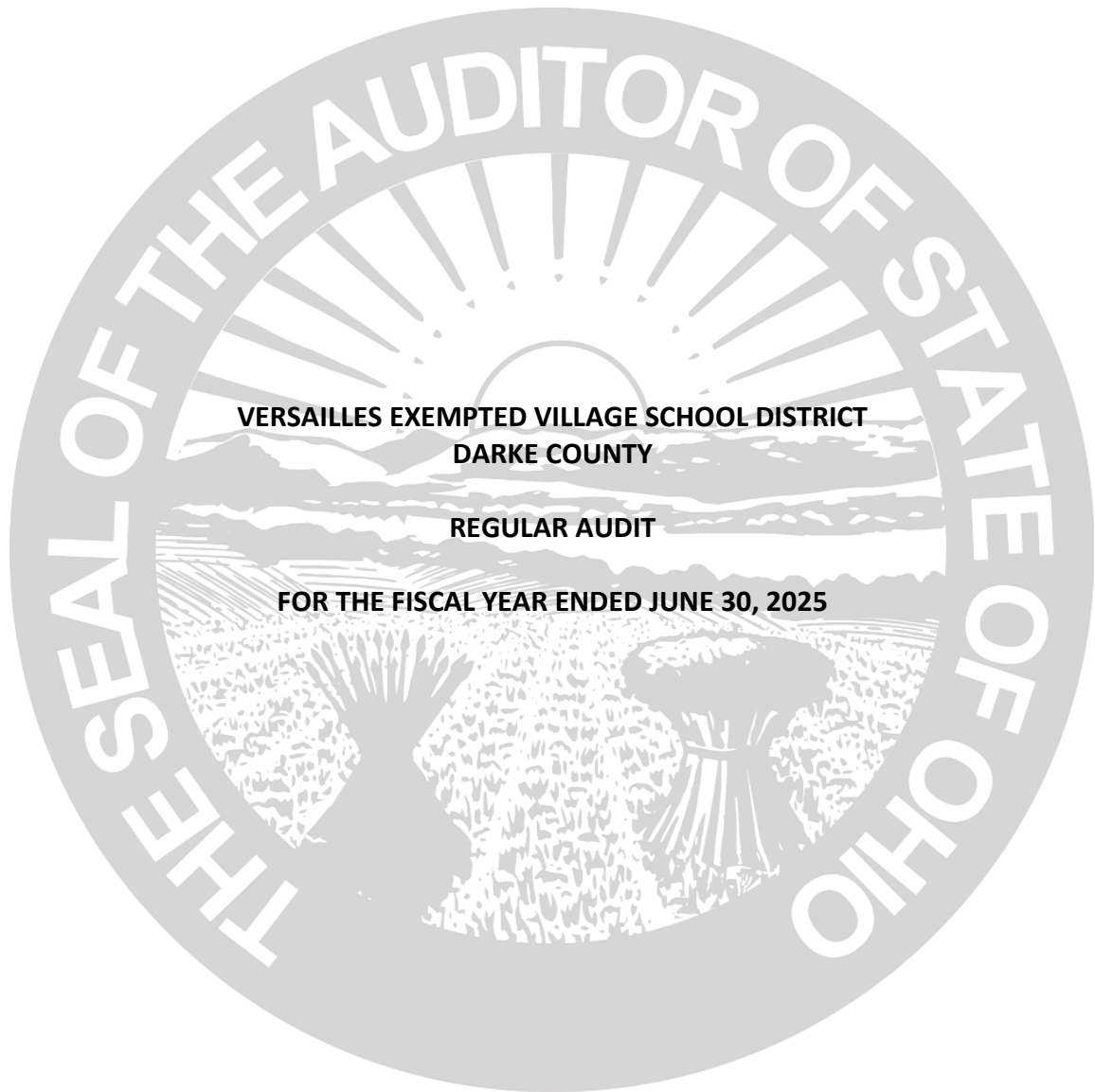




**VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT
DARKE COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

**Versailles Exempted Village School District
Darke County
June 30, 2025**

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65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

Independent Auditor's Report

Versailles Exempted Village School District
Darke County
459 South Center Street
Versailles, Ohio 45380

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Versailles Exempted Village School District, Darke County, Ohio (the School District), as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2025, and the respective changes in cash-basis financial position thereof and the budgetary comparison for the General fund for the fiscal year then ended in accordance with the cash-basis of accounting described in Note 2.

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*, 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 School 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.

Emphasis of Matter - Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash-basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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 School 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.

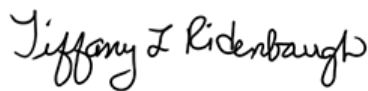
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 School 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 School 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2026, on our consideration of the School District's internal control over financial reporting and 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 School 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 School District's internal control over financial reporting and compliance.

KEITH FABER
Ohio Auditor of State



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

May 28, 2026

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Versailles Exempted Village School District
Darke County, Ohio
Statement of Net Position - Cash Basis
June 30, 2025

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	<u>\$ 12,548,362</u>	<u>\$ 325,154</u>	<u>\$ 12,873,516</u>
NET POSITION:			
Restricted for Debt Service	371,486	-	371,486
Restricted for Other Purposes	566,535	-	566,535
Unrestricted	<u>11,610,341</u>	<u>325,154</u>	<u>11,935,495</u>
<i>Total Net Position</i>	<u>\$ 12,548,362</u>	<u>325,154</u>	<u>12,873,516</u>

See notes to the financial statements

Versailles Exempted Village School District
Darke County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2025

