 2014 through June 30, 2015. 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

January 14, 2016

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VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

Certified Public Accountants

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INDEPENDENT AUDITOR’S REPORT

Board of Education
Versailles Exempted Village School District
Versailles, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

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, 2015, 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 the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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, 2015, 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

Supplemental and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Versailles Exempted Village School District, Ohio's basic financial statements. The Schedule of Expenditures of Federal Awards (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements.

The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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 October 13, 2015, 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
James G. Zupka, CPA, Inc.
Certified Public Accountants

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: 2015.11.06 08:42:46 -05'00'

October 13, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

The management discussion and analysis of the Versailles Exempted Village School District (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2015, 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 2015 are:

- In total, Governmental net position increased by \$941,515 primarily due to an increase in state funding and the property taxes.
- General receipts related to governmental activities accounted for \$13,501,473 or 93.37 percent of total receipts. Program specific receipts in the form of charges for services and sales, and grants and contributions accounted for \$959,202 or 6.63 percent of total receipts of \$14,460,675.
- The District had \$13,518,660 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 \$12,742,798 in receipts and other financing sources, \$11,163,688 in disbursements and other financing uses. During fiscal year 2015, the General Fund's fund balance increased by \$1,579,110 from \$4,653,999 to \$6,233,109.
- 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, 2015
(UNAUDITED)**

Using these Basic Financial Statements

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

The *Statement of Net 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, 2015
(UNAUDITED)**

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 2015, 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 Activities** – These services are provided on a charge for goods or services basis to recover all of the costs of the goods or services provided. The District's food service is reported as a business-type activity.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

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, 2015
(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 2015 compared to 2014 on a cash basis:

Table 1 - Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<u>ASSETS</u>						
Equity in pooled cash and cash equivalents	\$ 10,165,163	\$ 9,223,648	\$ 332,190	\$ 384,625	\$ 10,497,353	\$ 9,608,273
<u>NET POSITION</u>						
Restricted	3,932,054	4,569,649	-	-	3,932,054	4,569,649
Unrestricted	6,233,109	4,653,999	332,190	384,625	6,565,299	5,038,624
Total Net Position	\$ 10,165,163	\$ 9,223,648	\$ 332,190	\$ 384,625	\$ 10,497,353	\$ 9,608,273

By comparing net position from 2015 to 2014, one can see the overall cash position of the District has improved by the increase in net position of \$889,080.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Table 2 shows the changes in net position for fiscal year 2015 compared to 2014 on a cash basis:

	Table 2 - Changes in Net Position					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
<u>RECEIPTS</u>						
Program Cash Receipts:						
Charges for Services and Sales	\$ 465,756	\$ 513,371	\$ 480,297	\$ 443,244	\$ 946,053	\$ 956,615
Operating Grants and Contributions	493,446	466,277	132,928	156,074	626,374	622,351
Total Program Cash Receipts	959,202	979,648	613,225	599,318	1,572,427	1,578,966
General Receipts:						
Property Taxes	3,768,255	3,447,330	-	-	3,768,255	3,447,330
Income Taxes	1,876,720	1,690,892	-	-	1,876,720	1,690,892
Payment in Lieu of Taxes	39,364	21,570	-	-	39,364	21,570
Grants and Entitlements	7,777,349	7,173,549	-	-	7,777,349	7,173,549
Contributions and Donations	5,725	16,302	-	-	5,725	16,302
Investment Earnings	17,332	18,469	-	-	17,332	18,469
Sale of Assets	6,956	28,441	-	-	6,956	28,441
Miscellaneous	9,772	15,975	-	473	9,772	16,448
Total General Receipts	13,501,473	12,412,528	-	473	13,501,473	12,413,001
Total Receipts	14,460,675	13,392,176	613,225	599,791	15,073,900	13,991,967
<u>DISBURSEMENTS</u>						
Program Cash Disbursements:						
Instruction:						
Regular	6,005,640	5,732,003	-	-	6,005,640	5,732,003
Special	1,076,220	1,080,748	-	-	1,076,220	1,080,748
Vocational	232,932	251,570	-	-	232,932	251,570
Adult/Continuing	5,963	-	-	-	5,963	-
Supporting Services:						
Pupils	502,603	504,618	-	-	502,603	504,618
Instructional Staff	240,811	222,208	-	-	240,811	222,208
Board of Education	16,011	15,946	-	-	16,011	15,946
Administration	1,080,640	1,064,028	-	-	1,080,640	1,064,028
Fiscal	407,561	380,450	-	-	407,561	380,450
Operation and Maintenance of Plant	1,924,600	1,472,885	-	-	1,924,600	1,472,885
Pupil Transportation	500,528	573,836	-	-	500,528	573,836
Central	3,167	4,467	-	-	3,167	4,467
Extracurricular Activities	518,171	468,766	-	-	518,171	468,766
Capital Outlay	111,157	267	-	-	111,157	267
Debt Service	893,156	894,056	-	-	893,156	894,056
Food Service	-	-	665,660	559,325	665,660	559,325
Total Disbursements	13,519,160	12,665,848	665,660	559,325	14,184,820	13,225,173
Change in Net Position	941,515	726,328	(52,435)	40,466	889,080	766,794
Net Position - Beginning of Year	9,223,648	8,497,320	384,625	344,159	9,608,273	8,841,479
Net Position - End of Year	\$ 10,165,163	\$ 9,223,648	\$ 332,190	\$ 384,625	\$ 10,497,353	\$ 9,608,273

