

**VERMILION LOCAL
SCHOOL DISTRICT
ERIE COUNTY, OHIO**

SINGLE AUDIT REPORT

**FOR THE FISCAL YEAR
ENDED JUNE 30, 2025**

Zupka & Associates
Certified Public Accountants



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Board of Education
Vermilion Local School District
1250 Sanford Street
Vermilion, Ohio 44089

We have reviewed the *Independent Auditor's Report* of Vermilion Local School District, Erie County, prepared by Zupka & Associates, for the audit period July 1, 2024 through June 30, 2025. 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. Vermilion Local School District is responsible for compliance with these laws and regulations.

KEITH FABER
Ohio Auditor of State

Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

March 03, 2026

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**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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INDEPENDENT AUDITOR'S REPORT

Vermilion Local School District
Erie County
1250 Sanford Street
Vermilion, Ohio 44089

To the Members of the Board of Education:

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Vermilion Local School District, Erie County, Ohio, (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Vermilion Local School District as of June 30, 2025, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 3 to the basic financial statements, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2025, on our consideration of the District'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 solely 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 the effectiveness of the District's 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 District's internal control over financial reporting and compliance.



Zupka & Associates
Certified Public Accountants

December 17, 2025

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**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(UNAUDITED)**

The management's discussion and analysis of the Vermilion Local District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2025. 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 the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2025 are as follows:

- In total, net position of governmental activities increased \$2,754,393 which represents a 505.61 percent increase from 2024.
- General revenues accounted for \$28,104,937 in revenue, or 88.11 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$3,791,596, or 11.89 percent of total revenues of \$31,896,533.
- The District had \$29,142,140 in expenses related to governmental activities; \$3,791,596 of these expenses were offset by program specific charges for services, grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$28,104,937 did not cover the remaining expenses of these programs.
- The District's major governmental funds are the General Fund and Capital Projects Fund. The General Fund had \$30,353,891 in revenues and other financing sources and \$36,782,756 in expenditures and other financing uses. During fiscal year 2025, the General Fund's fund balance decreased \$6,428,451 from \$14,808,564 to \$8,380,113. The Capital Projects Fund had \$7,640,000 in revenues and other financing sources and \$52,861 in expenditures and other financing uses. During fiscal year 2025, the Capital Projects Fund's fund balance increased \$7,587,139 from \$93,028 to \$7,680,167.

Using these Basic Financial Statements

This annual report 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 both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the General Fund and Capital Project Fund are by far the most significant funds and, therefore are the only governmental funds reported as major funds.

**VERMILION LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(UNAUDITED)**

Reporting the District as a Whole

Statement of Net Position and Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2025?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes 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 revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the governmental activities include the District's programs and services, including instruction, support services including operation and maintenance of plant and pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and Capital Project Fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(UNAUDITED)**

Reporting the District's Fiduciary Responsibilities

The District controls assets that are for the benefit of organizations or other governments that are not a part of Vermilion Local School District. These activities are reported in custodial funds. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability/asset.

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**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(UNAUDITED)**

The District as a Whole

The Statement of Net Position provides the perspective of the District as a whole. The table below provides a summary of the District's net position as of 2025 and 2024.

Table 1- Net Position

	Governmental Activities	
	2025	2024
ASSETS		
Current and other assets	\$ 39,795,002	\$ 37,175,565
Capital assets, net	21,324,472	21,049,326
Net OPEB Asset	1,552,228	1,646,645
Total Assets	62,671,702	59,871,536
DEFERRED OUTFLOWS OF RESOURCES		
Pension	5,256,063	6,273,429
OPEB	861,764	1,040,997
Total Deferred Outflows of Resources	6,117,827	7,314,426
LIABILITIES		
Current and other liabilities	3,372,167	2,917,203
Long-term liabilities:		
Due within one year	2,045,497	1,178,874
Due in more than one year:		
Net Pension Liability	20,345,824	23,601,821
Net OPEB Liability	933,106	1,652,153
Other Amounts	20,679,700	17,518,582
Total Liabilities	47,376,294	46,868,633
DEFERRED INFLOWS OF RESOURCES		
Property taxes	16,924,133	15,814,259
Pension	3,354,096	2,021,468
OPEB	2,639,252	2,741,581
Deferred Charges on Refunding	263,249	284,788
Total Deferred Inflows of Resources	23,180,730	20,862,096
NET POSITION		
Net investment in capital assets	6,747,677	6,461,643
Restricted	3,724,516	4,286,737
Unrestricted	(12,239,688)	(11,293,147)
Total Net Position	\$ (1,767,495)	\$ (544,767)

**VERMILION LOCAL SCHOOL DISTRICT
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The net pension liability (NPL), net OPEB liability (NOL), and net OPEB asset are reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and net OPEB asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability/asset to equal the District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

**VERMILION LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability/asset, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2025, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$1,767,495.

The District had a decrease in total assets of \$2,800,166 from fiscal year 2025, which is mainly attributed to the decrease in cash and cash equivalents. The deferred outflows of resources decreased \$1,196,599 from prior year as a result of changes in the net pension and net OPEB liabilities, and net OPEB Asset.

Total liabilities increased from \$46,868,633 to \$47,376,294, difference of \$507,661, which is mainly attributed to the changes in accrued compensated absences.

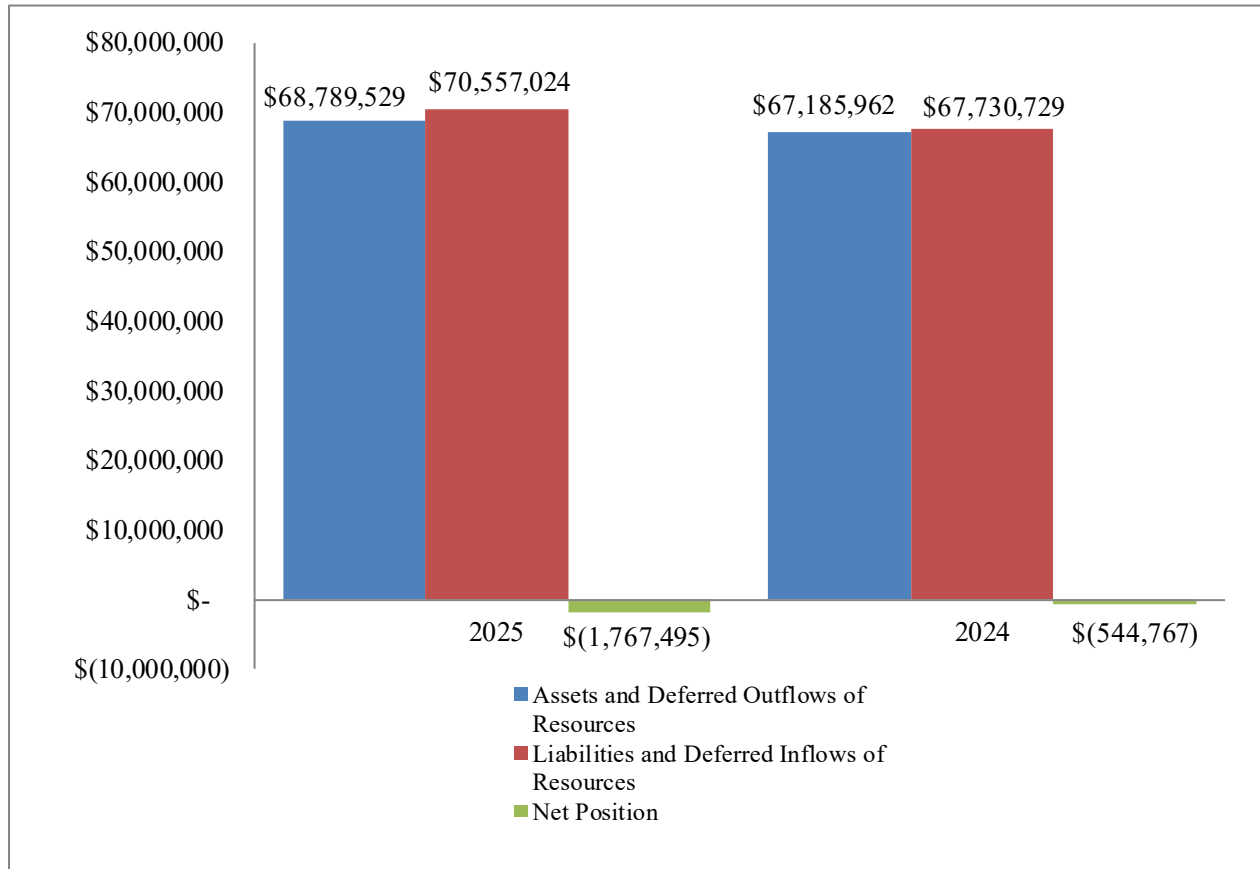
Total deferred inflows of resources increased \$2,318,634, from 20,862,096 to 23,180,730, which is mainly attributed to the changes in net pension liability.

At year end, capital assets represented 34.03 percent of total assets. Capital assets include land, intangible right-to-use lease – equipment, land improvements, buildings and improvements, furniture and equipment, and vehicles. Net investment in capital assets to acquire the assets at June 30, 2025, was \$6,747,677, these capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$3,724,516, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position deficit of \$12,239,688 may be used to meet the District's ongoing obligations to the students and creditors.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The graph below presents the District's governmental activities net position, liabilities and deferred inflows of resources, and assets and deferred outflows of resources for fiscal years 2025 and 2024:



**VERMILION LOCAL SCHOOL DISTRICT
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The table below shows the change in net position for fiscal years 2025 and 2024.

Table 2- Changes in Net Position

	Governmental Activities	
	2025	2024
REVENUES		
Program Revenues:		
Charges for Services	\$ 1,092,851	\$ 1,149,452
Operating Grants and Contributions	2,698,745	3,349,726
Total Program Revenues	<u>3,791,596</u>	<u>4,499,178</u>
General Revenues:		
Property Taxes	20,506,218	17,732,168
Grants and Entitlements		
Not Restricted to Specific Programs	5,641,200	5,261,868
Investment Income	1,060,615	928,031
Gain on Sale of Assets	314,074	-
All Other Revenues	582,830	272,651
Total General Revenues	<u>28,104,937</u>	<u>24,194,718</u>
Total Revenues	<u>31,896,533</u>	<u>28,693,896</u>
EXPENSES		
Program Expenses:		
Instruction:		
Regular	11,594,626	11,158,190
Special	2,399,977	2,820,203
Other	708,557	1,036,493
Supporting Services:		
Pupils	2,458,369	2,383,330
Instructional Staff	1,768,172	1,803,810
Board of Education	254,117	176,620
Administration	2,323,356	2,235,210
Fiscal Services	783,322	727,848
Business	1,944	1,718
Operation and Maintenance of Plant Services	2,188,777	3,038,663
Pupil Transportation	2,001,379	1,642,933
Central	17,020	104,420
Operation of Non-Instructional Services		
Food Services	1,084,917	983,547
Other Non-Instructional Services	64,540	73,597
Extracurricular Activities	1,161,067	1,289,419
Interest and Fiscal Charges	332,000	359,222
Total Expenses	<u>29,142,140</u>	<u>29,835,223</u>
Change in Net Position	2,754,393	(1,141,327)
Net Position - Beginning of Year, as previously reported	(544,767)	596,560
Change in accounting principal (GASB 101)	(3,977,121)	-
Net Position - Beginning of Year, as adjusted	<u>(4,521,888)</u>	<u>-</u>
Net Position - End of Year	<u>\$ (1,767,495)</u>	<u>\$ (544,767)</u>

**VERMILION LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
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Governmental Activities

Net position of the District's governmental activities increased by \$2,754,393. Total governmental expenses of \$29,142,140 was not fully offset by program revenues of \$3,791,596 and general revenues of \$28,104,937. Program revenues supported 13.01 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 81.98 percent of total governmental revenue. Overall revenues increased by \$3,202,637 or 11.16 percent when compared to 2024. This increase is mainly attributed to property taxes, interest and operating grants and contributions. Property taxes increased due to an increase in the amount available as an advance for fiscal year 2024 property tax collection. Interest income increase due to a change of rate in fiscal year 2025. Operating grants and contributions increased due to an increase of grants in fiscal year 2025.