Expenses	Program Receipts			Net (Disbursement) Receipts and Changes in Net Position		
	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 9,332,209	\$ 15,715	\$ 8,190	\$ - (9,308,304)	\$ -	\$ (9,308,304)
Special	2,346,526	44,473	831,650	- (1,470,403)	-	(1,470,403)
Vocational	468,656	-	103,540	- (365,116)	-	(365,116)
Other	13,939	-	-	- (13,939)	-	(13,939)
Support Services:						
Pupils	829,434	6,947	12,886	- (809,601)	-	(809,601)
Instructional Staff	682,132	-	11,719	- (670,413)	-	(670,413)
Board of Education	18,030	-	-	- (18,030)	-	(18,030)
Administration	1,302,613	-	-	- (1,302,613)	-	(1,302,613)
Fiscal	511,690	-	-	- (511,690)	-	(511,690)
Business	3,995	-	-	- (3,995)	-	(3,995)
Operation and Maintenance of Plant	1,905,092	11,823	5,593	- (1,887,676)	-	(1,887,676)
Pupil Transportation	899,045	12,937	54,566	- (831,542)	-	(831,542)
Central	974	-	-	- (974)	-	(974)
Extracurricular Activities	1,174,701	519,437	91,655	- (563,609)	-	(563,609)
Capital Outlay	255,131	-	-	(42,658)	-	(42,658)
Debt Service:						
Principal	759,686	-	-	- (759,686)	-	(759,686)
Interest and Fiscal Charges	216,201	-	-	- (216,201)	-	(216,201)
Total Governmental Activities	<u>20,720,054</u>	<u>611,332</u>	<u>1,119,799</u>	<u>(18,776,450)</u>	<u>-</u>	<u>(18,776,450)</u>
Business-Type Activities:						
Food Service	927,928	632,540	181,322	-	(114,066)	(114,066)
Preschool	439	22,520	-	-	22,081	22,081
Total Business-Type Activities	<u>928,367</u>	<u>655,060</u>	<u>181,322</u>	<u>-</u>	<u>(91,985)</u>	<u>(91,985)</u>
Totals	<u>\$ 21,648,421</u>	<u>\$ 1,266,392</u>	<u>\$ 1,301,121</u>	<u>\$ 212,473</u>	<u>(18,776,450)</u>	<u>(18,868,435)</u>
General Receipts:						
Taxes:						
Property Taxes, Levied for General Purposes				4,881,804	-	4,881,804
Property Taxes, Levied for Debt Service				601,895	-	601,895
Property Taxes, Levied for Capital Maintenance				66,699	-	66,699
Income Taxes				4,036,038	-	4,036,038
Payments in Lieu of Taxes				115,271	-	115,271
Grants and Entitlements not Restricted to Specific Programs				8,838,131	-	8,838,131
Gifts and Donations not Restricted to Specific Programs				17,419	-	17,419
Investment Earnings				611,560	-	611,560
Miscellaneous				114,594	-	114,594
Total General Receipts				<u>19,283,411</u>	<u>0</u>	<u>19,283,411</u>
Change in Net Position				506,961	(91,985)	414,976
Net Position Beginning of Year				12,041,401	417,139	12,458,540
Net Position End of Year				<u>\$ 12,548,362</u>	<u>\$ 325,154</u>	<u>\$ 12,873,516</u>

See notes to the financial statements

Versailles Exempted Village School District
Darke County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2025

	<u>General</u>	<u>Capital Projects</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	<u>\$ 9,439,117</u>	<u>\$ 1,578,083</u>	<u>\$ 1,531,162</u>	<u>\$ 12,548,362</u>
FUND BALANCES:				
Restricted	-	0	938,021	938,021
Committed	268,229	500,000	-	768,229
Assigned	197,386	1,078,083	633,590	1,909,059
Unassigned	<u>8,973,502</u>	<u>-</u>	<u>(40,449)</u>	<u>8,933,053</u>
<i>Total Fund Balances</i>	<u>\$ 9,439,117</u>	<u>\$ 1,578,083</u>	<u>\$ 1,531,162</u>	<u>\$ 12,548,362</u>

See notes to the financial statements

Versailles Exempted Village School District
Darke County, Ohio
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2025

	<u>General</u>	<u>Capital Projects</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
Property and Other Local Taxes	\$ 4,881,804	-	\$ 668,594	\$ 5,550,398
Income Tax	4,036,038	-	-	4,036,038
Intergovernmental	9,442,836	-	412,249	9,855,085
Interest	611,560	-	-	611,560
Tuition and Fees	56,417	-	-	56,417
Rent	9,735	-	-	9,735
Extracurricular Activities	6,947	-	508,372	515,319
Gifts and Donations	17,419	192,473	119,655	329,547
Payments in Lieu of Taxes	115,271	-	-	115,271
Miscellaneous	<u>113,070</u>	<u>-</u>	<u>18,026</u>	<u>131,096</u>
<i>Total Receipts</i>	<u>19,291,097</u>	<u>192,473</u>	<u>1,726,896</u>	<u>21,210,466</u>
Disbursements:				
Current:				
Instruction:				
Regular	9,326,541	-	5,668	9,332,209
Special	2,055,995	-	290,531	2,346,526
Vocational	462,593	-	6,063	468,656
Other	13,939	-	-	13,939
Support Services:				
Pupils	815,089	-	14,345	829,434
Instructional Staff	665,474	-	16,658	682,132
Board of Education	18,030	-	-	18,030
Administration	1,301,113	-	1,500	1,302,613
Fiscal	498,343	-	13,347	511,690
Business	3,995	-	-	3,995
Operation and Maintenance of Plant	1,217,539	13,167	674,386	1,905,092
Pupil Transportation	637,402	-	261,643	899,045
Central	974	-	-	974
Extracurricular Activities	555,563	7,500	611,638	1,174,701
Capital Outlay	-	229,999	25,132	255,131
Debt Service:				
Principal	-	289,686	470,000	759,686
Interest	<u>-</u>	<u>115,092</u>	<u>101,109</u>	<u>216,201</u>
<i>Total Disbursements</i>	<u>17,572,590</u>	<u>655,444</u>	<u>2,492,020</u>	<u>20,720,054</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,718,507</u>	<u>(462,971)</u>	<u>(765,124)</u>	<u>490,412</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In	-	904,779	400,000	1,304,779
Proceeds from Sale of Capital Assets	16,549	-	-	16,549
Transfers Out	<u>(1,304,779)</u>	<u>-</u>	<u>-</u>	<u>(1,304,779)</u>
<i>Total Other Financing Sources and Uses</i>	<u>(1,288,230)</u>	<u>904,779</u>	<u>400,000</u>	<u>16,549</u>
<i>Net Change in Fund Balances</i>	<u>430,277</u>	<u>441,808</u>	<u>(365,124)</u>	<u>506,961</u>
<i>Fund Balance at Beginning of Year</i>	9,008,840	1,136,275	1,896,286	12,041,401
<i>Fund Balance at End of Year</i>	<u>\$ 9,439,117</u>	<u>\$ 1,578,083</u>	<u>\$ 1,531,162</u>	<u>\$ 12,548,362</u>