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Governmental Activities

The vast majority of receipts supporting all governmental activities consist of general receipts. General receipts totaled \$13,501,473 or 93.37 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 \$959,202 or only 6.63 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 \$7,320,755 or 54.15 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 increased due to an increase in permanent improvement expenditures.

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 2015	Total Cost of Services 2014	Net Cost of Services 2015	Net Cost of Services 2014
Instruction	\$ 7,320,755	\$ 7,064,321	\$ 6,858,216	\$ 6,563,252
Supporting Services:				
Pupils and Instructional Staff	743,414	726,826	519,767	487,892
Board of Education, Administration, and Fiscal	1,504,212	1,460,424	1,498,812	1,455,024
Operation and Maintenance of Plant	1,924,600	1,472,885	1,888,598	1,466,705
Pupil Transportation	500,528	573,836	500,528	573,836
Central	3,167	4,467	3,167	4,467
Extracurricular Activities	518,171	468,766	286,557	240,701
Capital Outlay	111,157	267	111,157	267
Debt Service	893,156	894,056	893,156	894,056
Total Cost of Service	\$ 13,519,160	\$ 12,665,848	\$ 12,559,958	\$ 11,686,200

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Business Type Activities

Business-type activities include the food service operation. This program had receipts of \$613,225 and disbursements of \$665,660 in fiscal year 2015, or a decrease in net position of \$52,435.

The District’s Funds

The District’s governmental funds reported a combined fund balance of \$10,165,163, which is higher than last year’s balance of \$9,223,648. The following table indicates the fund balance and the change in fund balance from June 30, 2014 to June 30, 2015 for each major governmental fund and the total of the nonmajor governmental funds.

Table 4 - Governmental Fund Balances

	Fund Balance June 30, 2015	Fund Balance June 30, 2014	Increase (Decrease)	Percentage Change
General	\$ 6,233,109	\$ 4,653,999	\$ 1,579,110	33.93%
Bond Retirement	2,512,462	805,115	1,707,347	212.06%
Permanent Improvement	1,079,823	129,821	950,002	731.78%
Other Governmental	339,769	3,634,713	(3,294,944)	-90.65%
Total	\$ 10,165,163	\$ 9,223,648	\$ 941,515	10.21%

The District’s General Fund balance increased \$1,579,110 which can be attributed to increases in state funding, property tax and the school district income tax.

The District’s Bond Retirement Fund and Permanent Improvement Fund increased by \$1,707,347 and 950,002, respectively, and Other Governmental Funds decreased by \$3,294,944 mainly due to during fiscal year 2015, the Classroom Facilities Assistance Program (state building) project was formally closed and the under spent state funds and interest earnings in the Classroom Facilities Fund were returned to the State of Ohio and to local taxpayers by transfers to the Bond Retirement and Permanent Improvement Funds. Disbursements increased in the Permanent Improvement Fund due to purchases of chrome books for 1-1 pilot program.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(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.

The original and final budgeted General Fund receipts and other financing sources were \$12,033,800. Actual receipts and other financing sources were \$12,737,414, which was \$703,614 higher than the final budgeted receipts.

During the course of fiscal year 2015, the District amended its General Fund budget several times. General Fund original appropriations and other financing uses were \$14,036,827 and final appropriations and other financing uses were \$14,075,827. The actual budget basis disbursements and other financing uses for fiscal year 2015 totaled \$11,619,844 which was \$2,455,983 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, 2015, the District had \$11,157,998 in bonds with \$420,000 due within one year. Table 5 summarizes the District's bonds outstanding.