The total program expenses decreased by a \$311,726 or 2.08%, from 2024 to 2025. The main reason for the sight decreases in expenditures is due to the departure of staff (either voluntary or from retirement) and the District not replacing them.

The table below presents the adjustment necessary to show the District's net position without GASB 68 and GASB 75.

Table 4 - Net Position excluding GASB 68 & 75

Total Net Position including GASB 68 and GASB 75	\$ (1,767,495)
Add:	
Net Pension Liability	20,345,824
Net OPEB Liability	933,106
Deferred Inflows - Pension	3,354,096
Deferred Inflows - OPEB	2,639,252
Less:	
Deferred Outflows - Pension	5,256,063
Deferred Outflows - OPEB	861,764
Net OPEB Asset	1,552,228
Total Net Position without GASB 68 and GASB 75	<u>\$ 17,834,728</u>

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table 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 revenue and unrestricted State grants and entitlements.

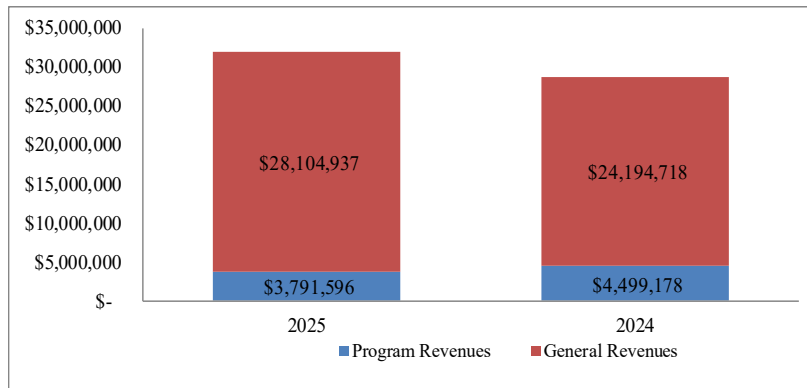
**VERMILION LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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(UNAUDITED)**

Table 5 - Total and Net Cost of Program Services

	Governmental Activities			
	Total Cost	Total Cost	Net Cost	Net Cost
	of Services	of Services	of Services	of Services
	2025	2024	2025	2024
Instruction	\$ 14,703,160	\$ 15,014,886	\$ 13,065,983	\$ 12,789,200
Supporting Services:				
Pupils and Instructional Staff	4,226,541	4,187,140	3,811,384	3,701,124
Board of Education, Administration, Fiscal Services and Business	3,362,739	3,141,396	3,362,739	3,141,396
Operation and Maintenance of Plant Services	2,188,777	3,038,663	2,188,777	3,038,663
Pupil Transportation	2,001,379	1,642,933	1,457,948	1,174,783
Central	17,020	104,420	17,020	104,420
Operation of Non-Instructional Services	1,149,457	1,057,144	281,067	109,521
Extracurricular Activities	1,161,067	1,289,419	833,626	917,716
Interest and Fiscal Charges	332,000	359,222	332,000	359,222
Total Cost of Services	\$ 29,142,140	\$ 29,835,223	\$ 25,350,544	\$ 25,336,045

The dependence upon tax and other general revenues for governmental activities is apparent as 89.79 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support covers 91.25 percent of total expenses. The District's taxpayers, as a whole, are the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2025 and 2024.



The District's Funds

The District's governmental funds reported a combined fund balance of \$19,062,892, which is a higher balance than last year's combined fund balance of \$18,162,442. The table below indicates the fund balance and the total change in fund balance as of June 30, 2025 and 2024.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(UNAUDITED)**

	Fund Balance June 30, 2025	Fund Balance June 30, 2024	Change	% Change
General	\$ 8,380,113	\$ 14,808,564	\$ (6,428,451)	-43.41%
Capital Projects	7,680,167	93,028	7,587,139	8155.76%
Other Governmental	3,002,612	3,260,850	(258,238)	-7.92%
Total	\$ 19,062,892	\$ 18,162,442	\$ 900,450	4.96%

General Fund

The table that follows assists in illustrating the financial activities of the General Fund.

	June 30, 2025	June 30, 2024	Change	% Change
<u>Revenues</u>				
Taxes	\$ 19,820,330	\$ 16,946,109	\$ 2,874,221	16.96%
Interest	929,911	826,243	103,668	12.55%
Intergovernmental	6,843,454	6,612,036	231,418	3.50%
Other Revenues	1,166,431	884,696	281,735	31.85%
Total Revenues	\$ 28,760,126	\$ 25,269,084	\$ 3,491,042	13.82%
<u>Expenditures</u>				
Instruction	\$ 14,283,869	\$ 13,394,056	\$ 889,813	6.64%
Supporting Services	11,059,911	10,767,873	292,038	2.71%
Extracurricular Activities	909,010	942,621	(33,611)	-3.57%
Capital Outlay	1,279,683	-	1,279,683	100.00%
Debt Service	1,561,981	1,582,006	(20,025)	-1.27%
Total Expenditures	\$ 29,094,454	\$ 26,686,556	\$ 2,407,898	9.02%

The District's General Fund balance decreased \$6,428,451. The decrease was a result of a transfer out of the General Fund to the Capital Projects Fund.

The District's Capital Project fund balance increased \$7,587,139. The increase was a result of a transfer from the General fund to the Capital Projects Fund.

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. For the General Fund, original budgeted revenues and other financing sources of \$24,694,192 was lower than the final budgeted revenues and other financing sources of \$27,789,289. Actual revenues and other financing sources for fiscal year 2025 were \$27,789,289.

For fiscal year 2025, the General Fund original budgeted appropriations and other financing uses of \$21,063,497 was increased to \$36,134,006 in the final budgeted appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2025 totaled \$35,453,233, which was \$680,773 lower than the final budgeted appropriations. This was due to conservative spending.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(UNAUDITED)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2025, the District had \$21,324,472 invested in land, intangible right-to-use lease – equipment, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2025 balances compared to the 2024 balances:

Table 6 - Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities	
	2025	2024
Land	\$ 601,858	\$ 601,858
Intangible Right-to-use Lease - Equipment	32,927	70,468
Land Improvements	817,896	882,645
Buildings and Improvements	17,502,584	18,098,208
Furniture and Equipment	1,642,067	911,402
Vehicles	727,140	484,745
Total Capital Assets	\$ 21,324,472	\$ 21,049,326

There was an overall increase of capital assets of \$275,146.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2025, the District had \$2,350,000 in library refunding, \$11,490,000 in certificates of participation, \$1,060,562 in financed purchases, and \$33,546 in leases payable. Of this total, \$1,319,267 is due within one year and \$13,614,841 is due in greater than one year.

The following table summarizes the District's debt outstanding (excluding premiums).

Table 7 - Outstanding Debt at Year End

	Governmental Activities	
	2025	2024
Library Refunding Debt	\$ 2,350,000	\$ 2,515,000
Certificates of Participation	11,490,000	12,160,000
Financed Purchases	1,060,562	201,600
Leases Payable	33,546	71,474
Total Outstanding Debt	\$ 14,934,108	\$ 14,948,074

At June 30, 2025, the District's overall legal debt margin was \$60,897,798 and an unvoted debt margin of \$696,009.

See Notes 10 to the basic financial statements for additional information on the District's debt administration.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(UNAUDITED)**

Current Financial Related Activities

The District continues to meet its current financial obligations and is projected to have a positive cash balance throughout its five-year forecast despite deficit spending each fiscal year. Because the District lacks a dedicated permanent improvement levy, and did not pass a Bond levy, the board of education must appropriate General Fund money to fix, repair and replace its capital and infrastructure needs. As the age of our buildings and grounds continues to grow, more General Fund money will need to be budgeted for upkeep and improvements.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and 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 questions about this report or need additional financial information contact: Mr. Justin Klingshirn, Treasurer/CFO, Vermilion Local District, 1250 Sanford Street, Vermilion, Ohio 44089.

Basic Financial Statements

VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ 19,720,431
Property Taxes Receivable	19,848,329
Accounts Receivable	72,542
Accrued Interest Receivable	48,275
Intergovernmental Receivable	50,355
Materials and Supplies Inventory	55,070
Nondepreciable Capital Assets	601,858
Depreciable/Amortized Capital Assets, Net	20,722,614
Net OPEB Asset	1,552,228
Total Assets	62,671,702
DEFERRED OUTFLOWS OF RESOURCES	
Pension	5,256,063
OPEB	861,764
Total Deferred Outflows of Resources	6,117,827
LIABILITIES	
Accounts Payable	312,281
Accrued Wages and Benefits	2,595,854
Intergovernmental Payable	374,643
Accrued Interest Payable	40,225
Matured Compensated Absences Payable	49,164
Long-term Liabilities:	
Due within one year	2,045,497
Due in more than one year:	
Net Pension Liability (See Note 12)	20,345,824
Net OPEB Liability (See Note 13)	933,106
Other Amounts	20,679,700
Total Liabilities	47,376,294
DEFERRED INFLOWS OF RESOURCES	
Property Taxes	16,924,133
Pension	3,354,096
OPEB	2,639,252
Deferred Charge on Refunding	263,249
Total Deferred Inflows of Resources	23,180,730
NET POSITION	
Net Investment in Capital Assets	6,747,677
Restricted:	
Student Activities	100,428
Scholarships	1,914,179
Endowment	68,833
State Funded Programs	3,452
Food Service	70,897
Other Purposes	14,499
OPEB	1,552,228
Unrestricted	(12,239,688)
Total Net Position	\$ (1,767,495)

See accompanying notes to the basic financial statements.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 11,594,626	\$ 274,961	\$ -	\$ (11,319,665)
Special	2,399,977	201,279	856,956	(1,341,742)
Vocational	-	-	11,921	11,921
Other	708,557	-	292,060	(416,497)
Supporting Services:				
Pupils	2,458,369	25	282,902	(2,175,442)
Instructional Staff	1,768,172	-	132,230	(1,635,942)
Board of Education	254,117	-	-	(254,117)
Administration	2,323,356	-	-	(2,323,356)
Fiscal Services	783,322	-	-	(783,322)
Business	1,944	-	-	(1,944)
Operation and Maintenance of Plant Services	2,188,777	-	-	(2,188,777)
Pupil Transportation	2,001,379	-	543,431	(1,457,948)
Central	17,020	-	-	(17,020)
Operation of Non-Instructional Services	1,149,457	313,075	555,315	(281,067)
Extracurricular Activities	1,161,067	303,511	23,930	(833,626)
Interest and Fiscal Charges	332,000	-	-	(332,000)
Total Governmental Activities	\$ 29,142,140	\$ 1,092,851	\$ 2,698,745	(25,350,544)
General Revenues:				
Property Taxes levied for:				
General Purposes				19,970,563
Debt Service				210,833
Other Purposes				324,822
Grants & Entitlements Not Restricted to Specific Programs				5,641,200
Investment Income				1,060,615
Gain on Sale of Capital Assets				314,074
All Other Revenues				582,830
Total General Revenues				28,104,937
Change in Net Position				2,754,393
Net Position - Beginning of Year, as previously reported				(544,767)
Change in accounting principal (GASB 101)				(3,977,121)
Net Position - Beginning of Year, as adjusted				(4,521,888)
Net Position - End of Year				\$ (1,767,495)

See accompanying notes to the basic financial statements.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025**