See notes to the financial statements

Versailles Exempted Village School District
Darke County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget (Budgetary Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
RECEIPTS:				
Property and Other Local Taxes	\$ 4,820,148	\$ 4,820,148	\$ 4,881,804	\$ 61,656
Income Tax	3,054,500	3,054,500	4,036,038	981,538
Intergovernmental	9,420,885	9,420,885	9,442,836	21,951
Interest	525,000	525,000	611,560	86,560
Tuition and Fees	23,300	23,300	53,655	30,355
Rent	5,000	5,000	9,735	4,735
Gifts and Donations	8,263	8,263	13,422	5,159
Miscellaneous	127,394	127,394	207,176	79,782
Total Receipts	<u>17,984,490</u>	<u>17,984,490</u>	<u>19,256,226</u>	<u>1,271,736</u>
DISBURSEMENTS:				
Current:				
Instruction:				
Regular	9,057,015	9,359,513	9,282,727	76,786
Special	1,626,628	1,848,629	2,065,199	(216,570)
Vocational	490,139	490,140	462,771	27,369
Other	0	0	13,939	(13,939)
Support Services:				
Pupils	1,042,272	1,119,271	808,784	310,487
Instructional Staff	695,081	875,082	681,424	193,658
Board of Education	31,300	31,300	18,030	13,270
Administration	1,508,179	1,515,184	1,311,524	203,660
Fiscal	511,527	516,526	499,175	17,351
Business	22,432	22,433	3,995	18,438
Operation and Maintenance of Plant	1,469,315	1,467,814	1,204,458	263,356
Pupil Transportation	704,570	729,570	664,097	65,473
Central	1,158	1,158	974	184
Extracurricular Activities:				
Academic Oriented Activities	42,339	42,339	48,129	(5,790)
Sport Oriented Activities	478,942	478,942	511,199	(32,257)
Total Disbursements	<u>17,680,897</u>	<u>18,497,901</u>	<u>17,576,425</u>	<u>921,476</u>
Excess of Receipts Over (Under) Disbursements	<u>303,593</u>	<u>(513,411)</u>	<u>1,679,801</u>	<u>2,193,212</u>
OTHER FINANCING SOURCES AND USES:				
Proceeds from Sale of Capital Assets	900	900	16,549	15,649
Refund of Prior Year Expenditures	-	-	3,743	3,743
Transfers Out	(804,779)	(1,504,779)	(1,504,779)	
Refund of Prior Year Receipts	-	-	(625)	(625)
Total Other Financing Sources and Uses	<u>(803,879)</u>	<u>(1,503,879)</u>	<u>(1,485,112)</u>	<u>18,767</u>
Net Change in Fund Balances	(500,286)	(2,017,290)	194,689	2,211,979
Fund Balance (Deficit) at Beginning of Year	7,964,828	7,964,828	7,964,828	
Prior Year Encumbrances Appropriated	810,091	810,091	810,091	
Fund Balance (Deficit) at End of Year	<u>\$ 8,274,633</u>	<u>\$ 6,757,629</u>	<u>\$ 8,969,608</u>	<u>\$ 2,211,979</u>

See notes to the financial statements

Versailles Exempted Village School District
Darke County, Ohio
Statement of Fund Net Position - Cash Basis
Proprietary Funds
June 30, 2025

	<u>All Other Enterprise Funds</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 325,154</u>
NET POSITION:	
Unrestricted	<u>\$ 325,154</u>

See notes to the financial statements

Versailles Exempted Village School District
Darke County, Ohio
Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis
Proprietary Funds
For the Fiscal Year Ended June 30, 2025

	<u>All Other Enterprise Funds</u>
OPERATING RECEIPTS:	
Tuition	\$ 22,520
Sales	<u>632,540</u>
<i>Total Operating Receipts</i>	<u>655,060</u>
OPERATING DISBURSEMENTS:	
Salaries	324,349
Fringe Benefits	181,573
Purchased Services	55,390
Materials and Supplies	366,669
Other	<u>386</u>
<i>Total Operating Disbursements</i>	<u>928,367</u>
<i>Operating Loss</i>	<u>(273,307)</u>
NON-OPERATING RECEIPTS:	
Federal and State Subsidies	<u>181,322</u>
<i>Total Non-Operating Receipts</i>	<u>181,322</u>
<i>Net Change in Net Position</i>	(91,985)
<i>Net Position at Beginning of Year</i>	417,139
<i>Net Position at End of Year</i>	<u><u>\$ 325,154</u></u>
See notes to the financial statements	

Versailles Exempted Village School District
Darke County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 1 - Description of the School District and Reporting Entity

The Versailles Exempted Village School District (the “School District”) is a body politic and corporate established to exercise the rights and privileges the constitution and laws of the State of Ohio convey to it. A locally-elected five-member Board governs the School District, which provides educational services mandated by the State and federal agencies.

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately 80 square miles. It is located in Darke County, and includes all of the Villages of Versailles, Yorkshire, and North Star and portions of Townships. The Board of Education controls the School District's instructional building and administrative building that are staffed by 78 classified employees and 95 certificated full-time personnel. The School District's average daily membership (ADM) for fiscal year 2025 was 1227.

A. Primary Government

The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Versailles Exempted Village School District, this includes general operations, food service, preschool, and student related activities of the School District.

B. Jointly Governed Organizations, Related Organization, and Insurance Purchasing Pools

The School District participates in two jointly governed organizations, one related organization and two insurance purchasing pools. Note 12 to the basic financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Western Ohio Computer Organization

Southwestern Ohio Educational Purchasing Council (SOEPC)

Related Organization:

Worch Memorial Library

Insurance Purchasing Pools:

SOEPC Workers' Compensation Group Rating Plan

SOEPC Medical Benefits Plan

Note 2 - Summary of Significant Accounting Policies

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

Versailles Exempted Village School District
Darke County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

A. Basis of Presentation

The School District's basic financial statements consist of a government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements:

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The statements distinguish between those activities that are governmental in nature and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District does not have any fiduciary funds.