Table 5 - Outstanding Debt at Year End

	Governmental Activities	
	2015	2014
General Obligation Bonds:		
Term	\$ 8,215,000	\$ 8,215,000
Serial	2,790,000	3,195,000
Capital Appreciation	152,998	152,998
Total Outstanding Debt	\$ 11,157,998	\$ 11,562,998

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, 2015
(UNAUDITED)**

For the Future

Early estimates for the FY15-16 biennium indicate the District will receive an increase in funding of \$1,400,000. Casino revenues should be in the range of \$70,000 per year. The FY15-16 biennium should be a very strong fiscal period for the District.

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 Meyer, Treasurer at Versailles Exempted Village School District, 459 S. Center St, P.O. Box 313, Versailles, OH 45380 or at jenna_meyer@darke.k12.oh.us.

Basic Financial Statements

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

**STATEMENT OF NET POSITION – CASH BASIS
JUNE 30, 2015**

	Governmental Activities	Business-Type Activity	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 10,165,163	\$ 332,190	\$ 10,497,353
<u>Net Position</u>			
Restricted for:			
Capital Projects	1,079,823	-	1,079,823
Debt Service	2,512,462	-	2,512,462
Classroom Facilities Maintenance	316,370	-	316,370
Federally Funded Programs	3,341	-	3,341
Student Activities	20,058	-	20,058
Unrestricted	6,233,109	332,190	6,565,299
Total Net Position	\$ 10,165,163	\$ 332,190	\$ 10,497,353

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, 2015**

	Program Cash Receipts			Net(Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activity	Total
<u>Governmental Activities</u>						
Instruction:						
Regular	\$ 6,005,640	\$ 231,457	\$ 47,591	\$ (5,726,592)	\$ -	\$ (5,726,592)
Special	1,076,220	-	124,561	(951,659)	-	(951,659)
Vocational	232,932	-	58,930	(174,002)	-	(174,002)
Adult/Continuing	5,963	-	-	(5,963)	-	(5,963)
Support Services:						
Pupils	502,603	-	218,016	(284,587)	-	(284,587)
Instructional Staff	240,811	-	5,631	(235,180)	-	(235,180)
Board of Education	16,011	-	-	(16,011)	-	(16,011)
Administration	1,080,640	-	5,400	(1,075,240)	-	(1,075,240)
Fiscal	407,561	-	-	(407,561)	-	(407,561)
Operation and Maintenance of Plant	1,924,600	2,685	33,317	(1,888,598)	-	(1,888,598)
Pupil Transportation	500,528	-	-	(500,528)	-	(500,528)
Central	3,167	-	-	(3,167)	-	(3,167)
Extracurricular Activities	518,171	231,614	-	(286,557)	-	(286,557)
Capital Outlay	111,157	-	-	(111,157)	-	(111,157)
Debt Service	893,156	-	-	(893,156)	-	(893,156)
Total Governmental Activities	13,519,160	465,756	493,446	(12,559,958)	-	(12,559,958)
<u>Business-Type Activity</u>						
Food Service	665,660	480,297	132,928	-	(52,435)	(52,435)
Total	\$ 14,184,820	\$ 946,053	\$ 626,374	(12,559,958)	(52,435)	(12,612,393)
<u>General Receipts</u>						
Property Taxes Levied for:						
General Purposes				2,830,111	-	2,830,111
Debt Service				881,757	-	881,757
Capital Maintenance				56,387	-	56,387
Income Taxes Levied for General Purposes				1,876,720	-	1,876,720
Payments in Lieu of Taxes				39,364	-	39,364
Grants and Entitlements not Restricted						
to Specific Programs				7,777,349	-	7,777,349
Contributions and Donations not Restricted						
to Specific Programs				5,725	-	5,725
Investment Earnings				17,332	-	17,332
Sale of Assets				6,956	-	6,956
Miscellaneous				9,772	-	9,772
Total General Receipts and Transfers				13,501,473	-	13,501,473
Change in Net Position				941,515	(52,435)	889,080
Net Position Beginning of Year				9,223,648	384,625	9,608,273
Net Position End of Year				\$ 10,165,163	\$ 332,190	\$ 10,497,353