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Equity in Pooled Cash and Cash Equivalents	\$ 9,046,296	\$ 7,680,167	\$ 2,993,968	\$ 19,720,431
Materials and Supplies Inventory	43,208	-	11,862	55,070
Accrued Interest Receivable	31,792	-	16,483	48,275
Accounts Receivable	71,491	-	1,051	72,542
Interfund Receivable	11,639	-	-	11,639
Intergovernmental Receivable	50,355	-	-	50,355
Property Taxes Receivable	19,320,010	-	528,319	19,848,329
Total Assets	\$ 28,574,791	\$ 7,680,167	\$ 3,551,683	\$ 39,806,641
Total Assets and Deferred Outflows of Resources	\$ 28,574,791	\$ 7,680,167	\$ 3,551,683	\$ 39,806,641
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 312,281	\$ -	\$ -	\$ 312,281
Accrued Wages and Benefits	2,436,863	-	158,991	2,595,854
Intergovernmental Payable	361,541	-	13,102	374,643
Matured Compensated Absences Payable	23,802	-	25,362	49,164
Interfund Payable	-	-	11,639	11,639
Total Liabilities	3,134,487	-	209,094	3,343,581
Deferred Inflows of Resources:				
Property Taxes	16,596,351	-	327,782	16,924,133
Unavailable Revenue - Delinquent Property Taxes	463,840	-	12,195	476,035
Total Deferred Inflows of Resources	17,060,191	-	339,977	17,400,168
Fund Balances:				
Nonspendable	47,578	-	11,862	59,440
Restricted	-	-	2,996,929	2,996,929
Committed	4,774	7,680,167	5,460	7,690,401
Assigned	116,549	-	-	116,549
Unassigned (Deficit)	8,211,212	-	(11,639)	8,199,573
Total Fund Balances	8,380,113	7,680,167	3,002,612	19,062,892
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 28,574,791	\$ 7,680,167	\$ 3,551,683	\$ 39,806,641

See accompanying notes to the basic financial statements.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

Total Governmental Fund Balances	\$ 19,062,892
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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital Assets and Intangible Right-to-use Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds	21,324,472
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds:

Delinquent property taxes	476,035
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In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, as interest expenditure is reported when due	(40,225)
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The net pension liability and net OPEB liability are not due and payable in the current period; and the net OPEB asset is not available for spending in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in the governmental funds:

Deferred Outflows - Pension	5,256,063	
Deferred Inflows - Pension	(3,354,096)	
Net Pension Liability	(20,345,824)	
Net OPEB Asset	1,552,228	
Deferred Outflows - OPEB	861,764	
Deferred Inflows - OPEB	(2,639,252)	
Net OPEB Liability	(933,106)	
Total		(19,602,223)

Gain on early retirement of the bonds in Governmental Activities is deferred and to be amortized over the remaining life of the refunded bonds.	(263,249)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Library bonds	(2,350,000)	
Certificates of participation	(11,490,000)	
Financed Purchases	(1,060,562)	
Leases	(33,546)	
Unamortized debt premium	(1,777,364)	
Compensated absences	(6,013,725)	
Total		(22,725,197)

Net Position of Governmental Activities	\$ (1,767,495)
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See accompanying notes to the basic financial statements.

VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property Taxes	\$ 19,820,330	\$ -	\$ 534,426	\$ 20,354,756
Intergovernmental	6,843,454	-	1,395,474	8,238,928
Interest	929,911	-	130,704	1,060,615
Tuition	415,815	-	-	415,815
Extracurricular Activities	92,367	-	205,296	297,663
Rentals	5,798	-	-	5,798
Charges for Services	-	-	314,176	314,176
Contributions and Donations	11,342	-	98,207	109,549
Classroom Materials and Fees	59,399	-	-	59,399
Miscellaneous	581,710	-	1,120	582,830
Total Revenues	28,760,126	-	2,679,403	31,439,529
EXPENDITURES				
Current:				
Instruction:				
Regular	11,569,158	-	-	11,569,158
Special	2,249,498	-	424,021	2,673,519
Other	465,213	-	283,428	748,641
Supporting Services:				
Pupils	2,195,014	-	288,977	2,483,991
Instructional Staff	960,617	-	316,296	1,276,913
Board of Education	254,675	-	-	254,675
Administration	2,308,722	-	-	2,308,722
Fiscal Services	811,839	-	8,870	820,709
Business	1,944	-	-	1,944
Operation and Maintenance of Plant Services	2,555,653	52,861	-	2,608,514
Pupil Transportation	1,945,838	-	-	1,945,838
Central	25,609	-	-	25,609
Operation of Non-Instructional Services:				
Food Service Operations	-	-	1,082,454	1,082,454
Community Services	-	-	8,663	8,663
Other Operations	-	-	55,877	55,877
Extracurricular Activities	909,010	-	284,703	1,193,713
Capital Outlay	1,279,683	-	-	1,279,683
Intergovernmental	-	-	-	-
Debt Service:				
Principal Retirement	1,128,649	-	165,000	1,293,649
Interest and Fiscal Charges	433,332	-	67,475	500,807
Total Expenditures	29,094,454	52,861	2,985,764	32,133,079
Excess of Revenues (Under) Expenditures	(334,328)	(52,861)	(306,361)	(693,550)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	314,074	-	-	314,074
Issuance of Financed Purchases	1,279,683	-	-	1,279,683
Transfers In	8	7,640,000	48,302	7,688,310
Transfers Out	(7,688,302)	-	(8)	(7,688,310)
Total Other Financing Sources (Uses)	(6,094,537)	7,640,000	48,294	1,593,757
Net Change in Fund Balances	(6,428,865)	7,587,139	(258,067)	900,207
Fund Balances - Beginning of Year, as previously reported	14,808,564	-	3,353,878	18,162,442
Change within financial reporting entity:				
Nonmajor to Major Fund	-	93,028	(93,028)	-
Fund Balances - Beginning of Year, as adjusted	14,808,564	93,028	3,260,850	18,162,442
Increase (Decrease) in Inventory	414	-	(171)	243
Fund Balances - End of Year	\$ 8,380,113	\$ 7,680,167	\$ 3,002,612	\$ 19,062,892

See accompanying notes to the basic financial statements.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

Net Change in Fund Balances-Total Governmental Funds **\$ 900,207**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense. This is the amount by which depreciation/amortization exceeded capital outlay in the current period.

Capital outlay	\$ 1,688,149	
Depreciation/Amortization	(1,413,003)	
Total		275,146

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent property taxes	151,462	
Total		151,462

Other financing sources in the Governmental funds increase long-term liabilities in the Statement of Net Position. These sources were attributed to the inception of financed purchases. (1,279,683)

Repayment of debt principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position. 1,293,649

Contractually required contributions are reported as expenditures in the Governmental Funds; however, the Statement of Net Position reports these amounts as deferred outflows.

Pension	2,181,689	
OPEB	66,029	
Total		2,247,718

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability and net OPEB asset are reported as pension/OPEB expense in the Statement of Activities.

Pension	(1,275,686)	
OPEB	481,697	
Total		(793,989)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds.

Compensated absences	(209,167)	
Accrued interest	2,687	
Amortization of debt premiums	144,581	
Amortization of deferred amounts on refunding	21,539	
Change in inventory	243	
Total		(40,117)

Change in Net Position of Governmental Activities **\$ 2,754,393**

See accompanying notes to the basic financial statements.

VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 16,754,512	\$ 18,854,473	18,854,473	\$ -
Intergovernmental	6,160,920	6,933,111	6,933,111	-
Interest	595,667	670,326	670,326	-
Tuition	369,503	415,815	415,815	-
Extracurricular Activities	62,340	70,154	70,154	-
Rentals	5,152	5,798	5,798	-
Classroom Materials and Fees	52,761	59,374	59,374	-
Miscellaneous	366,913	412,901	412,901	-
Total Revenues	<u>24,367,768</u>	<u>27,421,952</u>	<u>27,421,952</u>	<u>-</u>
Expenditures				
Current:				
Instruction				
Regular	6,853,610	11,527,129	11,494,341	32,788
Special	1,388,981	2,416,953	2,326,653	90,300
Other	269,203	452,976	451,109	1,867
Pupils	1,357,471	2,300,448	2,227,561	72,887
Instructional Staff	817,310	1,390,045	1,356,964	33,081
Board of Education	168,883	285,527	276,419	9,108
Administration	1,339,088	2,302,026	2,249,335	52,691
Fiscal Services	485,279	819,230	811,671	7,559
Business	1,159	2,159	2,031	128
Operation and Maintenance of Plant Services	1,584,989	2,892,776	2,591,187	301,589
Pupil Transportation	997,753	2,005,032	1,938,619	66,413
Central	15,859	26,598	26,598	-
Extracurricular Activities	542,360	922,005	909,643	12,362
Debt Service:				
Principal	657,527	1,102,800	1,102,800	-
Total Expenditures	<u>16,479,472</u>	<u>28,445,704</u>	<u>27,764,931</u>	<u>680,773</u>
Excess of Revenues Over (Under) Expenditures	<u>7,888,296</u>	<u>(1,023,752)</u>	<u>(342,979)</u>	<u>680,773</u>
Other Financing Sources (Uses)				
Inception of Financed Purchases Payable	279,093	314,074	314,074	
Refund of Prior Year Expenditures	47,331	53,263	53,263	-
Transfers Out	(4,584,025)	(7,688,302)	(7,688,302)	-
Total Other Financings Sources (Uses)	<u>(4,257,601)</u>	<u>(7,320,965)</u>	<u>(7,320,965)</u>	<u>-</u>
Net Change in Fund Balance	3,630,695	(8,344,717)	(7,663,944)	680,773
Fund Balance - Beginning of Year	16,118,407	16,118,407	16,118,407	-
Prior Year Encumbrances Appropriated	141,730	141,730	141,730	-
Fund Balance - End of Year	<u>\$ 19,890,832</u>	<u>\$ 7,915,420</u>	<u>8,596,193</u>	<u>\$ 680,773</u>

See accompanying notes to the basic financial statements.

**VERMILION LOCAL SCHOOL DISTRICT
 ERIE COUNTY, OHIO
 STATEMENT OF FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 JUNE 30, 2025**

	<u>Custodial Funds</u>
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ 25
Receivables:	
Taxes for Other Governments	<u>59,115</u>
Total Assets	<u>59,140</u>
LIABILITIES	
Intergovernmental Payable	<u>59,115</u>
Total Liabilities	<u>59,115</u>
NET POSITION	
Restricted For:	
Individuals, Organizations, and Other Governments	<u>25</u>
Total Net Position	<u><u>\$ 25</u></u>

See accompanying notes to the basic financial statements.

**VERMILION LOCAL SCHOOL DISTRICT
 ERIE COUNTY, OHIO
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

	Custodial Funds
ADDITIONS	
Property Tax Collections for Other Governments	\$ 62,866
Total Additions	<u>62,866</u>
DEDUCTIONS	
Property Tax Collections to Other Governments	62,866
Distributions to Other Organizations	200
Total Deductions	<u>63,066</u>
Net increase in Fiduciary Net Position	(200)
Net Position - Beginning of Year	225
Net Position - End of Year	<u><u>\$ 25</u></u>

See accompanying notes to the basic financial statements.

Notes to the Basic Financial Statements

VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

NOTE 1: DESCRIPTION OF THE DISTRICT

The Vermilion Local School District (the “District”) is located in Erie County and encompasses all of the City of Vermilion and portions of surrounding townships.

The District was established in 1944 through the consolidation of existing land areas and Districts and is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws there is no authority for a District to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates 1 elementary school, 1 middle school and 1 comprehensive high school. The District employs 102 non-certified and 148 certified employees to provide services to 1,515 students in grades K through 12 and various community groups.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District’s significant accounting policies are described below.

A. Reporting Entity

The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (primary government).

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

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

A. **Reporting Entity** (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

EHOVE Career Center

The career center is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts nontuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District.