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

Fund Financial Statements:

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

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

Versailles Exempted Village School District

Darke County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025*

B. Fund Accounting

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

Governmental Funds

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

The following are the School District's major governmental funds:

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

Capital Projects Fund – This fund is used to account for all transactions related to the School District's building construction project.

Other governmental funds of the School District are used to account for grants and other resources whose use is restricted or assigned to a particular purpose.

Proprietary Funds

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

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

Preschool Fund – This fund is used to account for charges for services restricted to the preschool operations of the School District.

C. Basis of Accounting

Although the Ohio Administrative Code § 117-2-03(B) requires that the School District's financial report to follow generally accepted accounting principles, the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This is a comprehensive basis of accounting other than generally accepted accounting principles.

Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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Darke County, Ohio

Notes to the Basic Financial Statements
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As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) and deferred inflows and outflows of resources are not recorded in these financial statements.

D. Cash, Cash Equivalents and Investments

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

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

Investments are reported as assets. Accordingly, purchases of investment are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of the sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2025, the School District invested funds in STAR Ohio, US Government Agency Notes, US Treasury Bills, US Treasury Notes and First American Government Obligations Fund.

During fiscal year 2025, the School 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 School District measures its 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 costs basis that provides an NAV per share that approximates fair value.

STAR Ohio reserves the right to limit participant transactions to \$250 million per day. Transactions in all of a participant's accounts will be combined for this purpose. Twenty-four hours advance notice to STAR Ohio is appreciated for purchases or redemptions of \$100 million or more. For fiscal year 2025, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2025 was \$611,560, including \$138,466 assigned from other School District funds.

E. Inventory and Prepaid Items

On the cash-basis of accounting, inventories of supplies and prepaid items are reported as disbursements when paid.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

F. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

G. Interfund Receivables/Payables

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

H. Compensated Absences

For fiscal year 2025, GASB Statement No. 101, "Compensated Absences", was effective. GASB 101 defines a compensated absence as leave for which employees may receive cash payments when the leave is used for time off or receive cash payments for unused leave upon termination of employment. These payments could occur during employment or upon termination of employment. Compensated absences generally do not have a set payment schedule. The School District does not offer noncash settlements.

School District employees earn sick, vacation and personal time that can be used for time off. In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave.

This GASB pronouncement had no effect on beginning net position/fund balance as unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension/OPEB Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

For purposes of measuring the net pension/OPEB liability, 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 systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB systems report investments at fair value.

J. Long-term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash-basis of accounting. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset (including the intangible right to use) when entering into a lease or financed purchase transaction is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments and financed purchase payments are reported when paid.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

K. Leases

The School District is the lessee in various leases related to buildings and copiers. Lease payables are not reflected under the School District's cash basis of accounting. Lease disbursements are recognized when they are paid.

L. Subscription Based Information Technology Arrangements (SBITAs)

The School District has Subscription Based Information Technology Arrangements (SBITAs) under noncancelable arrangements. SBITA payables are not reflected under the School District's cash basis of accounting. SBITA disbursements are recognized when they are paid.

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The 'not in spendable form' includes items that are not expected to be converted to cash.

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

Committed – The committed classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the 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.

Assigned – Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

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

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

N. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net position restricted for other purposes include resources for classroom facilities maintenance, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District first applies restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

O. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

P. Budgetary Data

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

The certificate of estimated resources may be amended during the fiscal year if the School District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statement reflect the amounts in the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate of estimated resources in effect at the time the final appropriations were passed by the Board.

The Board may amend appropriations throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

for that fund covering the entire fiscal year, including amounts automatically carried over from prior fiscal year. The amounts reported as the final budget represent the final appropriation the Board passed during the fiscal year.

Note 3 - Deposits and Investments

Investment Policies

State statutes require the classification of the monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive monies 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 that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including but not limited to passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions 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.

Interim monies are to be deposited or invested in the following securities:

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

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Notes to the Basic Financial Statements
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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 subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. 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 not to exceed 40% of the interim monies available for investment at any one time if training requirements have been met.

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. Except as noted above, an investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School 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.

At fiscal year end, the School District had \$400 in undeposited cash on hand which is included on the financial statements of the School District as part of "equity in pooled cash and cash equivalents".

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by (1) eligible securities pledged to and deposited with either the School District or a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of deposits being secured (2) 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 the 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% of the deposits being secured or a rate set by the Treasurer of the State. During fiscal year 2025, the School District financial institution did participate in the OPCS. The financial institution was approved for a reduced collateral rate of 102% through the OPCS.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

At fiscal year-end, the carrying amount of the School District's deposits was \$725,840 and the bank balance was \$881,119. The bank balance is insured by the FDIC or collateralized through OPCS.

Investments

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

Investment Type	Carrying Value	Investment Maturity (in Years)		
		Less than one year	One - Two Years	Greater than two years
US Government Agency Notes	\$ 2,140,926	\$ 919,764	\$ 248,507	\$ 972,655
US Treasury Bills	188,653	188,653	-	-
US Treasury Notes	2,159,733	599,949	-	1,559,784
First American Government Obligations Fund	16,384	16,384	-	-
STAR Ohio	7,641,580	7,641,580	-	-
Total Investments	12,147,276	<u>\$ 9,366,330</u>	<u>\$ 248,507</u>	<u>\$ 2,532,439</u>
Carrying Amount of Deposits	725,840			
Petty Cash	400			
Total	<u>\$ 12,873,516</u>			

Interest Rate Risk – Interest rate risk arises because the potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy does not further limit its investment choices.

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District's investment policy does not further limit its investment choices. Standard & Poor's rates the School District's investment in STAR Ohio and the First American Government money market fund AA^{Am}. Standard & Poor's rates the federal agency notes AA⁺, the US Treasury Bills A-1⁺ and the US Treasury Notes AA⁺.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 School District has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee."