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, 2015**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$ 6,233,109	\$ 2,512,462	\$ 1,079,823	\$ 339,769	\$ 10,165,163
<u>Fund Balances</u>					
Restricted	\$ -	\$ 2,512,462	\$ 1,079,823	\$ 339,769	\$ 3,932,054
Assigned	508,521	-	-	-	508,521
Unassigned	5,724,588	-	-	-	5,724,588
Total Fund Balances	\$ 6,233,109	\$ 2,512,462	\$ 1,079,823	\$ 339,769	\$ 10,165,163

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, 2015**

	General	Bond Retirement	Permanent Improvement	All Other Governmental Funds	Total Governmental Funds
Receipts					
Property Taxes	\$ 2,830,111	\$ 881,757	\$ -	\$ 56,387	\$ 3,768,255
Income Tax	1,876,720	-	-	-	1,876,720
Intergovernmental	7,707,364	125,593	-	437,838	8,270,795
Interest	14,009	-	-	3,323	17,332
Tuition and Fees	231,457	-	-	-	231,457
Rent	2,685	-	-	-	2,685
Extracurricular Activities	25,807	-	-	205,807	231,614
Contributions and Donations	4,824	-	-	901	5,725
Payments in Lieu of Taxes	39,364	-	-	-	39,364
Miscellaneous	9,621	-	-	151	9,772
Total Receipts	12,741,962	1,007,350	-	704,407	14,453,719
Disbursements					
Current:					
Instruction:					
Regular	5,957,796	-	-	47,844	6,005,640
Special	946,354	-	-	129,866	1,076,220
Vocational	232,932	-	-	-	232,932
Adult/Continuing	5,963	-	-	-	5,963
Support Services:					
Pupils	284,840	-	-	217,763	502,603
Instructional Staff	235,082	-	-	5,729	240,811
Board of Education	16,011	-	-	-	16,011
Administration	1,075,240	-	-	5,400	1,080,640
Fiscal	385,325	20,909	-	1,327	407,561
Operation and Maintenance of Plant	831,498	-	959,406	133,696	1,924,600
Pupil Transportation	413,127	-	87,401	-	500,528
Central	3,167	-	-	-	3,167
Extracurricular Activities	281,353	-	-	236,818	518,171
Capital Outlay	-	-	-	111,157	111,157
Debt Service:					
Principal	-	405,000	-	-	405,000
Interest	-	488,156	-	-	488,156
Total Disbursements	10,668,688	914,065	1,046,807	889,600	13,519,160
Excess of Receipts Over (Under) Disbursements	2,073,274	93,285	(1,046,807)	(185,193)	934,559
Other Financing Sources (Uses)					
Transfers In	-	1,614,062	1,990,689	45,000	3,649,751
Proceeds from Sale of Assets	836	-	6,120	-	6,956
Transfers Out	(495,000)	-	-	(3,154,751)	(3,649,751)
Total Other Financing Sources (Uses)	(494,164)	1,614,062	1,996,809	(3,109,751)	6,956
Net Change in Fund Balances	1,579,110	1,707,347	950,002	(3,294,944)	941,515
Fund Balance at Beginning of Year	4,653,999	805,115	129,821	3,634,713	9,223,648
Fund Balance at End of Year	\$ 6,233,109	\$ 2,512,462	\$ 1,079,823	\$ 339,769	\$ 10,165,163