Metropolitan Educational Technology Association

The District participates in the Metropolitan Educational Technology Association (META), which is a computer consortium. META is an education solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs. The governing board of META consists of a president, vice president, and six board members who represent the members of META. The Board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting, and designating management. During fiscal year 2025, the District paid \$45,507 to META Solutions. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

Lake Erie Regional Council (LERC)

The Lake Erie Regional Council (LERC) is a jointly governed organization comprised of ten Districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements to its members in dealing with problems of mutual concern such as health insurance. The LERC assembly consists of a superintendent or designated representative from each participating District and the fiscal agent. LERC is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating District is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, who serves as fiscal agent, at 1885 Lake Avenue, Elyria, Ohio.

RELATED ORGANIZATIONS

The Ritter Public Library

The Ritter Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the District's 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 has issued 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 Ritter Public Library, Clerk/Treasurer, at 5680 Liberty Avenue, Vermilion, Ohio 44089.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources compared to liabilities and deferred inflows of resources are reported as fund balance. The following are the District's major governmental funds:

General Fund - The General Fund is used to account for and report all financial resources not accounted for and reported 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.

Capital Projects Fund – The Capital Projects Fund is used to account for and manage financial resources used for acquiring or constructing major capital assets and projects for the School District.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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 no proprietary funds.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The District's fiduciary funds are custodial funds. Custodial funds are used to account for taxes levied on behalf of the library and OHSAA fees collected for tournaments.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

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

C. Basis of Presentation and Measurement Focus

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 government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the Statement of Net Position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from investment trust, private purpose trust funds, and custodial funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

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

D. Basis of Accounting (Continued)

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred Outflows/Inflows of Resources - In addition to assets, the government-wide Statement of Net Position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported in the government-wide Statement of Net Position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 12 and 13.

In addition to liabilities, the government-wide Statement of Net Position and governmental funds Balance Sheet report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, OPEB, deferral on refunding and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2025, but which were levied to finance year 2025 operations represents imposed non-exchange revenues. These amounts have been recorded as deferred inflows on both the government-wide Statement of Net Position and the governmental fund financial statements. A deferral on refunding results from the difference in the carrying value of the refunding debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

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

D. Basis of Accounting (Continued)

For the District, unavailable revenue includes delinquent property taxes. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide Statement of Net Position and are further explained in Notes 12 and 13.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as material and supplies inventory.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency). The specific timetable is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Erie County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2025.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

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

E. **Budgets** (Continued)

4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures may not exceed the appropriation total.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2025. All amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. **Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2025, investments were limited to U.S. Government Agency Notes, Negotiable Certificates of Deposit, U.S. Treasury notes/bills, U.S. Government Money Markets, and STAR Ohio.

During fiscal year 2025, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

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

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

For the fiscal year 2025, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The District allocates investment earnings to the General, Scholarship, Endowment, and Food Service funds in accordance with Board policies and State statutes. Interest revenue credited to the General Fund during fiscal year 2025 amounted to \$929,911, which includes \$446,185 assigned from other District funds. In total, the change in fair value increased the District's total investments by \$81,781.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 5.

G. **Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the purchase method on the fund statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

H. **Capital Assets**

General capital assets are those related to government activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$7,500 for its general capital assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

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

H. Capital Assets (Continued)

All reported capital assets except land are depreciated/amortized. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation/amortization is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Intangible Right-to-use Lease – Equipment	5 years
Land Improvements	20 years
Buildings and Improvements	25 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	8 years

The District is reporting intangible right-to-use assets related to leased equipment. The intangible assets are being amortized in a systematic and rational manner of the shorter of the lease term or the useful life of the underlying asset.

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivable/payable.” These amounts are eliminated in the governmental activities column on the Statement of Net Position.

J. Compensated Absences

The District recognizes a liability for compensated absences for leave that that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability is incurred in the government financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Vacation - The District’s policy permits employees to accumulate earned but unused benefits, which are eligible for payments at the employee’s current pay rate upon separation from employment.

Sick - The District’s policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave the employment of the District and, upon separation from service, no monetary obligation exists. The amount is based on accumulated sick leave and employees’ wage rates at year end, taking into consideration any limits specified in the District’s termination policy.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

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

K. Pensions/Other Postemployment Benefits (OPEB)

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

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

M. 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 in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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 Board of Education (the highest level of decision-making authority). Those committed amounts cannot be used for any other purpose unless the District 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.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

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

M. **Fund Balance** (Continued)

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 nor 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 represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

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 net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. 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 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.

O. **Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. There were no significant prepayments at fiscal year-end.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

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

P. **Estimates**

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

Q. **Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

R. **Unamortized Bond Premium**

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, bond premiums are recognized in the current period.

S. **Parochial School**

Within the District's boundaries, the St. Mary School and the Norwalk Catholic School are operated through the Toledo Catholic Diocese. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial schools. The receipt and expenditure of these state monies by the District are reflected in a special revenue fund for financial reporting purposes.

T. **Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2025.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

NOTE 3: CHANGES IN ACCOUNTING PRINCIPLES

During the fiscal year, the District implemented the following Governmental Accounting Standards Board (GASB) Statements and Guides:

GASB Statement No. 102, Certain Risk Disclosures – an Amendment of GASB Statement No. 62. GASB 100 The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The implementation of the GASB pronouncement did not have any impact on beginning net position or fund balance.

GASB Statement No. 101, Compensated Absences The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. For the District, GASB 101 increased the liability and the cumulative effects of compensated absence related expense on net position is shown on the table below.

	Funds			Government-Wide
	General Fund	Capital Projects Fund	Nonmajor Governmental	Governmental Activities
June 30, 2024, as previously reported	\$ 14,808,564	\$ -	\$ 3,353,878	\$ (544,767)
Change from nonmajor fund to major fund	-	93,028	(93,028)	-
Change in accounting principle (GASB 101)	-	-	-	(3,977,121)
June 30, 2024, as adjusted or restated	<u>\$ 14,808,564</u>	<u>\$ 93,028</u>	<u>\$ 3,260,850</u>	<u>\$ (4,521,888)</u>

NOTE 4: ACCOUNTABILITY

There is a fund balance deficit in the following funds at June 30, 2025:

Title I, Disadvantaged Children/Targeted Assistance	<u>\$ 11,639</u>
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These deficits are caused by the application of generally accepted accounting principles to these funds. The General Fund is liable for any deficits in these funds and provides operating transfers when cash is required, not when accruals occur.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

NOTE 5: DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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, and Federal Home Loan Mortgage Corporation. 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, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivision of the State of Ohio, if training requirements have been met;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount to a single issuer not to exceed five percent of the interim monies available for investment at any one time if training requirements have been met,

**VERMILION LOCAL SCHOOL DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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 the financial institution's participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial 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. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2025, the carrying amount of the District's deposits was \$909,776. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2025, \$250,000 of the District's bank balance of \$1,324,910 was covered by Federal Depository Insurance and \$1,074,910 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. The District's financial institution was approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System, resulting in the uninsured and uncollateralized balance. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

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 the possession of an outside party. Protection of the District's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. Ohio law requires that deposits either be insured or protected by:

Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

B. Investments

STAR Ohio is measured at net asset value per share while all other investments are measured at fair value. Fair value is determined by quoted market prices and acceptable other pricing methodologies. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The table on the following page identifies the District's recurring fair value measurement as of June 30, 2024. As previously discussed, Star Ohio is reported at its net asset value. All other investments of the District are valued using quoted market prices (Level 1 and Level 2 inputs).

As of June 30, 2025, the District had the following investments and maturities:

Investment Type	Fair Value/NAV	Investment Maturities			Level Input
		<1 Year	1 - 2 Years	2 - 5 Years	
U.S. Government Agency Notes	\$ 4,972,386	\$ 2,352,555	\$ 1,946,008	\$ 673,823	2
Negotiable Certificates of Deposit	495,241	-	323,562	171,679	2
U.S. Treasury Notes	4,300,172	753,902	2,238,347	1,307,923	2
U.S. Government Money Markets	288,505	288,505	-	-	1
STAR Ohio	8,754,376	8,754,376	-	-	N/A
Total	\$ 18,810,680	\$ 12,149,338	\$ 4,507,917	\$ 2,153,425	

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments in U.S. Government Agency Notes and Treasury Notes were rated Aaa by Moody's Investor Services. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Fitch rated U.S. Government Money Market at AAA. The credit rating for the District's investments in the negotiable certificates of deposit are not rated. Commercial Paper must be rated Aaa by Moody's and AAAM by Standard and Poor's.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the 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. The federal agency securities and U.S. Treasury notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee. The District's investments in negotiable certificates of deposit of \$495,241 were fully covered by the FDIC.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. Ohio Revised Code 135.14(B)(7) limits the investment in commercial paper notes of a single issuer does not exceed the aggregate five per cent of interim moneys available at the time of purchase.

The following table includes the percentage of each investment type held by the District at June 30, 2025:

Investment Type	Fair Value/NAV	% of Total
U.S. Government Agency Notes	\$ 4,972,386	26.43%
Negotiable Certificates of Deposit	495,241	2.63%
U.S. Treasury Notes/Bills	4,300,172	22.86%
U.S. Government Money Markets	288,505	1.53%
STAR Ohio	8,754,376	46.54%
Total	\$ 18,810,680	100.00%

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the Statement of Net Position as of June 30, 2025:

<u>Cash and Investments per Footnote</u>	
Carrying Amount of Deposits	\$ 909,776
Investments	18,810,680
Total	<u>\$ 19,720,456</u>
<u>Cash and Investments per Statements</u>	
Governmental Activities	\$ 19,720,431
Custodial Funds	25
Total	<u>\$ 19,720,456</u>

NOTE 6: INTERFUND TRANSACTIONS

A. Interfund Loans Receivable and Payable

Interfund balances at June 30, 2025 as reported on the fund financial statements, consist of the following individual interfund loans receivable and payable:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 11,639

**VERMILION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

NOTE 6: INTERFUND TRANSACTIONS (Continued)

A. Interfund Loans Receivable and Payable (Continued)

Monies were advanced from the general fund to various nonmajor governmental funds to cover operating expenditures until additional monies are received. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

B. Interfund Transfers

Interfund transfers at June 30, 2025 as reported on the fund financial statements, consist of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 8	\$ 7,688,302
Capital Project Fund	7,640,000	-
Other Governmental Funds	48,302	8
Total	<u>\$ 7,688,310</u>	<u>\$ 7,688,310</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The interfund transfer between governmental funds is eliminated on the government-wide financial statements. The General Fund transferred \$48,302 into the District Managed Activities Fund to cover current year expenses. The General Fund transferred \$7,640,000 to the capital projects fund for the replacement of high school roof and HVAC units, replacement of water and electrical lines and other capital repairs. The special trust fund transferred \$8 to the Public School Support fund to reconcile closed accounts.

NOTE 7: PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenues received in calendar year 2025 represent the collection of calendar year 2024 taxes. Real property taxes received in calendar year 2025 were levied after April 1, 2024, on the assessed values as of January 1, 2024, 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 revenues received in calendar year 2025 represent the collection of calendar year 2024 taxes. Public utility real and personal property taxes received in calendar year 2025 became a lien on December 31, 2023, were levied after April 1, 2024, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)

NOTE 7: PROPERTY TAXES (Continued)

The District receives property taxes from Erie and Lorain 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, 2025, are available to finance fiscal year 2025 operations. The amount available as an advance at June 30, 2025 was \$2,259,819 in the General Fund, \$75,512 in Debt Service Fund (a nonmajor governmental fund), \$112,830 in the Special Levy Fund (a nonmajor governmental fund), and \$22,210 in the Library Construction Fund (a custodial fund). This amount is recorded as revenue. The amount available as an advance at June 30, 2024 was \$1,293,962 in the General Fund, \$80,406 in Debt Service Fund (a nonmajor governmental fund), \$113,386 in the Special Levy Fund (a nonmajor governmental fund), and \$17,838 in the Library Construction Fund (a custodial fund). 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.