If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

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Notes to the Basic Financial Statements
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Concentration of Credit Risk - The School District places no limits on the amount the School District may invest in any one issuer. The School District had the following credit risk allocation:

US Government Agency Notes	17.62%
US Treasury Bills	1.55%
US Treasury Notes	17.78%
First American Government Obligations Fund	0.14%
STAR Ohio	62.91%
	<u>100.00%</u>

Note 4 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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 School District. Real property tax revenue received in calendar year 2025 represents collections of calendar year 2024 taxes. Real property taxes received in calendar year 2025 were levied after April 1, 2024, on the assessed value listed as of January 1, 2024, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar year 2025 represents collections of calendar year 2024 taxes. Public utility real and tangible personal property taxes received in calendar year 2025 became a lien December 31, 2023, were levied after April 1, 2024 and are collected with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Darke and Shelby counties. The County Auditors periodically advance to the School 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 to be advanced can vary based on the date the tax bills are sent.

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Notes to the Basic Financial Statements
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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	\$264,304,380	98.72 %	\$267,692,850	98.56 %
Public Utility Personal	3,416,370	1.28 %	3,913,820	1.44%
Total	<u>\$267,720,750</u>	<u>100.00 %</u>	<u>\$271,606,670</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$40.60		\$40.60	

The School District had property tax abatements with various entities that resulted in total taxes abated in the amount \$115,271 during fiscal year 2025.

Note 5 - Income Tax

Effective January 1, 2013, the School District levied a voted tax of 1.00 percent. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. This levy was renewed through 2028. Income tax revenue credited to the General Fund in fiscal year 2025 is \$4,036,038.

Note 6 - Risk Management

A. Property and Liability

The School 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 School District contracted with Phelan Insurance Agency for the following coverage:

Coverage provided is as follows:

Building and Contents – replacement cost (\$2,500 deductible)	\$89,399,977
Boiler & Machinery (\$10,000 deductible)	250,000,000
Crime (\$1,000 deductible)	250,000
Automobile Liability (per occurrence, \$1,000 deductible)	1,000,000
Medical Payments Occurrence/Aggregate	5,000
General Liability:	
Occurrence	1,000,000
Aggregate	2,000,000
Employee Benefit Liability (\$1,000 deductible)	

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For the Fiscal Year Ended June 30, 2025

Occurrence	1,000,000
Aggregate	3,000,000
Stop Gap/Employers Liability	
Occurrence	1,000,000
Aggregate	1,000,000
School Leaders E&O (\$2,500 deductible)	
Occurrence	1,000,000
Aggregate	1,000,000
Umbrella Policy/Excess Liability	2,000,000
Sexual Misconduct & Molestation	
Per Insured Person (\$2,500 deductible)	1,000,000
Incident Aggregate	1,000,000
Cyber	1,000,000

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

B. Medical, Dental and Vision Benefits

The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 12). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria. The School District also purchases its dental and vision insurance in the purchasing pool agreements with the Southwestern Ohio Educational Purchasing Council.

C. Workers' Compensation

For fiscal year 2025, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control and actuarial services to the GRP.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 7 - Defined Benefit Pension Plans

The net pension/OPEB liability (asset) is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/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 net pension/OPEB liability (asset) represent the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) 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 these estimates annually.

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium.

State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The net pension/net OPEB liability (asset) are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the cash basis framework.

The remainder of this note includes the required pension disclosures. See Note 8 for the required OPEB disclosures.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

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

School 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, 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% for the first thirty years of service and 2.5% 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. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. The Board of Trustees approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2025.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% 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% for plan members and 14% 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 14%; 0% was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$373,920 for fiscal year 2025.

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Notes to the Basic Financial Statements
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B. Plan Description - State Teachers Retirement System (STRS)

School 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 (CO) 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 credited 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 65. Effective on or after August 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.

In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of-living increases are not affected by this change. Effective July 1, 2022, an ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Effective July 1, 2023, a permanent 1 percent COLA of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2024 as long as they retired prior to July 1, 2019.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits effective August 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 August 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% of the 14% employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 2.91% of the 14% 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.

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The CO Plan offers features of both the DB Plan and the DC Plan. In the CO Plan, 12% of the 14% member rate is deposited into the member's DC account and the remaining 2% is applied 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 CO Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

New members who choose the DC Plan or CO 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 Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CO Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

A DB or CO Plan member with five or more years of credited service, who is determined to be disabled, may qualify for a disability benefit. New members on or after July 1, 2013 must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance.

Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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 Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2025 employer and member contribution rates of 14% was equal to the statutory maximum rates. For fiscal year 2025, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$1,123,592 fiscal year 2025.

Net Pension Liability

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 School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.06122910%	0.05401837%	
Current Measurement Date	<u>0.06117570%</u>	<u>0.05451088%</u>	
Change in Proportionate Share	<u>-0.00005340%</u>	<u>0.00049251%</u>	
Proportionate Share of the Net Pension Liability	\$3,129,502	\$10,488,774	\$13,618,276

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.

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:

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Inflation	2.40%
Salary increases	3.25% to 13.58%
COLA or Ad Hoc COLA	2.0%, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00% net of investment expenses, including inflation
Actuarial Cost Method	Entry Age Normal (Level % of Payroll)

In 2024, mortality rates were based on the following:

Service Retirement: 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. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Disabled Retirement: 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.

Contingent Survivor: 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. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended 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 average 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:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	13.00%	3.64%
Infrastructure	7.00%	4.80%
Private Debt/Private Credit	5.00%	5.86%
Total	100.00%	

Discount Rate Total pension liability was calculated using the discount rate of 7.00%. The discount rate determination did not use a municipal bond rate. 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 contribution rate of fiscal year 2024 was 14%. Projected inflows from investment earnings were calculated using the long term assumed investment rate of return, 7.00%. 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%.

Sensitivity of the School 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 School District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the School 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%), or one percentage point higher (8.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability	\$4,787,705	\$3,129,502	\$1,733,385

Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2024, actuarial valuation are presented below:

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Inflation	2.50 percent
Salary increases	From 2.5 percent to 8.5 percent based on service
Payroll Increases	3.00 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

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. An actuarial experience study is done on a quinquennial basis.

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 as follows:

Asset Class	Target Allocation*	Long-Term Expected Real Rate of Return **
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% and is net of 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% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's fiduciary net

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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% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2024.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table represents the School District's proportionate share of the net pension liability as of June 30, 2024, calculated using the current period discount rate assumption of 7.00%, as well as what the School 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%) or one percentage point higher (8.00%) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability	\$16,920,231	\$10,488,774	\$5,048,867

Changes Between Measurement Date and Reporting Date – The discount rate remained at 7.00% for June 30, 2024 valuation. Retirement rates were extended to younger ages intended to ensure that the ranges in retirement eligibility impacted participants at such ages. Demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015 through June 30, 2021.