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, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Property Taxes	\$ 2,508,800	\$ 2,508,800	\$ 2,830,111	\$ 321,311
Income Tax	1,515,300	1,515,300	1,876,720	361,420
Intergovernmental	7,690,750	7,690,750	7,707,364	16,614
Interest	11,750	11,750	14,009	2,259
Tuition and Fees	238,200	238,200	193,843	(44,357)
Rent	6,000	6,000	2,685	(3,315)
Contributions and Donations	2,550	2,550	2,550	-
Payments in Lieu of Taxes	17,450	17,450	39,364	21,914
Miscellaneous	6,656	6,656	3,785	(2,871)
Total Receipts	<u>11,997,456</u>	<u>11,997,456</u>	<u>12,670,431</u>	<u>672,975</u>
Disbursements				
Current:				
Instruction:				
Regular	6,515,638	6,546,638	6,011,093	535,545
Special	1,331,087	1,329,087	1,093,204	235,883
Vocational	392,039	392,039	240,253	151,786
Support Services:				
Pupils	428,792	428,792	258,314	170,478
Instructional Staff	409,906	409,906	257,580	152,326
Board of Education	28,127	28,127	16,766	11,361
Administration	1,423,477	1,433,477	1,170,478	262,999
Fiscal	456,364	466,364	390,202	76,162
Operation and Maintenance of Plant	1,129,781	1,129,781	931,316	198,465
Pupil Transportation	675,628	665,628	467,784	197,844
Central	11,183	11,183	6,000	5,183
Extracurricular Activities				
Academic Oriented Activities	37,220	37,220	31,516	5,704
Occupation Oriented Activities	267,585	267,585	250,338	17,247
Total Disbursements	<u>13,106,827</u>	<u>13,145,827</u>	<u>11,124,844</u>	<u>2,020,983</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,109,371)</u>	<u>(1,148,371)</u>	<u>1,545,587</u>	<u>2,693,958</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	3,500	3,500	836	(2,664)
Refund of Prior Year Expenditures	32,844	32,844	66,147	33,303
Transfers Out	(930,000)	(930,000)	(495,000)	435,000
Total Other Financing Sources (Uses)	<u>(893,656)</u>	<u>(893,656)</u>	<u>(428,017)</u>	<u>465,639</u>
Net Change in Fund Balances	(2,003,027)	(2,042,027)	1,117,570	3,159,597
Fund Balance at Beginning of Year	4,101,453	4,101,453	4,101,453	-
Prior Year Encumbrances Appropriated	445,781	445,781	445,781	-
Fund Balance at End of Year	<u>\$ 2,544,207</u>	<u>\$ 2,505,207</u>	<u>\$ 5,664,804</u>	<u>\$ 3,159,597</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, 2015**

	<u>Enterprise Fund</u>
	<u>Food Service</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 332,190
	<u> </u>
<u>Net Position</u>	
Unrestricted	\$ 332,190
	<u> </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, 2015

	Enterprise Fund
	Food Service
<u>Operating Receipts</u>	
Sales	\$ 480,297
Total Operating Receipts	480,297
<u>Operating Disbursements</u>	
Salaries	240,027
Fringe Benefits	88,989
Purchased Services	16,018
Materials and Supplies	314,401
Other	523
Capital Outlay	5,702
Total Operating Disbursements	665,660
Operating Loss	(185,363)
<u>Non-Operating Receipts</u>	
Federal and State Subsidies	132,928
Change in Net Position	(52,435)
Net Position at Beginning of Year	384,625
Net Position at End of Year	\$ 332,190

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, 2015**

	<u>Agency</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 111,936</u>
<u>Net Position</u>	
Held on Behalf of Students	107,071
Held on Behalf of Others	<u>4,865</u>
Total Net Position	<u>\$ 111,936</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, 2015**

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 64 non-certificated employees, 85 certificated employees who provide services to 1,440 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, 2015
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2 C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. 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, 2015
(CONTINUED)**

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

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

The following are the District's major governmental funds:

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

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, 2015
(CONTINUED)

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

B. **Fund Accounting** (Continued)

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature. The District's agency 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, 2015
(CONTINUED)**

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

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund, function level for the general fund, and at the fund level for all other funds. The Treasurer has been given the authority to allocate Board appropriations to the function and object level within all funds without resolution by the Board of Education.

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

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

E. Cash and Investments

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

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

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

During fiscal year 2015, investments were limited to STAR Ohio, Negotiable CD's and U.S. Government money market mutual funds. 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, 2015.

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 2015 was \$14,009, which included \$3,381 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, 2015
(CONTINUED)**

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

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. 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 \$3,932,054 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, 2015
(CONTINUED)**

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, 2015
(CONTINUED)

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 Number 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2014 and have been implemented by the District. Due to the District's basis of accounting, the implementation of this Statement does not impact the District's financial statements; however the note disclosures for pension plans and post-employment benefits have been impacted.