Accrued property taxes receivable includes real property and public utility property which are measurable as of June 30, 2025, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end.

The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources. On the full accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been included in deferred inflows of resources. The assessed values upon which the fiscal year 2025 taxes were collected are:

	2024 Second Half Collections		2025 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 489,790,580	88.23%	\$ 623,951,630	89.65%
Public Utility Personal	65,339,710	11.77%	72,057,600	10.35%
Total	<u>\$ 555,130,290</u>	<u>100.00%</u>	<u>\$ 696,009,230</u>	<u>100.00%</u>
Tax rate per \$1,000 of Assessed Valuation	\$ 66.80		\$ 65.13	

NOTE 8: RECEIVABLES

Receivables at June 30, 2025, consisted of taxes, accrued interest, accounts, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the Statement of Net Position follows:

<u>Governmental Activities</u>	
Property Taxes Receivables	\$ 19,848,329
Intergovernmental Receivable	50,355
Accounts Receivable	72,542
Accrued Interest Receivable	48,275
Total Governmental Activities	<u>\$ 20,019,501</u>

VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)

NOTE 8: RECEIVABLES (Continued)

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 9: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2025, was as follows:

<u>Governmental Activities:</u>	Balance June 30, 2024	Additions	Disposals	Balance June 30, 2025
<i>Capital assets, not being depreciated:</i>				
Land	\$ 601,858	\$ -	\$ -	\$ 601,858
Total capital assets, not being depreciated	601,858	-	-	601,858
<i>Capital assets, being depreciated/amortized:</i>				
Intangible Right-to-use Lease - Equipment	187,707	-	-	187,707
Land improvements	2,028,069	-	-	2,028,069
Buildings and improvements	32,204,405	-	-	32,204,405
Furniture and equipment	3,845,051	1,306,749	-	5,151,800
Vehicles	2,287,069	381,400	-	2,668,469
Total capital assets, being depreciated/amortized	40,552,301	1,688,149	-	42,240,450
<u>Less: accumulated depreciation/amortization:</u>				
Intangible Right-to-use Lease - Equipment	(117,239)	(37,541)	-	(154,780)
Land improvements	(1,145,424)	(64,749)	-	(1,210,173)
Buildings and improvements	(14,106,197)	(595,624)	-	(14,701,821)
Furniture and equipment	(2,933,649)	(576,084)	-	(3,509,733)
Vehicles	(1,802,324)	(139,005)	-	(1,941,329)
Total accumulated depreciation/amortization	(20,104,833)	(1,413,003) *	-	(21,517,836)
Total Capital Assets being depreciated/amortized, net	20,447,468	275,146	-	20,722,614
Governmental activities capital assets, net	\$ 21,049,326	\$ 275,146	\$ -	\$ 21,324,472

* Depreciation/Amortization expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 523,107
Supporting Services:	
Pupils	527
Instructional Staff	513,757
Administration	40,726
Operation and Maintenance of Plant Services	134,207
Pupil Transportation	139,458
Operational of Non-Instructional Services	19,904
Extracurricular Activities	41,317
Total Depreciation/Amortization Expense	<u>\$ 1,413,003</u>

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

NOTE 10: LONG-TERM OBLIGATIONS

During the fiscal year 2025, the following changes occurred in governmental activities long-term obligations:

	Restated Balance as of June 30, 2024	Additions	Reductions	Balance as of June 30, 2025	Amounts Due In One Year
<u>Governmental Activities Long-Term Obligations</u>					
<u>Long-term Debt Obligations</u>					
General Obligation Bonds					
General Obligation Bonds - Library Refunding 2020					
Current Interest (2.0-4.0%)	\$ 2,515,000	\$ -	\$ (165,000)	\$ 2,350,000	\$ 170,000
Premium on Bonds	221,616	-	(17,848)	203,768	-
Total General Obligations	2,736,616	-	(182,848)	2,553,768	170,000
Direct Borrowings					
Certificate of Participation Refunding, Series 2020 (3.0-4.0%)	12,160,000	-	(670,000)	11,490,000	695,000
Premium on Certificates	1,700,329	-	(126,733)	1,573,596	-
Total Direct Borrowings	13,860,329	-	(796,733)	13,063,596	695,000
<u>Other Long-Term Obligations</u>					
Financed Purchases Payable	201,600	1,279,683	(420,721)	1,060,562	420,721
Leases Payable	71,474	-	(37,928)	33,546	33,546
Compensated Absences	5,804,558	209,167	-	6,013,725 *	726,230
Net Pension Liability:					
STRS	18,232,876	(2,486,757)	-	15,746,119	-
SERS	5,368,945	(769,240)	-	4,599,705	-
Total Net Pension Liability	23,601,821	(3,255,997)	-	20,345,824	-
Net OPEB Liability:					
SERS	1,652,153	-	(719,047)	933,106	-
Total Net OPEB Liability	1,652,153	-	(719,047)	933,106	-
Total Other Long-term Obligations	31,331,606	(1,767,147)	(1,177,696)	28,386,763	1,180,497
Total Governmental Activities' Long-Term Obligations	\$ 47,928,551	\$ (1,767,147)	\$ (2,157,277)	\$ 44,004,127	\$ 2,045,497

* Amounts are reported net.

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Note 12 and 13. The District pays obligations related to employee compensation from the fund benefitting from their service.

General Obligation Bonds –

Library Refunding, Series 2020 – On September 17, 2020, the District issued general obligation bonds on behalf of the Ritter Public Library for current refunding of the current interest portion of the Library, Series 2011 refunding bonds, which were originally for library improvements. As a result, the proceeds from the bonds have not been capitalized by the District and are not included in the District's calculation of "net investment in capital asset."

**VERMILION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

NOTE 10: LONG-TERM OBLIGATIONS (Continued)

These bonds are general obligation of the District for which the full faith and credit of the District is pledged for repayment. These bonds are payable from a 0.45 mil tax levied on all taxable property in the District. Accordingly, such unmatured obligations are accounted for in the Statement of Net Position. Payments of principal and interest relating to this bond are recorded as an expenditure in the Bond Retirement Fund. The current interest bonds were issued with a par value of \$2,955,000 with interest rates varying from 2.0 percent to 4.0 percent. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2036.

The following is a summary of the future annual requirements to maturity for general obligation bonds:

Fiscal Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2026	\$ 170,000	\$ 62,450	\$ 232,450
2027	170,000	57,350	227,350
2028	170,000	51,400	221,400
2029	180,000	44,400	224,400
2030	185,000	37,100	222,100
2031-2035	1,030,000	86,550	1,116,550
2036-2038	445,000	8,950	453,950
Total	<u>\$ 2,350,000</u>	<u>\$ 348,200</u>	<u>\$ 2,698,200</u>

Direct Borrowings - Certificate of Participation Refunding, Series 2020 – On September 3, 2020, the District issued Certificates of Participation for purpose of refunding Certificates of Participation, Series 2012. The Certificates of Participation were issued at a par value of \$14,215,000 and contain a variable interest rates between 3.0-4.0%. The final maturity is dated for December 1, 2037.

The Outstanding lease from direct borrowings contain the following provisions in the event of default the lessor may exercise one or more of the following remedies; (1) By written notice to the Board, request the Board to promptly return possession of the Project to the Lessor or, at the Lessor's option, the Lessor may enter upon the Project Site and take immediate possession of and remove personal property constituting Project Facilities; (2) Sublease the Project for the account of the Board, holding the Board liable for all Lease Payments and other payments due prior to the effective date of the sublease and for the difference between the rental and other amounts paid by the sublessee pursuant to such sublease and the amounts payable by the Board pursuant to the Lease during the then current Lease Term; and (3) Exercise any other right, remedy or privilege available under Ohio or any other applicable law, or proceed by appropriate court action to enforce the terms of the Lease or rescind the Lease or recover damages.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

NOTE 10: LONG-TERM OBLIGATIONS (Continued)

The following is a summary of the future annual requirements to maturity for certificates of participation:

Fiscal Year Ending June 30,	Certificate of Participation		
	Principal	Interest	Total
2026	\$ 695,000	\$ 404,300	\$ 1,099,300
2027	725,000	375,900	1,100,900
2028	750,000	346,400	1,096,400
2029	785,000	315,700	1,100,700
2030	815,000	283,700	1,098,700
2031-2035	4,570,000	899,550	5,469,550
2036-2038	3,150,000	143,550	3,293,550
Total	<u>\$ 11,490,000</u>	<u>\$ 2,769,100</u>	<u>\$ 14,259,100</u>

Other Long-term Debt Obligations –

Financed Purchases Payable – On July 20, 2022, the District entered into a purchase agreement with Apple Incorporated for Macbooks. The purchase agreement transfers benefits and risk of ownership to the lessee. Payments are reported as debt service expenditures for the General Fund in the basic financial statements.

In July of 2024, the district entered into a purchase agreement with Apple Incorporated for Macbooks. The Purchase agreement transfers benefits and risk of ownership to the lessee. Payments are reported as debt service expenditures for the General Fund in the basic financial statements.

The equipment was capitalized at \$1,682,883, which represents the present value of the future minimum lease payments at the time of acquisition. The accumulated depreciation was reported at \$538,295, leaving a book value of \$1,144,588 at June 30, 2025.

In the event of default, the lessor may take actions to remedy the agreement that include, but not limited to, taking possession of the leased equipment and make due the remaining obligation.

The following is a summary of the future annual requirements to maturity for financed purchases payable:

Fiscal Year Ending June 30,	Financed Purchases Payable	
	Principal	
2026	\$	420,721
2027		319,921
2028		319,920
	<u>\$</u>	<u>1,060,562</u>

**VERMILION LOCAL SCHOOL DISTRICT
 ERIE COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2025
 (CONTINUED)**

NOTE 10: **LONG-TERM OBLIGATIONS** (Continued)

Leases Payable – The District entered into two lease agreements for the right-to-use copier equipment and postage equipment. GASB Statement No. 87 requires the District to report a long-term liability for the future scheduled payments. Both leases will be paid from the General Fund.

The District entered into the postage lease agreement with Quadient Finance USA, Inc. on January 1, 2021 for a 60 month term. Payments are made on a monthly basis with an implied interest rate of 0.64% and will mature on January 20, 2026.

The District entered into the copier equipment lease agreement with US Bank on July 1, 2021 for a 60 month term. Payments are made on a monthly basis with an implied interest rate of 1.059% and will mature on July 20, 2026.

The following is a summary of the future annual requirements to maturity for leases payable:

Fiscal Year Ending June 30,	Leases Payable		
	Principal	Interest	Total
2026	\$ 33,546	\$ 175	\$ 33,721

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1 percent of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2025, are a voted debt margin of \$60,897,798 and an unvoted debt margin of \$696,009.

**VERMILION LOCAL SCHOOL DISTRICT
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(CONTINUED)**

NOTE 11: RISK MANAGEMENT

A. Property, Fleet, and Liability Insurance

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 2025, the District contracted with the Ohio Casualty Group for general liability, automobile liability and property insurance. The District liability policy has a limit of \$1,000,000 for each occurrence and \$3,000,000 aggregate. Automobile liability has a \$1,000,000 combined single limit of liability. Limits of insurance on real property and equipment are \$81,127,669 with a deductible of \$5,000.

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from last year.

B. Life Insurance

The District provides group life insurance and accidental death and dismemberment insurance to its employees. Life insurance is provided through the American United Insurance Company as members of the Ohio School Council/MEC consortium.