Note 8 – Defined Benefit OPEB Plans

See Note 7 for a description of the net OPEB liability (asset).

A. School Employees Retirement System

Health Care Plan Description - The School 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.

The Health Care program is financed through a combination of employer contributions, recipient premiums, investment returns, and any funds received on behalf of SERS' participation in Medicare programs. The System's goal is to maintain a health care reserve account with a 20-year solvency period in order to ensure that fluctuations in the cost of health care do not cause an interruption in the program. However, during any

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period in which the 20-year solvency period is not achieved, the System shall manage the Health Care Fund on a pay-as-you-go basis.

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% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2025, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned.

For fiscal year 2025, this amount was \$30,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2025, the School District's surcharge obligation was \$46,361.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$46,361 for fiscal year 2025.

B. 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. Health care premiums were reduced by a Medicare Part B premium credit beginning in 2023. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Medicare Part D is a federal program to help cover the costs of prescription drugs for Medicare beneficiaries. This program allows STRS Ohio to recover part of the cost for providing prescription coverage since all eligible STRS Ohio health care plans include creditable prescription drug coverage.

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,

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currently 14% of covered payroll. For the fiscal year ended June 30, 2025, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset)			
Prior Measurement Date	0.0629645%	0.05401837%	
Current Measurement Date	<u>0.0620763%</u>	<u>0.05451088%</u>	
Change in Proportionate Share	-0.0008882%	0.00049251%	
Proportionate Share of the Net OPEB Liability (Asset)	\$632,244	(\$1,033,967)	(\$401,723)

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.

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Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2024, compared with June 30, 2023, are presented below:

	June 30, 2024	June 30, 2023
Inflation	2.40%	2.40%
Projected salary increases, including inflation	3.25% to 13.58%	3.25% to 13.58%
Investment rate of return	7.00%, net of investment expenses, including inflation	7.00%, net of investment expenses, including inflation
Municipal bond index rate	3.93%	3.86%
Single Equivalent interest rate, net of plan investment expense, including inflation price	4.88%	4.27%
Health Care Cost Trend Rate	7.00 to 4.40%	6.75 to 4.40%
Medical Trend Assumption		

In 2024, the following mortality assumptions were used:

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.

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.

Mortality Projection - Mortality rates are projected using a fully generational projection with Scale MP-2020.

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The long-term expected rate of return on plan assets is reviewed as part of the actuarial 5-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 long-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%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. 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 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	13.00%	3.64%
Infrastructure	7.00%	4.80%
Private Debt/Private Credit	5.00%	5.86%
Total	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2024, was 4.88%. The discount rate used to measure total OPEB liability prior to June 30, 2023, was 4.27%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50% of projected covered payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position is projected to be depleted in 2059 by SERS' actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination of the single equivalent interest rate 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 was 3.93% at June 20, 2024 and 3.86% at June 30, 2023.

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Sensitivity of the School 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 School District's proportionate share of the net OPEB liability, what the School District's proportionate share of the 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 School District's proportionate share of the 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.

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$843,075	\$632,244	\$464,711

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$427,373	\$632,244	\$901,530

Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2024, actuarial valuation, compared with the June 30, 2023 actuarial valuation are presented below:

	June 30, 2024	June 30, 2023		
Projected salary increases	Varies by service from 2.50% to 8.50%	Varies by service from 2.50% to 8.50%		
Investment rate of return	7.00%, net of investment expenses, including inflation	7.00%, net of investment expenses, including inflation		
Discount rate of return	7.00%	7.00%		
Payroll increases	3.00%	3.00%		
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	7.50%	3.94%	7.50%	4.14%
Medicare	-112.22%	3.94%	-10.94%	4.14%
Prescription Drug				
Pre-Medicare	8.00%	3.94%	-11.95%	4.14%
Medicare	-15.14%	3.94%	1.33%	4.14%

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

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For June 30, 2024, actuarial valuation, 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.

For the prior measurement date, actuarial valuation, 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 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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 as follows:

<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	<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% and is net of 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.

Versailles Exempted Village School District
Darke County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Discount Rate - The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's 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 health care fund investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2024.

Sensitivity of the School 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 School District's proportionate share of the net OPEB asset as of June 30, 2024, calculated using the current period discount rate assumption of 7.00%, as well as what the School District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the School District's proportionate share of 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.

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
School District's proportionate share of the net OPEB (asset)	(\$840,684)	(\$1,033,967)	(\$1,202,166)

	1% Decrease <u>In Trend Rate</u>	Current Trend Rate <u>Trend Rate</u>	1% Increase <u>in Trend Rate</u>
School District's proportionate share of the net OPEB (asset)	(\$1,213,528)	(\$1,033,967)	(\$818,022)

Assumption Changes Since the Prior Measurement Date - The discount rate remained unchanged at 7.00% for the June 30, 2024 valuation.

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.

Versailles Exempted Village School District
Darke County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 9 – Debt

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	Amount Outstanding 6/30/24	Additions	Deletions	Amount Outstanding 6/30/25	Amount Due in One Year
Governmental Activities					
2021 School Improvement Refunding Bond Serial 3.00-4.00%	\$5,620,000	\$0	(\$470,000)	\$5,150,000	\$475,000
Direct Borrowing - Financed Purchase Payable 2.75%	4,256,825	0	(289,686)	3,967,139	297,708
Total Debt	<u>\$ 9,876,825</u>	<u>\$0</u>	<u>\$ (759,686)</u>	<u>\$ 9,117,139</u>	<u>\$ 772,708</u>

General Obligation Bonds

In December 2021, the School District issued \$5,620,000 in School Improvement Refunding Bonds, Series 2021 with a maturity date of December 1, 2034. The bonds partially refunded the 2015 general obligation bonds. The proceeds from the refunding bonds were used to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the general obligation bonds. As a result, the refunded bonds are considered to be defeased.

Financed Purchase Loan

On April 22, 2022 the School District entered into a financed purchase (direct borrowing) agreement with Greenville National Bank for constructing, improving, renovating, furnishing, and equipping school facilities. The amount financed was \$5,000,000 with an interest rate of 2.750 percent. Principal and interest payments are made from the capital projects fund.

At June 30, 2025, the School District's overall legal debt margin was \$15,698,949, an energy conservation debt margin of \$2,444,460 with an un-voted debt margin of \$271,607.

Versailles Exempted Village School District
Darke County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2025, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Financed Purchase Payable		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 475,000	\$ 95,602	\$ 570,602	\$ 297,708	\$ 107,071	\$ 404,779
2027	485,000	89,094	574,094	305,951	98,828	404,779
2028	490,000	81,657	571,657	314,181	90,598	404,779
2029	500,000	73,363	573,363	323,122	81,657	404,779
2030	505,000	64,417	569,417	332,069	72,710	404,779
2031-2035	2,695,000	157,946	2,852,946	1,803,308	220,585	2,023,893
2036-2037	-	-	-	590,800	16,366	607,166
Total	<u>\$ 5,150,000</u>	<u>\$ 562,079</u>	<u>\$ 5,712,079</u>	<u>\$ 3,967,139</u>	<u>\$ 687,815</u>	<u>\$ 4,654,954</u>

Note 10 – Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

Versailles Exempted Village School District
Darke County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Restricted for:				
Grants	\$ -	\$ -	\$ 9,421	\$ 9,421
Debt Service	-	-	371,486	371,486
Classroom Facilities Maintenance	-	-	107,488	107,488
Athletics	-	-	308,197	308,197
Student Activities	-	-	141,429	141,429
Total Restricted	-	-	938,021	938,021
Committed to:				
Termination Benefits	268,229	-	-	268,229
Capital Projects	-	500,000	-	500,000
Total Committed	268,229	500,000	-	768,229
Assigned for:				
Capital Projects	-	1,078,083	633,590	1,711,673
Unpaid Obligations	101,664	-	-	101,664
Public School Support	88,426	-	-	88,426
School Supplies	7,296	-	-	7,296
Total Assigned	197,386	1,078,083	633,590	1,909,059
Unassigned	8,973,502	-	(40,449)	8,933,053
Total Fund Balance	\$ 9,439,117	\$ 1,578,083	\$ 1,531,162	\$ 12,548,362

Note 11 - Set-Aside Calculations

State statute annually requires the School District to set aside an amount in the general fund based on a statutory formula to acquire and construct capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. The following cash basis information describes the change in the fiscal year-end set-aside amounts for capital acquisition. State statute requires disclosing this information.

Versailles Exempted Village School District
Darke County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2024	\$0
Current Year Set-aside Requirement	308,159
Current Year Offsets	(308,159)
Totals	<u>\$0</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>\$0</u>

Note 12 - Jointly Governed Organizations, Related Organization and Insurance Purchasing Pools

A. Jointly Governed Organizations

Western Ohio Computer Organization (WOCO) – The School District is a participant in Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of public-school districts in a geographic area. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of 3 ESC Superintendents, 5 Superintendents (one from each county), 1 Treasurer, 1 EMIS Coordinator, and 1 Tech Director of member school districts. During fiscal year 2025, the School District paid \$152,013 to WOCO. Financial information can be obtained from Donn Walls, who serves as Director, at 129 E. Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 332 school districts/organizations in 58 counties in Ohio and 2 in Kentucky. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One-year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

B. Related Organization

Worch Memorial Library – The Worch Memorial Library is a distinct political subdivision of the State of Ohio created under Ohio Revised Code Chapter 3375. The Library is governed by a Board of Trustees appointed by the Versailles Exempted Village School Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Worch Memorial Library, Curtis Schafer, Director at 790 S Center Street, Versailles, Ohio 45380.

Versailles Exempted Village School District
Darke County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

C. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven-member Executive Board consisting of the Chairperson, the Vice-Chairperson and nine other members elected by the member school districts. The Executive Director of the GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP which is included in their annual premium to cover the costs of administering the program.

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan – The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by the Benefits Plan Administrator and governed by an eleven-member Executive Board elected by the member school districts. Each member school district designates a voting representative to the Southwestern Ohio Educational Purchasing Council. Each fiscal year, the participating school districts pay an administrative fee which is included in their annual premium to the MBP to cover the costs of administering the program. The district also purchases its dental and vision insurance in the purchasing pool agreements with the Southwestern Ohio Educational Purchasing Council.

Note 13 - Contingencies

A. Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2025.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

C. State Foundation Funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education and 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. These reviews have been finalized and resulted in no significant adjustments that would impact the School District.

Versailles Exempted Village School District
Darke County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 14 – Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget (Budgetary Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and cash basis is

- 1.) Outstanding fiscal year-end encumbrances are treated as cash disbursements (budgetary basis) rather than as assigned fund balance (cash basis) and
- 2.) Perspective differences resulting from differences in fund structure.

Cash Basis	\$ 430,277
Encumbrances	(101,664)
Perspective Differences	(133,924)
Budgetary Basis	<u>\$ 194,689</u>

Note 15 – Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

Note 16 – Contractual Commitments

The School District records all encumbrances and does not have a policy of what encumbrances are considered significant encumbrances. All encumbrances are classified as assigned fund balance in the General Fund and restricted or committed in the major and non-major governmental funds.

Versailles Exempted Village School District
Darke County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Encumbrances as of year-end were:

	Assigned	Committed	Restricted
Governmental Funds:			
General	\$101,669	\$955	\$0
Other Governmental Funds	0	0	94,481
Business Type Activities	0	0	4,145
	<u>\$101,669</u>	<u>\$955</u>	<u>\$98,626</u>

Note 17 - Transfers

During fiscal year 2025, the General Fund transferred \$904,779 to the Capital Projects fund to make capital lease payments and to provide for HVAC upgrades and/or replace kitchen appliances.

In addition, the School District transferred \$400,000 from the General Fund to the Permanent Improvement provide for future improvement projects.

Note 18 – Deficit Fund Balance

The Vocational Education Enhancement, IDEA Part B, Title I, IDEA Preschool had deficit fund balances of \$4,558, \$23,191, \$7,761 and \$4,939 at June 30, 2025. The deficits will be eliminated in fiscal year 2026 when grant dollars are received.