GASB Statement Number 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2013 and have been implemented by the District but did not impact the District's financial statements or note disclosures.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES**

A. Changes in Accounting Principles

GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – and amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The requirements of this Statement should be applied simultaneously with the provisions of Statement No. 68 and have been implemented by the District. Due to the District’s basis of accounting, the implementation of this Statement does 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	\$ -	\$ -	\$ 1,079,823	\$ -	\$ 1,079,823
Debt Service	-	2,512,462	-	-	2,512,462
Classroom Facilities					
Maintenance	-	-	-	316,370	316,370
Federally Funded					
Programs	-	-	-	3,341	3,341
Student Activities	-	-	-	20,058	20,058
<i>Total Restricted</i>	<u>-</u>	<u>2,512,462</u>	<u>1,079,823</u>	<u>339,769</u>	<u>3,932,054</u>
<i>Assigned to</i>					
Instruction	238,130	-	-	-	238,130
Support Services	242,116	-	-	-	242,116
Public School Support	28,275	-	-	-	28,275
<i>Total Assigned</i>	<u>508,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>508,521</u>
<i>Unassigned</i>	<u>5,724,588</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,724,588</u>
Total Fund Balances	<u><u>\$ 6,233,109</u></u>	<u><u>\$ 2,512,462</u></u>	<u><u>\$ 1,079,823</u></u>	<u><u>\$ 339,769</u></u>	<u><u>\$ 10,165,163</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(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	\$ 1,579,110
Encumbrances	(480,244)
Funds Budgeted as Special Revenue Funds but Reported as part of the General Fund for the Cash Basis Reports	18,704
Budget Basis	\$ 1,117,570

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

NOTE 7: DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

NOTE 7: DEPOSITS AND INVESTMENTS (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in divisions (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (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. \$ 6,500,000 of the District's bank balance of \$ 7,163,966 was covered by Federal Depository Insurance and \$ 663,966 was uninsured and collateralized with securities held by the pledging financial institution's trust department, but not in the District's name. \$6,250,000 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, 2015
(CONTINUED)**

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

Investments

As of June 30, 2015, the District's investments were STAR Ohio, Negotiable CD's and U.S. Government money market mutual funds. The carrying and fair value of STAR Ohio was \$774,940 with an average maturity of 51 days. The carrying and fair value of the Negotiable CD's was \$ 747,144 and the carrying and fair value of the U.S. Government money market was \$2,079,532.

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

Credit Risk The District's U.S. Government money market mutual fund carries a rating of AAA by Standard & Poor's. 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, 2015
(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 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 2014 represent the collection of calendar year 2013 taxes. Public utility personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2013, 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, 2015, are available to finance fiscal year 2015 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 2015 taxes were collected are:

	<u>2014 Second Half Collections</u>		<u>2015 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Property	\$ 135,533,620	98.74%	\$ 166,711,210	98.93%
Public Utility Property	1,732,650	1.26%	1,803,800	1.07%
	<u>\$ 137,266,270</u>	<u>100.00%</u>	<u>\$ 168,515,010</u>	<u>100.00%</u>
 Tax Rate (per \$1,000 of Assessed Valuation)	 <u>\$ 45.70</u>		 <u>\$ 43.85</u>	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

NOTE 9: INCOME TAX

The District levies a voted tax of 0.75 percent for general operations on the income of residents and of estates. The tax was originally effective on January 1, 2005 for four-years. A renewal tax was effective on January 1, 2009 and the levy period is for four-years. Effective January 1, 2013, the District 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 \$450,000 to the Permanent Improvement Capital Projects Fund to subsidize permanent improvement costs and \$45,000 to the District Managed Activity Fund to eliminate a negative balance. During fiscal year 2015, the Classroom Facilities Assistance Program (state building) project was formally closed and the under spent state funds and interest earnings were returned to the State of Ohio and to local taxpayers by transfers to the Bond Retirement and Permanent Improvement Funds in the amount of \$189,799 from the Building Fund to the Bond Retirement Fund and \$1,424,263 from the Classroom Facilities Fund to the Bond Retirement Fund and \$1,540,689 from the Classroom Facilities Fund to the Permanent Improvement Fund.

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 2014, the District contracted with Phelan Insurance Agency for the following insurance coverage:

Property (\$5,000 deductible, subject to scheduled limits)	\$ 52,548,925
Boiler and Machinery (\$5,000 deductible)	52,548,925
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, 2015
(CONTINUED)**

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

B. Medical, Dental, and Vision Benefits

Effective June 1, 2005, the District joined the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 18). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria. The District also purchases its dental and vision insurance in the purchasing pool agreements with the Southwestern Ohio Educational Purchasing Council.

C. Workers' Compensation

For fiscal year 2015, 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, 2015
(CONTINUED)

NOTE 12: **PENSION PLANS**

A. Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68” were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

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 June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an 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 projected 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, 2015
(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	\$2,529,105	\$12,195,345	\$14,724,450
Proportion of the Net Pension Liability	0.049973%	0.05013820%	

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, 2014, 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, 2015
(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	<u>15.00</u>	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, 2015
(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	\$3,608	\$2,529	\$1,621

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.75 percent
Projected salary increases:	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return:	7.75 percent, net of investment expenses
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, 2014, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

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

A. Net Pension Liability (Continued)

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
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	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. 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, 2014.

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):

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$17,459	\$12,195	\$7,744

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(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 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 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, 2015
(CONTINUED)**

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

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

The District's contractually required contribution to SERS was \$265,368 for fiscal year 2015.

C. State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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. 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, member contributions are allocated among investment choices by the member, and employer contributions 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 at age 50.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

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

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

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 as one defined benefit plan for GASB 68 reporting purposes.

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. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$725,604 for fiscal year 2015.

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, 2015, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

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 12, the School Employees Retirement System (SERS) administers two postemployment benefit plans.

Medicare Part B Plan - The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of the SERS' health care plans.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2015, the actuarially required allocation is 0.74 percent. For the fiscal years ended June 30, 2015, 2014, and 2013, the District's contributions to the Medicare Part B Plan were \$12,162, \$11,022, \$10,097, respectively; 85.05 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

Health Care Plan – ORC 3309.375 and 3309.69 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code § 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14.00 percent contribution to the Health Care Fund. For the year ended June 30, 2015, the health care allocation is 0.82 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

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

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

Statute provides that no employer shall pay a health care surcharge greater than 2.00 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.50 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. The surcharge, added to the unallocated portion of the 14.00 percent 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, 2015, 2014 and 2013 were \$45,451, \$31,152, \$24,368, respectively; 85.05 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

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 and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at 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 or by requesting a copy by calling toll-free 1-888-227-7877.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

NOTE 13: POST-EMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio (Continued)

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, 1.00 percent of covered payroll was allocated to post-employment health care for years ended June 30, 2014, 2013 and 2012 (the latest information available). Effective July 1, 2014, 0.00 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, 2015, 2014, and 2013, the District's contributions to post-employment health care were \$0, \$36,762, \$36,037, respectively; 83.21 percent has been contributed for 2015 and 100 percent for fiscal years 2014 and 2013.

NOTE 14: DEBT

The changes in the District's long-term obligations during fiscal year 2015 were as follows:

	<u>Rate</u>	<u>6/30/2014</u>	<u>Reductions</u>	<u>6/30/2015</u>	<u>One Year</u>
<u>General Long-Term Debt</u>					
General Obligation Bonds					
2007 School Improvement					
Term	4.375-4.5%	\$ 8,215,000	\$ -	\$ 8,215,000	\$ -
Serial	4%	3,195,000	405,000	2,790,000	420,000
Capital Appreciation	4.4-4.45%	152,998	-	152,998	-
Total General Long-Term Debt		<u>\$ 11,562,998</u>	<u>\$ 405,000</u>	<u>\$ 11,157,998</u>	<u>\$ 420,000</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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

NOTE 14: **DEBT** (Continued)

The serial bonds maturing on December 1, 2022, are subject to optional redemption, in whole or in part on any interest payment date in integral multiples of \$5,000. The Serial Bonds mature on December 1, in the years due in the respective principal amounts as follows:

Fiscal Year ending June 30	Principal
2016	\$ 420,000
2017	435,000
2018	-
2019	-
2020	455,000
2021-2023	1,480,000
	\$ 2,790,000

The term bonds maturing on December 1, 2027 and December 1, 2034, are subject to optional and mandatory redemption prior to maturity; in whole or in part, all as described below:

Fiscal Year ending June 30	Principal
2021-2025	\$ 1,090,000
2026-2030	3,170,000
2031-2035	3,955,000
	\$ 8,215,000

The capital appreciation bonds will mature in fiscal years 2018 and 2019 and are not subject to redemption prior to maturity. The maturity amount of the capital appreciation bonds is \$152,998; \$82,642 in fiscal 2018 and \$70,356 in fiscal 2019.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2015, were as follows:

Fiscal Year ending June 30	Serial	Term	Capital Appreciation	Interest	Total
2016	\$ 420,000	\$ -	\$ -	\$ 471,656	\$ 891,656
2017	435,000	-	-	454,556	889,556
2018	-	-	82,642	818,215	900,857
2019	-	-	70,356	830,500	900,856
2020	455,000	-	-	436,472	891,472
2021-2025	1,480,000	1,090,000	-	1,876,163	4,446,163
2026-2030	-	3,170,000	-	1,255,394	4,425,394
2031-2035	-	3,955,000	-	461,138	4,416,138
	\$ 2,790,000	\$ 8,215,000	\$ 152,998	\$ 6,604,094	\$ 17,762,092

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

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 2015:

	Capital Acquisition
Set-aside balances as of June 30, 2014	\$0
Current year set-aside requirements	191,110
Current year offsets	(191,110)
Qualifying disbursements	0
Total	\$0

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

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, 2015, if applicable, cannot be determined at this time.