C. Employee Health and Dental

The District has contracted with the Lake Erie Regional Council of Governments (LERC) to provide partially self-insured employee health and medical benefits since December 1988. LERC is a claims-servicing pool comprised of 11 Districts. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow or individual account balance. LERC Board of Directors has the right to return monies to an existing district subsequent to the settlement of all expenses and claims. This plan provides a medical/surgical plan. Stop loss is provided by a private insurance carrier for all individual claims in excess of \$250,000.

LERC's pool premiums are billed to each participating District based on its actuarially determined rates. Should contributions prove to be insufficient to pay program costs of the insurance program in any given year, each participating member is notified of its deficiency and its premium is adjusted to cover its share of the additional cost of anticipated future claims.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 12: DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability

The net pension liability reported on the Statement of Net Position represents a liability to employees for pensions. 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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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 proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

**VERMILION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

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

B. Plan Description - 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 years 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.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in CPI-W, not exceed 2.5% and with a floor of 0.0%. A three-year COLA suspension was in effect for all benefit recipients for calendar years 2018, 2019, and 2020. The retirement board approved a 2.5% COLA for calendar year 2023 through 2025.

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, 2025, the allocation to pension, death benefits, and Medicare B was the entire 14 percent.

**VERMILION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

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

B. Plan Description - School Employees Retirement System (SERS) (Continued)

The District's contractually required contribution to SERS was \$524,814 for fiscal year 2025. Of this amount, \$55,335 is reported as an intergovernmental payable.

C. Plan Description - State Teachers Retirement System (STRS) (Continued)

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. The calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective August 1, 2023, any member can retire with unreduced benefits with 34 years of services credit at any age; or five years of service credit and age 65. Effective June 1, 2025 – July 1, 2027, any member can retire with unreduced benefits with 33 years of service credit at any age; or five years of service credit and age 6. Effective on or after Aug. 1, 2027, any member can retire with unreduced benefits with 34 years of service credit at any age; or five years of service credit and age 65.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits effective Aug. 1, 2023, can retire with 29 years of service credit at any age; or five years of service credit and age 60. Effective June 1, 2025 - July 1, 2027, retirement eligibility for reduced benefits is 28 years of service credit at any age; or five years of service credit and age 60. Effective on or after Aug. 1, 2027, retirement eligibility for reduced benefits is 29 years of service credit at any age; or five years of service credit and age 60.

The DC Plan allows members to place all their member contributions and 11.09 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 2.91 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.

**VERMILION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

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

C. **Plan Description – State Teachers Retirement System (STRS)** (Continued)

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12.0 of the 14.0 percent member rates goes to the DC Plan and the remaining 2.0 percent goes to the DB plan. Member contributions to the DC plan are allocated among investment choices by the member, and contributions to the DB plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2025, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2025 contribution rates were equal to the statutory maximum rates.

The District's contractually required contributions to STRS was \$1,656,875 for fiscal year 2025. Of this amount, \$0 is reported as an intergovernmental payable.

D. **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability was measured as of June 30, 2024, 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 contributions of all participating entities. Following is information related to the proportionate share and pension expense:

VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)

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

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.0971664%	0.084666490%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.0899153%</u>	<u>0.081833660%</u>	
Change in Proportionate Share	<u>-0.0072511%</u>	<u>-0.00283283%</u>	
Proportionate Share of the Net Pension			
Liability	\$ 4,599,705	\$ 15,746,119	\$ 20,345,824
Pension Expense	\$ 364,873	\$ 910,813	\$ 1,275,686

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 175,612	\$ 991,595	\$ 1,167,207
Changes of assumptions	41,147	725,666	766,813
Changes in proportion and differences between District contributions and proportionate share of contributions	79,069	1,061,285	1,140,354
District contributions subsequent to the measurement date	<u>524,814</u>	<u>1,656,875</u>	<u>2,181,689</u>
Total Deferred Outflows of Resources	<u>\$ 820,642</u>	<u>\$ 4,435,421</u>	<u>\$ 5,256,063</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ 8,621	\$ 8,621
Changes of assumptions	-	546,220	546,220
Net difference between projected and actual earnings on pension plan investments	287,709	1,353,846	1,641,555
Changes in proportion and differences between District contributions and proportionate share of contributions	<u>285,996</u>	<u>871,704</u>	<u>1,157,700</u>
Total Deferred Inflows of Resources	<u>\$ 573,705</u>	<u>\$ 2,780,391</u>	<u>\$ 3,354,096</u>

\$2,181,689 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026.

**VERMILION LOCAL SCHOOL DISTRICT
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(CONTINUED)**

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

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2026	(\$280,451)	(\$1,040,147)	(\$1,320,598)
2027	214,399	1,662,479	1,876,878
2028	(127,224)	(182,460)	(309,684)
2029	<u>(84,601)</u>	<u>(441,717)</u>	<u>(526,318)</u>
Total	<u>(\$277,877)</u>	<u>(\$1,845)</u>	<u>(\$279,722)</u>

E. 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. Future benefits for all current plan members were projected through 2137.

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.

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(CONTINUED)

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

E. **Actuarial Assumptions – SERS** (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2024, are presented below:

Wage Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA	2.00 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of investment expenses, including inflation
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disable members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed June 30, 2020.

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	3.00 %	0.97 %
US Equity	22.00	4.68
Non-US Equity Developed	12.00	4.96
Non-US Equity Emerging	6.00	5.66
Fixed Income/Global Bonds	18.00	2.38
Private Equity	14.00	7.10
Real Estate/Real Assets	13.00	3.64
Infrastructure	7.00	4.80
Private Debt/Private Credit	5.00	5.86
Total	<u>100.00 %</u>	

**VERMILION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 12: DEFINED BENEFIT PENSION PLANS (Continued)

E. Actuarial Assumptions – SERS (Continued)

Discount Rate The total pension liability was calculated using the discount rate of 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 20-year amortization period of the unfunded actuarial accrued liability. The actuarially determined rate of fiscal year 2024 was 14 percent. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.00 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. The annual money weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2024 was 9.31 percent.

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 7.00 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 (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 7,036,910	\$ 4,599,705	\$ 2,547,708

F. Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2024 are presented below:

Inflation	2.50 percent
Projected salary increases	Varies by service from 2.5% to 8.5%
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments	0.0 percent

Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

**VERMILION LOCAL SCHOOL DISTRICT
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(CONTINUED)**

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

F. **Actuarial Assumptions – STRS** (Continued)

Actuarial assumptions used in the June 30, 2024 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity	26.00 %	6.90 %
International Equity	22.00	7.70
Alternatives	19.00	9.10
Fixed Income	22.00	4.50
Real Estate	10.00	5.10
Liquidity Reserves	1.00	2.40
Total	100.00 %	

* Final target weights reflected at October 1, 2022.

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.4% and does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2024. 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, 2024. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2024.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 12: DEFINED BENEFIT PENSION PLANS (Continued)

F. Actuarial Assumptions – STRS (Continued)

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 7.00 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 (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 25,401,248	\$ 15,746,119	\$ 7,579,537

NOTE 13: DEFINED BENEFIT OPEB PLANS

A. Net OPEB Liability/Asset

The net OPEB liability and net OPEB asset reported on the statement of net position represents a liability or asset to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability and net OPEB asset represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability and net OPEB asset calculations are 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 these estimates 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 OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability and net OPEB asset. Resulting adjustments to the net OPEB liability and net OPEB asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

**VERMILION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 13: DEFINED BENEFIT OPEB PLANS

A. Net OPEB Liability/Asset (Continued)

The proportionate share of each plan's unfunded/funded benefits is presented as a long-term *net OPEB liability/asset* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

B. Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2025, there was no contribution made to health care. A health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2025, this amount was \$30,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The surcharge is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$66,029 for fiscal year 2025. The full amount is reported as an intergovernmental payable.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

C. Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B monthly reimbursement elimination date was postponed indefinitely. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly 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. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2025, STRS did not allocate any employer contributions to post-employment health care.

D. OPEB Liabilities, OPEB Asset, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and net OPEB asset were measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability and net OPEB asset were determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability and net OPEB asset were based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability/asset			
Prior Measurement Date	0.1002857%	0.08466649%	
Proportion of the Net OPEB Liability/asset			
Current Measurement Date	<u>0.0916162%</u>	<u>0.08183366%</u>	
Change in Proportionate Share	<u>-0.0086695%</u>	<u>-0.00283283%</u>	
Proportionate Share of the Net OPEB Liability	\$ 933,106	\$ -	\$ 933,106
Proportionate Share of the Net OPEB Asset	\$ -	\$ (1,552,228)	\$ (1,552,228)
OPEB Expense	\$ (130,094)	\$ (351,603)	\$ (481,697)

VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

D. OPEB Liabilities, OPEB Asset, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ -	\$ 67,478	\$ 67,478
Changes of assumptions	400,488	191,059	591,547
Net difference between projected and actual earnings on pension plan investments	4,556	-	4,556
Changes in proportion and difference between District contributions and proportionate share of contributions	110,486	21,668	132,154
District contributions subsequent to the measurement date	66,029	-	66,029
Total Deferred Outflows of Resources	<u>\$ 581,559</u>	<u>\$ 280,205</u>	<u>\$ 861,764</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 1,006,128	\$ 167,281	\$ 1,173,409
Changes of assumptions	428,636	700,044	1,128,680
Net difference between projected and actual earnings on OPEB plan investments	-	66,648	66,648
Changes in proportion and difference between District contributions and proportionate share of contributions	231,802	38,713	270,515
Total Deferred Inflows of Resources	<u>\$ 1,666,566</u>	<u>\$ 972,686</u>	<u>\$ 2,639,252</u>

\$66,029 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability and net OPEB asset in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense below:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2026	\$ (267,328)	\$ (240,792)	\$ (508,120)
2027	(183,229)	(106,965)	(290,194)
2028	(148,716)	(137,029)	(285,745)
2029	(138,060)	(127,634)	(265,694)
2030	(136,689)	(103,944)	(240,633)
Thereafter	(277,014)	23,883	(253,131)
Total	<u>\$ (1,151,036)</u>	<u>\$ (692,481)</u>	<u>\$ (1,843,517)</u>

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

NOTE 13: DEFINED BENEFIT OPEB PLANS (Continued)

E. Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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 OPEB liability in the latest actuarial valuation date of June 30, 2024, are presented below:

Wage Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.93 percent
Prior Measurement Date	3.86 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	4.88 percent
Prior Measurement Date	4.27 percent
Medical Trend Assumption	
Measurement Date	7.00 to 4.40 percent
Prior Measurement Date	6.75 to 4.40 percent

Base Mortality: Healthy Retirees - PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Disabled Retirees - PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

NOTE 13: DEFINED BENEFIT OPEB PLANS (Continued)

E. Actuarial Assumptions – SERS (Continued)

Contingent Survivors - PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females. Actives - PUB-2010 General Amount Weighted Below Median Employee mortality table.

The most recent experience study was completed for the five-year period ended June 30, 2020.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	3.00 %	0.97 %
US Equity	22.00	4.68
Non-US Equity Developed	12.00	4.96
Non-US Equity Emerging	6.00	5.66
Fixed Income/Global Bonds	18.00	2.38
Private Equity	14.00	7.10
Real Estate/Real Assets	13.00	3.64
Infrastructure	7.00	4.80
Private Debt/Private Credit	5.00	5.86
	<u>100.00 %</u>	

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

E. **Actuarial Assumptions – SERS** (Continued)

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2024 was 4.88 percent. The discount rate used to measure total OPEB liability prior to June 30, 2024 was 4.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 1.50 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2059 by SERS' actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination for the SEIR for both the June 30, 2023 and the June 30, 2024 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index rate is 3.93 % at June 30, 2024 and 3.86 % at June 30, 2023.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.88%) and higher (5.88%) than the current discount rate (4.88%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate (7.00% decreasing to 4.40%).