Note 19 – Change in Accounting Principles

For fiscal year 2025, the School District has implemented GASB Statement No. 101, “Compensated Absences” and GASB Statement No. 102, “Certain Risk Disclosures”.

GASB Statement No. 101 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. The implementation of GASB Statement No. 101 did not have an effect on the financial statements of the School District.

GASB Statement No. 102 improves financial reporting by providing users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government’s financial condition. The implementation of GASB Statement No. 102 did not have an effect on the financial statements of the School District.

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65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required By Government Auditing Standards**

Versailles Exempted Village School District
Darke County
459 South Center Street
Versailles, Ohio 45380

To 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 (*Government Auditing Standards*), the cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Versailles Exempted Village School District, Darke County, Ohio (the School District) as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 28, 2026, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School 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 School 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2025-002.

School District's Response to Findings

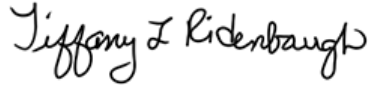
Government Auditing Standards requires the auditor to perform limited procedures on the School District's responses to the findings identified in our audit and described in the accompanying schedule of findings. The School District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 School 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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Versailles Exempted Village School District
Darke County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 3

KEITH FABER
Ohio Auditor of State

A handwritten signature in black ink, reading "Tiffany L. Ridenbaugh". The signature is written in a cursive, flowing style.

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

May 28, 2026

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**Versailles Exempted Village School District
Darke County**

**Schedule of Findings
June 30, 2025**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2025-001

Significant Deficiency – Bank Reconciliation

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities, and periodically reconcile them to the accounting records. The reconciliation of cash (bank) balances to accounting system records (book) is the most basic and primary control process performed.

Accurate monthly bank to book reconciliations were not prepared for the payroll checking account for May and June of 2025. The bank balance in the account at June 30, 2025 was \$97,433 and the following issues were identified related to the payroll account reconciliation:

- No payroll account reconciliation was performed by the School District prior to the start date of our engagement.
- The School District failed to transfer various items totaling \$50,531 at June 30, 2025 that were due back to the general checking account and had \$29,088 in additional reconciling items due to overpayments and underpayments of withholding taxes for June 2025 which had not yet been paid.

We also noted the following errors related to the general checking account on the School District's bank to book reconciliation at June 30, 2025:

- The general checking account reconciliation was originally completed incorrectly, and no revised reconciliation was drafted until the start of our engagement.
- A check totaling \$300 was cleared during the audit period; however, the check was never reconciled in the system, leaving it to be improperly included on the outstanding check listing at June 30, 2025.
- The School District failed to properly expense and receipt items into the USAS accounting system during the audit period leading to the fund balances being understated by \$44,424.

These issues were caused by the School District's lack of understanding related to the reconciliation process and potential reconciling items, specifically the manner in which transactions are to flow between the general checking account and the payroll checking account and how those transactions impact the accounting system and bank reconciliation.

FINDING NUMBER 2025-001
(Continued)

Failure to reconcile all School District bank accounts to the accounting system increases the possibility that the School District will not be able to identify, assemble, analyze, classify, and record its transactions correctly. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The School District should prepare accurate monthly bank to book cash reconciliations for all bank accounts with no unreconciled variances. Any unreconciled amounts should be investigated, documented and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Officials' Response: The School District acknowledges this finding. The Treasurer position transitioned on June 1, 2025, just 30 days before the end of the audit period. The incoming Treasurer inherited reconciliation backlogs and required time to develop proficiency with the USAS accounting system and the School District's banking structure. These factors contributed to the payroll account reconciliation not being completed for May and June 2025, and to the errors identified in the general account reconciliation.

Since assuming the role, the Treasurer has taken the following corrective actions:

- Completed training on bank-to-book reconciliation procedures within USAS.
- Resolved the \$79,867 in payroll account transfers that had not been returned to the general checking account.
- Established a monthly reconciliation process for all School District bank accounts, which has been performed accurately and timely since October 2025 with no unreconciled variances.

The School District considers this finding resolved.

FINDING NUMBER 2025-002

Noncompliance

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

FINDING NUMBER 2025-002
(Continued)

Ohio Admin. Code 117-2-03(B) requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The School District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

The School District does not file GAAP financial statements due to the cost of preparing the financial statements as well as the additional cost in auditing such financial statements.

Pursuant to Ohio Rev. Code § 117.38 the School District may be fined for its failure to file the required financial report. Failure to report on a GAAP basis compromises the School District's ability to evaluate and monitor the overall financial condition of the School District.

The School District should prepare and file its annual financial statements in accordance with generally accepted accounting principles (GAAP) to comply with Ohio Admin. Code 117-2-03(B) and Ohio Rev. Code § 117.38. Preparing GAAP-basis financial statements helps ensure the School District's financial reporting is complete, compliant, and provides users with a reliable basis for evaluating its overall financial position and results of operations.

Officials' Response: The School District acknowledges this finding. The School District has evaluated the cost of converting to generally accepted accounting principles (GAAP) and has determined that the additional expense of GAAP financial statement preparation does not represent a prudent use of School District resources at this time. The School District will continue to prepare its annual financial statements on the cash basis of accounting (OCBOA), which it believes provides sufficient transparency for the Board of Education, the community, and other users of the financial statements. The School District understands this will result in a continued noncompliance finding in future audits.

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Versailles

EXEMPTED VILLAGE SCHOOLS

459 S. Center St.
Versailles, OH 45380
(P) 937-526-4773
(F) 937-526-5745
www.versailles.k12.oh.us

David Harmon, Superintendent
david.harmon@vtigers.org

Bradley Luthman, Treasurer
bradley.luthman@vtigers.org

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2025

Finding Number	Finding Summary	Status	Additional Information
2024-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(B) - The School District did not file an annual financial report in accordance with generally accepted accounting principles (GAAP)	Not Corrected	The School District intends to continue to prepare cash statements in order to save money. Comment repeated as Finding 2025-002.

Board of Education

Jake Broering, President * Christy Praker, Vice-President * Gwen Bergman * Shaun Brewer * Ben Wietholler

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OHIO AUDITOR OF STATE KEITH FABER



VERSAILLES EXEMPTED VILLAGE SCHOOL DISTRICT

DARKE 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 6/18/2026

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