B. Litigation

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

NOTE 16: **CONTINGENCIES** (Continued)

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, 2015 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 2015, the District paid \$28,065 to MDECA. Financial information can be obtained from Dean A Reineke, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

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

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

Payments to SOEPC are made from the General Fund. During fiscal year 2015, the District paid \$1,154,438 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

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.

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.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. Department of Agriculture</u>					
<i>Passed through Ohio Department of Education</i>					
Child Nutrition Cluster:					
National School Lunch Program	10.555	\$ 130,981	\$ 61,963	\$ 130,981	\$ 61,963
Total Child Nutrition Cluster		<u>130,981</u>	<u>61,963</u>	<u>130,981</u>	<u>61,963</u>
Total U.S. Department of Agriculture		<u>130,981</u>	<u>61,963</u>	<u>130,981</u>	<u>61,963</u>
<u>U.S. Department of Education</u>					
<i>Passed Through Ohio Department of Education</i>					
Title I - Grants to Local Educational Agencies	84.010	<u>130,192</u>	<u>0</u>	<u>135,596</u>	<u>0</u>
Special Education - Grants to States, IDEA, Part B	84.027	<u>226,637</u>	<u>0</u>	<u>231,042</u>	<u>0</u>
Improving Teacher Quality State Grants	84.367	<u>34,565</u>	<u>0</u>	<u>34,565</u>	<u>0</u>
Total U.S. Department of Education		<u>391,394</u>	<u>0</u>	<u>401,203</u>	<u>0</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 522,375</u>	<u>\$ 61,963</u>	<u>\$ 532,184</u>	<u>\$ 61,963</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015

NOTE 1: **BASIS OF PRESENTATION**

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

NOTE 2: **NONCASH SUPPORT**

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

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Ohio Society of Certified Public Accountants

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

Board of Education
Versailles Exempted Village School District
Versailles, Ohio

We have audited, 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, 2015, 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 October 13, 2015, 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 2015-001**.

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

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

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Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2015.11.06 08:44:38 -05'00'

October 13, 2015

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Board of Education
Versailles Exempted Village School District
Versailles, Ohio

Report on Compliance for Each Major Federal Program

We have audited the Versailles Exempted Village School District, Darke County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Versailles Exempted Village School District, Ohio's major federal program for the year ended June 30, 2015. The Versailles Exempted Village School District, Ohio's major federal program is identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Versailles Exempted Village School District, Ohio's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Versailles Exempted Village School District, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Versailles Exempted Village School District, Ohio's compliance.

Opinion on Each Major Federal Program

In our opinion, the Versailles Exempted Village School District, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Versailles Exempted Village School District, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Versailles Exempted Village School District, Ohio's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Versailles Exempted Village School District, Ohio's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Digitally signed by James G. Zupka, CPA, President
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email=jgzcpa@sbcglobal.net, c=US
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October 13, 2015

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
 DARKE COUNTY, OHIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 & §.505
 JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

2015(i)	Type of Financial Statement Opinion	Unmodified
2015(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2015(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2015(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
2015(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2015(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2015(v)	Type of Major Program's Compliance Opinion	Unmodified
2015(vi)	Were there any reportable findings under .510(a)?	No
2015(vii)	Major Programs (list): Special Education - Grants to States, IDEA, Part B - CFDA #84.027	
2015(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2015(ix)	Low Risk Auditee?	Yes

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2015**

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

Finding 2015-001 – 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.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
 DARKE COUNTY, OHIO
 SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2015**

Finding Number	Finding Summary	Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken, or Finding No Valid: Explanation
2014-001	Failure to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.	No	Reissued as 2015-001.

The prior audit report, as of June 30, 2014, also included management letter recommendations. Management letter recommendations as of June 30, 2014, have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



Dave Yost • Auditor of State

VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT

DARKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 26, 2016**