	1% Decrease (3.88%)	Current Discount Rate (4.88%)	1% Increase (5.88%)
District's proportionate share of the net OPEB liability	\$ 1,244,265	\$ 933,106	\$ 685,850
	1% Decrease (6.00% decreasing to 3.40%)	Current Trend Rate (7.00% decreasing to 4.40%)	1% Increase (8.00% decreasing to 5.40%)
District's proportionate share of the net OPEB liability	\$ 630,745	\$ 933,106	\$ 1,330,536

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

NOTE 13: DEFINED BENEFIT OPEB PLANS (Continued)

F. Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2024, actuarial valuation is presented below:

Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	
Payroll Increases	3 percent	
Discount Rate of Return	7.00 percent	
Health Care Cost Trends	Initial	Ultimate
Medical		
Pre-Medicare	7.50 percent	3.94 percent
Medicare	-112.22 percent	3.94 percent
Prescription Drug		
Pre-Medicare	8.00 percent	3.94 percent
Medicare	-15.14 percent	3.94 percent

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2024, valuations are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

F. **Actuarial Assumptions – STRS** (Continued)

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized below:

<u>Asset Class</u>	<u>Target Allocation *</u>	<u>Long-Term Expected Rate of Return **</u>
Domestic Equity	26.00 %	6.90 %
International Equity	22.00	7.70
Alternatives	19.00	9.10
Fixed Income	22.00	4.50
Real Estate	10.00	5.10
Liquidity Reserves	1.00	2.40
Total	<u>100.00 %</u>	

* Final Target weights reflected at October 1, 2022

** 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.4 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2024. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was used to measure the total OPEB liability as of June 30, 2024.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2024, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

F. **Actuarial Assumptions – STRS** (Continued)

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net OPEB asset	\$ (1,262,064)	\$ (1,552,228)	\$ (1,804,734)
		Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ (1,821,791)	\$ (1,552,228)	\$ (1,228,044)

Benefit Term Changes Since the Prior Measurement Date

Healthcare trends were updated to reflect emerging claims and recoveries experience as well as benefit changes effective January 1, 2025. The larger Medicare trends for Years 2027 and 2028 reflect the assumed impact of the expiration of current Medicare Advantage contract on December 31, 2028.

NOTE 14: **BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the Budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the General Fund is presented on the Budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the Budgetary basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (Budgetary basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (Budgetary basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to constrain that portion of the applicable appropriation, total outstanding encumbrances (Budgetary basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (Budgetary basis).

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

NOTE 14: BUDGETARY BASIS OF ACCOUNTING (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the General Fund is as follows:

Net Change in Fund Balance	
GAAP Basis	\$ (6,428,865)
Net Adjustment for Revenue Accruals	(2,505,398)
Net Adjustments for Expenditure Accruals	1,634,103
Funds with Separate Legally Adopted Budgets	(425)
Adjustment for Encumbrances	(363,359)
Budget Basis	<u>\$ (7,663,944)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. These include the Emergency Levy Fund, the Public-School Support Fund, the Special Trust Fund, and the Other Grants Fund.

NOTE 15: CONTINGENCIES

A. Grants

The District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

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

C. State Foundation Funding

The District's foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education Workforce (DEW) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, all DEW adjustments for fiscal year 2025 have been finalized.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

NOTE 16: SET-ASIDES

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 year must be held in cash at fiscal year-end. These amounts must be carried forward to be used for the same purposes in future years. The following cash basis information describes the change in the fiscal year-end set-aside amounts for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside Balance as of June 30, 2024	\$ -
Current Year Set-aside Requirement	390,952
Current Year Qualifying Expenditures	<u>(423,823)</u>
Total	<u>\$ (32,871)</u>
 Balance carried forward to Fiscal Year 2025	 <u>\$ -</u>
 Set-aside Balance as of June 30, 2025	 <u><u>\$ -</u></u>

Although the District had qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirements for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)

NOTE 17: 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 Fund and all the other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable</i>				
Materials and Supplies Inventory	\$ 43,208	\$ -	\$ 11,862	\$ 55,070
Unclaimed Funds	4,370	-	-	4,370
<i>Total Nonspendable</i>	<u>47,578</u>	<u>-</u>	<u>11,862</u>	<u>59,440</u>
<i>Restricted for</i>				
Debt Service	-	-	606,969	606,969
Food Service Operations	-	-	121,828	121,828
Scholarships	-	-	1,914,179	1,914,179
Endowment	-	-	68,833	68,833
Student Activities	-	-	100,428	100,428
Safety and Security Levy	-	-	166,741	166,741
Other Purposes	-	-	17,951	17,951
<i>Total Restricted</i>	<u>-</u>	<u>-</u>	<u>2,996,929</u>	<u>2,996,929</u>
<i>Committed to</i>				
Capital Projects	-	7,680,167	5,460	7,685,627
Healthcare Payments	4,774	-	-	4,774
<i>Total Committed</i>	<u>4,774</u>	<u>7,680,167</u>	<u>5,460</u>	<u>7,690,401</u>
<i>Assigned to</i>				
Student Instruction	17,771	-	-	17,771
Student and Staff Support	55,751	-	-	55,751
Public School Support	23,250	-	-	23,250
Special Programs	94	-	-	94
Other Purposes	19,683	-	-	19,683
<i>Total Assigned</i>	<u>116,549</u>	<u>-</u>	<u>-</u>	<u>116,549</u>
<i>Unassigned (Deficit)</i>	<u>8,211,212</u>	<u>-</u>	<u>(11,639)</u>	<u>8,199,573</u>
Total Fund Balances	<u><u>\$ 8,380,113</u></u>	<u><u>\$ 7,680,167</u></u>	<u><u>\$ 3,002,612</u></u>	<u><u>\$ 19,062,892</u></u>

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(CONTINUED)**

NOTE 18: CONSTRUCTION AND OTHER COMMITMENTS

A. Construction Commitments

As of June 30, 2025, the District did have any significant construction commitments outstanding.

B. Other Commitments

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

	<u>Outstanding Encumbrances</u>
General Fund	\$ 73,522
Other Governmental Funds	<u>8,532</u>
	<u><u>\$ 82,054</u></u>

**VERMILION LOCAL SCHOOL DISTRICT
 ERIE COUNTY, OHIO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY
 SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
 LAST TEN FISCAL YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's Proportion of the Net Pension Liability	0.0899153%	0.0971664%	0.0942509%	0.0933907%	0.0888522%	0.0882653%	0.0928685%	0.0950988%	0.0995570%	0.1059947%
District's Proportionate Share of the Net Pension Liability	\$ 4,599,705	\$ 5,368,945	\$ 5,097,822	\$ 3,445,847	\$ 5,876,872	\$ 5,281,068	\$ 5,318,751	\$ 5,681,944	\$ 7,286,654	\$ 6,048,160
District's Covered Payroll	\$ 3,768,193	\$ 3,976,371	\$ 3,399,293	\$ 3,268,329	\$ 3,125,893	\$ 3,025,837	\$ 3,496,185	\$ 3,075,536	\$ 3,179,279	\$ 3,183,126
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	122.07%	135.02%	149.97%	105.43%	188.01%	174.53%	152.13%	184.75%	229.19%	190.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.52%	76.06%	75.82%	82.86%	68.55%	70.85%	71.36%	69.50%	62.98%	69.16%

Amounts presented as of the District's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information

**VERMILION LOCAL SCHOOL DISTRICT
 ERIE COUNTY, OHIO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY
 STATE TEACHERS RETIREMENT SYSTEM OF OHIO
 LAST TEN FISCAL YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's Proportion of the Net Pension Liability	0.08183366%	0.08466649%	0.07571319%	0.08224689%	0.08294656%	0.07930018%	0.08046443%	0.08211413%	0.08199609%	0.08954723%
District's Proportionate Share of the Net Pension Liability	\$ 15,746,119	\$ 18,232,876	\$ 16,831,137	\$ 10,516,004	\$ 20,070,116	\$ 17,536,758	\$ 17,692,322	\$ 19,506,388	\$ 27,446,563	\$ 24,748,235
District's Covered Payroll	\$ 11,480,136	\$ 11,435,764	\$ 9,843,079	\$ 10,151,300	\$ 10,240,329	\$ 9,200,971	\$ 9,503,514	\$ 8,732,793	\$ 8,965,436	\$ 9,061,786
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	137.16%	159.44%	170.99%	103.59%	195.99%	190.60%	186.17%	223.37%	306.14%	273.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.50%	80.00%	78.90%	87.80%	75.50%	77.40%	77.31%	75.29%	66.80%	72.10%

Amounts presented as of the District's measurement date
 which is the prior fiscal period end.

See accompanying notes to the required supplementary information

**VERMILION LOCAL SCHOOL DISTRICT
 ERIE COUNTY, OHIO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS - PENSION
 SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
 LAST TEN FISCAL YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 524,814	\$ 527,547	\$ 556,692	\$ 475,901	\$ 457,566	\$ 437,625	\$ 408,488	\$ 471,985	\$ 430,575	\$ 445,099
Contributions in Relation to the Contractually Required Contribution	<u>(524,814)</u>	<u>(527,547)</u>	<u>(556,692)</u>	<u>(475,901)</u>	<u>(457,566)</u>	<u>(437,625)</u>	<u>(408,488)</u>	<u>(471,985)</u>	<u>(430,575)</u>	<u>(445,099)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered Payroll	\$ 3,748,671	\$ 3,768,193	\$ 3,976,371	\$ 3,399,293	\$ 3,268,329	\$ 3,125,893	\$ 3,025,837	\$ 3,496,185	\$ 3,075,536	\$ 3,179,279
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%

See accompanying notes to the required supplementary information

**VERMILION LOCAL SCHOOL DISTRICT
 ERIE COUNTY, OHIO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS - PENSION
 STATE TEACHERS RETIREMENT SYSTEM OF OHIO
 LAST TEN FISCAL YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 1,656,875	\$ 1,607,219	\$ 1,601,007	\$ 1,378,031	\$ 1,421,182	\$ 1,433,646	\$ 1,288,136	\$ 1,330,492	\$ 1,222,591	\$ 1,255,161
Contributions in Relation to the Contractually Required Contribution	<u>(1,656,875)</u>	<u>(1,607,219)</u>	<u>(1,601,007)</u>	<u>(1,378,031)</u>	<u>(1,421,182)</u>	<u>(1,433,646)</u>	<u>(1,288,136)</u>	<u>(1,330,492)</u>	<u>(1,222,591)</u>	<u>(1,255,161)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered Payroll	\$ 11,834,821	\$ 11,480,136	\$ 11,435,764	\$ 9,843,079	\$ 10,151,300	\$ 10,240,329	\$ 9,200,971	\$ 9,503,514	\$ 8,732,793	\$ 8,965,436
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information

**VERMILION LOCAL SCHOOL DISTRICT
 ERIE COUNTY, OHIO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET OPEB LIABILITY
 SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
 LAST NINE FISCAL YEARS (1)**

	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability	0.0916162%	0.1002857%	0.0964495%	0.0963831%	0.0915962%	0.0907607%	0.0945515%	0.0968664%	0.1009794%
District's Proportionate Share of the Net OPEB Liability	\$ 933,106	\$ 1,652,153	\$ 1,354,160	\$ 1,824,129	\$ 1,990,685	\$ 2,282,440	\$ 2,623,114	\$ 2,599,640	\$ 2,878,286
District's Covered Payroll	\$ 3,768,193	\$ 3,976,371	\$ 3,399,293	\$ 3,268,329	\$ 3,125,893	\$ 3,025,837	\$ 3,496,185	\$ 3,075,536	\$ 3,179,279
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	24.76%	41.55%	39.84%	55.81%	63.68%	75.43%	75.03%	84.53%	90.53%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	44.50%	30.02%	30.34%	24.08%	18.17%	15.57%	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

Amounts presented as of the District's measurement date, which is the prior fiscal year end.

See accompanying notes to the required supplementary information

**VERMILION LOCAL SCHOOL DISTRICT
 ERIE COUNTY, OHIO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET OPEB LIABILITY/ASSET
 STATE TEACHERS RETIREMENT SYSTEM OF OHIO
 LAST NINE FISCAL YEARS (1)**

	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability/Asset	0.08183366%	0.08466649%	0.07571319%	0.08224689%	0.08294656%	0.07930018%	0.08046443%	0.08211413%	0.08199609%
District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (1,552,228)	\$ (1,646,645)	\$ (1,960,467)	\$ (1,734,109)	\$ (1,457,785)	\$ (1,313,401)	\$ (1,292,982)	\$ 3,203,789	\$ 4,385,172
District's Covered Payroll	\$ 11,480,136	\$ 11,435,764	\$ 9,843,079	\$ 10,151,300	\$ 10,240,329	\$ 9,200,971	\$ 9,503,514	\$ 8,732,793	\$ 8,965,436
District's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-13.52%	-14.40%	-19.92%	-17.08%	-14.24%	-14.27%	-13.61%	36.69%	48.91%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	158.01%	168.52%	230.73%	174.73%	182.13%	174.74%	176.00%	47.11%	37.30%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

Amounts presented as of the District's measurement date, which is the prior fiscal year end.

See accompanying notes to the required supplementary information

**VERMILION LOCAL SCHOOL DISTRICT
 ERIE COUNTY, OHIO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS - OPEB
 SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
 LAST TEN FISCAL YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution (1)	\$ 66,029	\$ 65,823	\$ 74,935	\$ 63,381	\$ 62,311	\$ 55,979	\$ 71,961	\$ 70,056	\$ 62,977	\$ 51,479
Contributions in Relation to the Contractually Required Contribution	<u>(66,029)</u>	<u>(65,823)</u>	<u>(74,935)</u>	<u>(63,381)</u>	<u>(62,311)</u>	<u>(55,979)</u>	<u>(71,961)</u>	<u>(70,056)</u>	<u>(62,977)</u>	<u>(51,479)</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District Covered Payroll	\$ 3,748,671	\$ 3,768,193	\$ 3,976,371	\$ 3,399,293	\$ 3,268,329	\$ 3,125,893	\$ 3,025,837	\$ 3,496,185	\$ 3,075,536	\$ 3,179,279
OPEB Contributions as a Percentage of Covered Payroll (1)	1.76%	1.75%	1.88%	1.86%	1.91%	1.79%	2.38%	2.00%	2.05%	1.62%

(1) Includes Surcharge

See accompanying notes to the required supplementary information

**VERMILION LOCAL SCHOOL DISTRICT
 ERIE COUNTY, OHIO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS - OPEB
 STATE TEACHERS RETIREMENT SYSTEM OF OHIO
 LAST TEN FISCAL YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered Payroll	\$ 11,834,821	\$ 11,480,136	\$ 11,435,764	\$ 9,843,079	\$ 10,151,300	\$ 10,240,329	\$ 9,200,971	\$ 9,503,514	\$ 8,732,793	\$ 8,965,436
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

See accompanying notes to the required supplementary information

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

Net Pension Liability

Changes of benefit terms- SERS

There were no changes in benefit terms from the amounts reported for fiscal years 2016-2017, 2020-2021, and 2024-2025.

For fiscal year 2018, the Cost-of-Living Adjustment (COLA) was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0%.

For fiscal year 2019, with the authority granted the Board under Senate Bill 8, the Board has enacted a three-year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

For fiscal year 2022, SERS changed from a COLA of 2.5% to 2.0%.

For fiscal year 2023, SERS changed from a COLA of 2.0% to 2.5%.

Changes in assumptions- SERS

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2016, 2018-2021, and 2023-2025.

For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement (h) change in discount rate from 7.75% to 7.5%.

For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.00% to 2.40%, (b) assumed real wage growth was reduced from 0.% to 0.85%, (c) Cost-of-Living-Adjustments was reduced from 2.50% to 2.00% (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality amount active members, service retirees and beneficiaries, and disabled members were updated (i) change in discount rate from 7.50% to 7.00%. For fiscal year 2023, Cost-of-Living-Adjustments were increased from 2.00% to 2.50%.

Changes in benefit terms – STRS

There were no changes in benefit terms from the amounts reported for fiscal years 2016-2017 and 2019-2025.

For fiscal year 2018, STRS decreased the Cost-of Living Adjustment (COLA) to zero.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

Changes in assumptions – STRS

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2016-2017, 2019-2021, and 2024-2025.

For fiscal year 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) inflation assumption lowered from 2.75% to 2.50%, (b) investment return assumption lowered from 7.75% to 7.45%, (c) total salary increases rates lowered by decreasing the merit component of the individual salary increases, as well as by 0.25% due to lower inflation, (d) payroll growth assumption lowered to 3.00%, (e) updated the healthy and disable mortality assumption to the “RP-2014” mortality tables with generational improvement scale MP-2016, (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) investment return assumption lowered from 7.45% to 7.00%, (b) discount rate of return reduced from 7.45% to 7.00%.

For fiscal year 2023, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) projected salary increases changed from, 12.50% at age 20 to 2.50% at age 65, to, varies by service from 2.50% to 8.50% (b) post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Net OPEB Liability

Changes of benefit terms- SERS

There were no changes in benefit terms from the amounts reported for fiscal years 2017-2025.

Changes in Assumptions – SERS

Amounts reported for fiscal years 2017-2025 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:

Fiscal year 2025	3.93 percent
Fiscal year 2024	3.86 percent
Fiscal year 2023	3.69 percent
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

Single Equivalent Interest Rate, net of plan investment expense,
including price inflation

Fiscal year 2025	4.88 percent
Fiscal year 2024	4.27 percent
Fiscal year 2023	4.08 percent
Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Medicare Trend Assumption

Medicare

Fiscal year 2025	7.00 percent decreasing to 4.40 percent
Fiscal year 2024	6.75 percent decreasing to 4.40 percent
Fiscal year 2023	7.00 percent decreasing to 4.40 percent
Fiscal year 2022	5.125 percent decreasing to 4.40 percent
Fiscal year 2020	5.25 percent decreasing to 4.75 percent
Fiscal year 2019	5.375 percent decreasing to 4.75 percent
Fiscal year 2018	5.50 percent decreasing to 5.00 percent

Pre – Medicare

Fiscal year 2025	7.00 percent decreasing to 4.40 percent
Fiscal year 2024	7.00 percent decreasing to 4.40 percent
Fiscal year 2023	7.00 percent decreasing to 4.40 percent
Fiscal year 2022	6.75 percent decreasing to 4.40 percent
Fiscal year 2020	7.00 percent decreasing to 4.75 percent
Fiscal year 2019	7.25 percent decreasing to 4.75 percent
Fiscal year 2018	7.50 percent decreasing to 5.00 percent

Changes in Assumptions – STRS

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

For fiscal years 2020 and 2021, the health care cost trend rates were modified.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

For fiscal year 2022, the discount rate was decreased from 7.45 percent to 7.00 percent. The health care cost trend rates modified.

For fiscal year 2023, projected salary increases changed from, 12.50% at age to 2.50% at age 65, to, varies by service from 2.50% to 8.50%. The health care cost trend rates were modified.

For fiscal year 2024, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) health care cost trend rates were changed to the following: Pre-Medicare from 7.50% initial - 3.94% ultimate to 7.50% initial - 4.14% ultimate; medical Medicare from -68.78% initial - 3.94% ultimate to -10.94% initial - 4.14% ultimate; prescription drug Pre-Medicare from 9.00% initial - 3.94% ultimate to -11.95% initial - 4.14% ultimate; Medicare from -5.47% initial - 3.94% ultimate to 1.33% initial - 4.14% ultimate.

For fiscal year 2025, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) health care cost trend rates were changed to the following: medical Pre-Medicare from 7.50% initial - 4.14% ultimate to 7.50% initial - 3.94% ultimate; medical Medicare from -10.94% initial - 4.14% ultimate to -112.22% initial - 3.94% ultimate; prescription drug Pre-Medicare from -11.95% initial - 4.14% ultimate to 8.00% initial - 3.94% ultimate; and prescription drug Medicare from 1.33% initial - 4.14% ultimate to -15.14% initial - 3.94% ultimate.

Changes in Benefit Terms – STRS

There were no changes in benefit terms from the amounts reported for fiscal year 2017.

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2020, claims curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984 per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For fiscal year 2021, Claim curves were updated to reflect the projected fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

For fiscal year 2022, the non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

There was no benefit term changes from the amounts reported for fiscal year 2023-2025.

**VERMILION LOCAL SCHOOL DISTRICT
 ERIE COUNTY, OHIO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

Federal Grantor/ <i>Pass-Through Grantor/ Program or Cluster Title</i>	Assistance Listing Number	Expenditures	Non-Cash Expenditures
<u>U.S. Department of Agriculture</u>			
<i>Passed through Ohio Department of Education and Workforce</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	\$ 126,691	\$ 0
National School Lunch Program	10.555	400,681	52,595
Total Child Nutrition Cluster		<u>527,372</u>	<u>52,595</u>
 Farm to School State Formula Grant	 10.645	 7,663	 0
Total U.S. Department of Agriculture		<u>535,035</u>	<u>52,595</u>
<u>U.S. Department of Education</u>			
<i>Passed through Ohio Department of Education and Workforce</i>			
Title I - Grants to Local Educational Agencies	84.010	<u>292,090</u>	<u>0</u>
 Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	424,021	0
Special Education Preschool Grant	84.173	11,799	0
Total Special Education Cluster		<u>435,820</u>	<u>0</u>
 Supporting Effective Instruction State Grants	 84.367	 53,320	 0
 Student Support and Academic Enrichment	 84.424A	 23,035	 0
Total U.S. Department of Education		<u>804,265</u>	<u>0</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS		 <u>\$ 1,339,300</u>	 <u>\$ 52,595</u>

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

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Vermilion Local School District under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Vermilion Local School District, it is not intended to and does not present the financial position or changes in net position of the Vermilion Local School District.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: INDIRECT COST RATE

The Vermilion Local School District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4: CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE 5: 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 supplies.

**INDEPENDENT AUDITOR'S 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**

Vermilion Local School District
Erie County
1250 Sanford Street
Vermilion, Ohio 44089

To the Members of the Board of Education:

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, each major fund, and the aggregate remaining fund information of the Vermilion Local School District, Erie County, Ohio, (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 17, 2025, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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 District'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.

A handwritten signature in cursive script that reads "Zupka & Associates".

Zupka & Associates
Certified Public Accountants

December 17, 2025

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Vermilion Local School District
Erie County
1250 Sanford Street
Vermilion, Ohio 44089

To the Members of the Board of Education:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Vermilion Local School District, Erie County, Ohio's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2025. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Vermilion Local School District 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, 2025.

Basis for Opinion on Each Major Federal Program

We conducted an audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Zupka & Associates".

Zupka & Associates
Certified Public Accountants

December 17, 2025

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
UNIFORM GUIDANCE
JUNE 30, 2025**

1. SUMMARY OF AUDITOR'S RESULTS

2025(i)	Type of Financial Statement Opinion	Unmodified
2025(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2025(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2025(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2025(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2025(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2025(v)	Type of Major Programs' Compliance Opinions	Unmodified
2025(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2025(vii)	Major Programs (list): Title I - Grants to Local Educational Agencies - ALN #84.010	
2025(viii)	Dollar Threshold: A/B Program	Type A: \$750,000 Type B: All Others less than \$750,000
2025(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

The prior audit report, as of June 30, 2024, included no findings or instance of noncompliance. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

OHIO AUDITOR OF STATE KEITH FABER



VERMILION LOCAL SCHOOL DISTRICT

ERIE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/17/2026

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov