



OHIO AUDITOR OF STATE
KEITH FABER



**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY
JUNE 30, 2024**

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INDEPENDENT AUDITOR'S REPORT

Marion Local School District
Mercer County
7956 State Route 119
Maria Stein, Ohio 45860

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, each major fund, and the aggregate remaining fund information of Marion Local School District, Mercer County, Ohio (the School District), as of and for the fiscal year ended June 30, 2024, 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, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2024, 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 15, 2025, 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
Auditor of State
Columbus, Ohio

May 15, 2025

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Marion Local School District
Mercer County
Statement of Net Position - Cash Basis
June 30, 2024

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	<u>\$ 35,718,180</u>
<i>Total Assets</i>	<u><u>\$ 35,718,180</u></u>
 Net Position	
Restricted for:	
Capital Projects	\$ 22,350,710
Debt Service	809,919
Other Purposes	1,235,460
Unrestricted	<u>11,322,091</u>
<i>Total Net Position</i>	<u><u>\$ 35,718,180</u></u>
 See accompanying notes to the financial statements	

Marion Local School District
Mercer County
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2024

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Total Governmental Activities
Governmental Activities:				
Instruction				
Regular	\$ 5,004,553	\$ 146,924	\$ 13,999	\$ (4,843,630)
Special	1,538,657	-	742,893	(795,764)
Vocational	235,833	-	90,937	(144,896)
Other	117,960	-	-	(117,960)
Support Services				
Pupil	348,091	-	107,338	(240,753)
Instructional Staff	391,356	-	-	(391,356)
Board of Education	35,990	-	-	(35,990)
Administration	775,712	17,862	-	(757,850)
Fiscal	453,142	-	-	(453,142)
Business	3,658	-	-	(3,658)
Operation and Maintenance of Plant	840,455	9,505	4,082	(826,868)
Pupil Transportation	353,549	-	34,538	(319,011)
Central	2,311	-	-	(2,311)
Operation of Non-Instructional Services	505,548	352,020	83,212	(70,316)
Extracurricular Activities	853,265	498,318	38,768	(316,179)
Capital Outlay	772,917	-	113,763	(659,154)
Principal Retirement	12,315,000	-	-	(12,315,000)
Interest and Fiscal Charges	344,921	-	-	(344,921)
Debt Issuance Costs	500,870	-	-	(500,870)
<i>Total Governmental Activities</i>	<u>\$ 25,393,788</u>	<u>\$ 1,024,629</u>	<u>\$ 1,229,530</u>	<u>(23,139,629)</u>

General Receipts

Property Taxes Levied for:	
General Purposes	4,112,920
Capital Outlay	196,492
Debt Service	455,979
Income Taxes	67,133
Grants and Entitlements not Restricted to Specific Programs	6,911,051
Gifts and Donations not Restricted to Specific Programs	2,200
General Obligation Bonds Issued	12,315,000
Certificates of Participation Issued	9,000,000
Bond Anticipation Notes Issued	12,315,000
Premium on Bonds and Notes Issued	988,236
Interest	694,151
Miscellaneous	23,030
<i>Total General Receipts</i>	<u>47,081,192</u>
Change in Net Position	23,941,563
<i>Net Position Beginning of Year</i>	<u>11,776,617</u>
<i>Net Position End of Year</i>	<u>\$ 35,718,180</u>

See accompanying notes to the financial statements

Marion Local School District
Mercer County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2024

	General Fund	Building Fund	Capital Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 9,322,091	\$ 12,315,000	\$ 10,657,091	\$ 3,423,998	\$ 35,718,180
<i>Total Assets</i>	<u>\$ 9,322,091</u>	<u>\$ 12,315,000</u>	<u>\$ 10,657,091</u>	<u>\$ 3,423,998</u>	<u>\$ 35,718,180</u>
 Fund Balances					
Restricted		\$ 12,315,000	\$ 8,657,091	\$ 3,423,998	\$ 24,396,089
Committed	\$ 153,002		2,000,000		2,153,002
Assigned	129,653				129,653
Unassigned	9,039,436				9,039,436
<i>Total Fund Balances</i>	<u>\$ 9,322,091</u>	<u>\$ 12,315,000</u>	<u>\$ 10,657,091</u>	<u>\$ 3,423,998</u>	<u>\$ 35,718,180</u>

See accompanying notes to the financial statements

Marion Local School District
Mercer County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2024

	General Fund	(Newly Major) Building Fund	(Formerly Major) Permanent Improvement	Capital Facilities	Other Governmental Funds	Total Governmental Funds
Receipts						
Property Taxes	\$ 4,112,920				\$ 652,471	\$ 4,765,391
Income Taxes	67,133					67,133
Intergovernmental	7,360,979				752,508	8,113,487
Interest	462,523			\$ 143,031	91,923	697,477
Tuition and Fees	141,790					141,790
Rent	9,505					9,505
Extracurricular Activities	32,036				479,486	511,522
Gifts and Donations	2,200				23,768	25,968
Charges for Services	-				352,020	352,020
Miscellaneous	31,724				99	31,823
<i>Total Receipts</i>	<u>12,220,810</u>			<u>143,031</u>	<u>2,352,275</u>	<u>14,716,116</u>
Disbursements						
Current:						
Instruction						
Regular	4,967,371				37,182	5,004,553
Special	1,172,986				365,671	1,538,657
Vocational	230,812				5,021	235,833
Other	117,960					117,960
Support Services						
Pupil	240,753				107,338	348,091
Instructional Staff	391,356					391,356
Board of Education	35,990					35,990
Administration	775,712					775,712
Fiscal	352,895			7,190	93,057	453,142
Business	3,658					3,658
Operation and Maintenance of Plant	824,608				15,847	840,455
Pupil Transportation	353,549					353,549
Central	2,311					2,311
Operation of Non-Instructional Services					505,548	505,548
Extracurricular Activities	383,594				469,671	853,265
Capital Outlay				294,958	477,959	772,917
Debt Service						
Principal Retirement				12,315,000		12,315,000
Interest				344,921		344,921
Issuance Costs				265,320	235,550	500,870
<i>Total Disbursements</i>	<u>9,853,555</u>			<u>13,227,389</u>	<u>2,312,844</u>	<u>25,393,788</u>
<i>Excess of Receipts Over / (Under) Disbursements</i>	<u>2,367,255</u>			<u>(13,084,358)</u>	<u>39,431</u>	<u>(10,677,672)</u>
Other Financing Sources (Uses)						
Insurance Recoveries	999					999
Operating Transfers - In				792,416		792,416
Advances - In	40,000				40,000	80,000
General Obligation Bonds Issued		\$ 12,315,000				12,315,000
Certificates of Participation Issued				9,000,000		9,000,000
Notes Issued				12,315,000		12,315,000
Premium on Bonds and Notes				426,449	561,787	988,236
Operating Transfers - Out	(792,416)					(792,416)
Advances - Out	(40,000)				(40,000)	(80,000)
<i>Total Other Financing (Uses) Sources</i>	<u>(791,417)</u>	<u>12,315,000</u>		<u>22,533,865</u>	<u>561,787</u>	<u>34,619,235</u>
<i>Net Change in Fund Balances</i>	<u>1,575,838</u>	<u>12,315,000</u>		<u>9,449,507</u>	<u>601,218</u>	<u>23,941,563</u>
<i>Fund Balances Beginning - as previously reported</i>	7,746,253		\$ 1,407,103	1,207,584	1,415,677	11,776,617
<i>Change within Financial Reporting Entity (Major Fund)</i>			\$ (1,407,103)		1,407,103	
<i>Fund Balances Beginning - as adjusted or restated</i>	<u>7,746,253</u>			<u>1,207,584</u>	<u>2,822,780</u>	<u>11,776,617</u>
<i>Fund Balances End of Year</i>	<u>\$ 9,322,091</u>	<u>\$ 12,315,000</u>		<u>\$ 10,657,091</u>	<u>\$ 3,423,998</u>	<u>\$ 35,718,180</u>

See accompanying notes to the financial statements

Marion Local School District
Mercer County
Statement of Cash Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2024

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Receipts				
Property Taxes	\$ 3,592,699	\$ 3,592,699	\$ 4,112,920	\$ 520,221
Income Taxes			67,133	67,133
Intergovernmental	6,856,125	6,856,125	7,360,979	504,854
Interest	163,060	163,060	462,519	299,459
Tuition and Fees	94,119	94,119	107,568	13,449
Rent	8,971	8,971	9,505	534
Extracurricular Activities	18,207	18,207	17,592	(615)
Gifts and Donations	927	927	2,200	1,273
Miscellaneous	20,630	25,630	26,932	1,302
<i>Total Receipts</i>	<u>10,754,738</u>	<u>10,759,738</u>	<u>12,167,348</u>	<u>1,407,610</u>
Disbursements				
Current:				
Instruction				
Regular	5,069,872	5,058,498	4,933,579	124,919
Special	1,269,592	1,379,592	1,186,578	193,014
Vocational	173,392	173,642	230,812	(57,170)
Other	127,042	127,042	117,960	9,082
Support Services				
Pupil	295,376	210,176	240,753	(30,577)
Instructional Staff	396,870	396,870	402,357	(5,487)
Board of Education	34,408	66,434	36,220	30,214
Administration	755,832	720,409	762,447	(42,038)
Fiscal	338,062	338,112	358,580	(20,468)
Business	4,788	4,788	3,658	1,130
Operation and Maintenance of Plant	790,331	789,331	810,564	(21,233)
Pupil Transportation	442,710	350,244	361,363	(11,119)
Central	2,174	2,174	2,311	(137)
Extracurricular Activities	366,038	366,038	383,594	(17,556)
Capital Outlay	5,076	5,076		5,076
<i>Total Disbursements</i>	<u>10,071,563</u>	<u>9,988,426</u>	<u>9,830,776</u>	<u>157,650</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>683,175</u>	<u>771,312</u>	<u>2,336,572</u>	<u>1,565,260</u>
Other Financing Sources (Uses)				
Proceeds of Sale of Capital Assets	4,383	4,383		(4,383)
Insurance Recoveries			999	999
Advances - In	30,600	30,600	40,000	9,400
Refund of Prior Year Expenditures	3,117	8,117		(8,117)
Operating Transfers - Out	(500,000)	(823,000)	(817,544)	5,456
Advances - Out	(40,000)	(40,000)	(40,000)	
<i>Total Other Financing Sources (Uses)</i>	<u>(501,900)</u>	<u>(819,900)</u>	<u>(816,545)</u>	<u>3,355</u>
<i>Net Change in Fund Balance</i>	181,275	(48,588)	1,520,027	1,568,615
<i>Fund Balance Beginning of Year</i>	7,284,561	7,284,561	7,284,561	
Prior Year Encumbrances Appropriated	234,865	234,865	234,865	
<i>Fund Balance End of Year</i>	<u>\$ 7,700,701</u>	<u>\$ 7,470,838</u>	<u>\$ 9,039,453</u>	<u>\$ 1,568,615</u>

See accompanying notes to the financial statements

Marion Local School District
Mercer County
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
June 30, 2024

	<u>Custodial</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$23</u>
Net Position	
Unrestricted	<u><u>\$23</u></u>

See accompanying notes to the basic financial statements

Marion Local School District
Mercer County
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2024

	<u>Custodial</u>
Additions	
Miscellaneous	\$4,413
Deductions	
Payments in Accordance with Trust Agreements	<u>4,390</u>
Change in Net Position	23
Net Position - Beginning of Year	<u> </u>
Net Position - End of Year	<u><u>\$23</u></u>

See accompanying notes to the basic financial statements

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Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 1 – Description of the School District and Reporting Entity

Marion Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government and provides educational services as authorized by State and federal agencies. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four-year terms. The School District is located in Mercer, Auglaize and Darke counties.

The reporting entity is composed of the primary government and other organizations that are included to ensure the financial statements are not misleading.

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 Marion Local School District, this includes general operations, food service, and student related activities of the School District.

B. Jointly Governed Organizations

The School District participates in three jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Note 15 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative
State Support Team Region 6
Southwestern Ohio Educational Purchasing Council

Insurance Purchasing Pools:

Ohio Association of School Business Officials Workers' Compensation Group
Rating Plan
Southwestern Ohio Educational Purchasing Council
Ohio School Plan

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

Note 2 - Summary of Significant Accounting Policies

As discussed further in the Basis of Accounting section of this note, 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.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other 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 business-type activities.

The statement of net position presents the cash balance of the governmental 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 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 fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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 classified as governmental or fiduciary.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 2 - Summary of Significant Accounting Policies (continued)

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 to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Building Fund – This fund is used to account for bond proceeds that are being used for the school improvement project.

Capital Facilities – This fund is used to account for the certificates of participation proceeds and note proceeds issued for the school improvement project.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into the following four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. The School District has a custodial fund which accounts for OHSAA tournament monies.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. 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. Any such modifications made by the School District are described in the appropriate section in this note.

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

If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 2 - Summary of Significant Accounting Policies (continued)

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

During 2024, the School District invested in negotiable CDs, First American Treasury Obligation Fund, commercial paper, US Treasury Bills and Notes, US Government Agency Notes and 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 their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2024 was \$462,523 which included \$157,458 assigned from other School District funds.

E. Inventory and Prepaid Items

On a cash basis of accounting, inventories of supplies and prepaid items are reported as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

F. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 2 - Summary of Significant Accounting Policies (continued)

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. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the 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/OPEB plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a lease is not the result of a cash transaction, neither an other financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

K. 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 received/paid.

L. 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 or laws through constitutional provisions or enabling legislation. Net position restricted for other purposes include resources restricted for music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available. The School District did not have any assets restricted by enabling legislation at June 30, 2024.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 2 - Summary of Significant Accounting Policies (continued)

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. It also includes the long-term amount of interfund loans.

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.

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.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 2 - Summary of Significant Accounting Policies (continued)

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another fund 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.

O. Pensions/Other Postemployment Benefits (OPEB)

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.

P. Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate.

The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the fund level for all funds, except the General Fund. The School District legal level of control for the general fund is the object level. The Treasurer makes budgetary allocations at the function level within all funds.

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 budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 3 - 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 the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and cash basis are as follows:

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

Cash Basis	\$ 1,575,838
Encumbrances	(43,027)
Perspective Differences **	<u>(12,784)</u>
Budgetary Basis	<u><u>\$ 1,520,027</u></u>

**As part of the Governmental Accounting Standards Board Statement No. 54 “Fund Balance Reporting”, certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a cash basis. This includes the public-school support funds, uniform school supplies funds, tournament funds, termination benefits funds, and the underground storage tank fund.

Note 4 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the School District treasury. Active 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 deposits are public deposits that the Board has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 4 - Deposits and Investments (continued)

Interim monies held by the School District can 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political 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).
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 percent 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 securities representing the investment to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At June 30, 2024, the School District had \$1,100 in un-deposited cash on hand, which is included in the fund balance.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 4 - Deposits and Investments (continued)

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 the possession of an outside party. At fiscal year-end, the carrying amount of the School District's deposits was \$7,864,386 and the bank balance was \$7,864,232. \$7,148,436 of the School District's deposits was insured by federal depository insurance. As of June 30, 2024, \$715,796 of the School District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

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

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

The fair value of these investments is not materially different than measurement value. As of June 30, 2024, the School District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
STAR Ohio	46.5 days	\$5,801,876
First American Treasury Obligations Fund	40 days	45,753
Commerical Paper	2024-2025	8,413,326
US Treasury Bills	2025	1,143,220
US Treasury Notes	2025-2026	3,332,682
US Government Agency Notes	2025-2027	8,515,860
Negotiable CDs	2024-2025	600,000
		<u>\$27,852,717</u>

Interest Rate Risk – Interest rate risk arises because 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 addresses interest rate risk by requiring that the School District's investment portfolio be structured so that securities mature to meet cash requirements of ongoing operations.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 4 - Deposits and Investments (continued)

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District’s policy allows the Treasurer to invest in those investments authorized by the Ohio Revised Code, and places additional limitations with amounts authorized for investment in certain types.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The investments carry the following ratings from Standard & Poor’s:

<u>Investment</u>	<u>Rating</u>
STAR Ohio	AAAm
First American Treasury Obligations Fund	AAAm
Commerical Paper	A-1, A-1+
US Treasury Bills	A-1+
US Treasury Notes	AA+
US Government Agency 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.” However, all of the School District’s investments are either insured and registered in the name of the School District, or at least registered in the name of the school district.

Concentration of Credit Risk - The School District places no limits on the amount the School District may invest in any one issuer; however, the School District Treasurer is authorized to invest up to a maximum of 40% of the School District’s interim funds in commercial paper and bankers’ acceptances. The School District had the following investment allocations:

<u>Investment</u>	
STAR Ohio	20.83%
First American Treasury Obligations Fund	0.16%
Commerical Paper	30.21%
US Treasury Bills	4.10%
US Treasury Notes	11.97%
US Government Agency Notes	30.58%
Negotiable CDs	2.15%
	<u>100.00%</u>

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 5 - 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 2024 represents collections of calendar year 2023 taxes. Real property taxes received in calendar year 2024 were levied after April 1, 2023, on the assessed value listed as of January 1, 2023, the lien date. Assessed values for real property taxes are established by State law at 35 percent 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 2024 represents collections of calendar year 2023 taxes. Public utility real and tangible personal property taxes received in calendar year 2024 became a lien December 31, 2022, were levied after April 1, 2023 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Mercer, Auglaize and Darke 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, 2024, are available to finance fiscal year 2024 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The assessed values upon which fiscal year 2024 taxes were collected are:

	2023 Second-Half Collections		2024 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$134,790,660	97.96%	\$202,154,560	98.43%
Public Utility Personal	2,808,410	2.04%	3,221,260	1.57%
Total	<u>\$137,599,070</u>	<u>100.00%</u>	<u>\$205,375,820</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$30.60		\$31.20	

Note 6 – Income Tax

Effective January 1, 2024, the School District levies a voted tax of 0.5 percent for general operations on the income of residents and of estates. This is a 30-year tax. 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. Income tax revenue is credited to the General Fund.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 7 - 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 2024, Ohio School Plan provided the School District's insurance.

Coverage provided includes:

Building and Business Personal	
Property Coverage (\$2,500 deductible)	\$54,453,350
Automobile Liability	5,000,000
Uninsured/Underinsured Motorists	1,000,000
General Liability:	
Each Occurrence	5,000,000
General Aggregate Limit	7,000,000
Employers Liability:	
Each Occurrence	5,000,000
General Aggregate Limit	7,000,000
Educational Legal Liability (\$2,500 deductible)	
Each Occurrence	5,000,000
General Aggregate Limit	7,000,000
Security and Law Enforcement:	
Each Occurrence	5,000,000
General Aggregate Limit	7,000,000
Violence Coverage	1,000,000
Pollution	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. Workers' Compensation

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). 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. Sedgwick provides administrative, cost control and actuarial services to the GRP.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 7 - Risk Management (continued)

C. Health Care Benefits

For fiscal year 2024, the School District participated in the Southwestern Ohio Educational Purchasing Council, an insurance purchasing pool (Note 15). The intent of the pool 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 pool. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the pool. Each participant pays its health insurance premiums to Southwestern Ohio Educational Purchasing Council. Participation in the pool is limited to school districts that can meet the pool's selection criteria.

Note 8 - Defined Benefit Pension Plans

The net pension/OPEB liability 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

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.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 8 - Defined Benefit Pension Plans (continued)

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 9 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description – 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, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2% 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.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 8 - Defined Benefit Pension Plans (continued)

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. In 2023, the Board of Trustees approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2024.

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, 2024, 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 \$177,864 for fiscal year 2024.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – 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. Effective August 1, 2015, the calculation is 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0% 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, a one-time ad-hoc COLA of 3% 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 one-time ad-hoc COLA of 1 percent 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. Pursuant to Ohio Revised Code 3307.67(E) the STRS Ohio Retirement Board may adjust the COLA upon a determination by the board's actuary that a change will not materially impair the fiscal integrity of the system or is necessary to preserve the fiscal integrity of the system. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 34 years of service credit at any age.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 8 - Defined Benefit Pension Plans (continued)

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until Aug. 1, 2023 when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit regardless of age.

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.

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 2024 employer and member contribution rates of 14% was equal to the statutory maximum rates. For fiscal year 2024, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$687,581 fiscal year 2024.

Marion Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 8 - Defined Benefit Pension Plans (continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2023, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.0293560%	0.033815350%	
Current Measurement Date	<u>0.0283803%</u>	<u>0.034298330%</u>	
Change in Proportionate Share	<u>-0.0009757%</u>	<u>0.000482980%</u>	
Proportionate Share of the Net Pension Liability	\$1,568,157	\$7,386,124	\$8,954,281

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 2037.

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, 2023, are presented below:

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 8 - Defined Benefit Pension Plans (continued)

Inflation	2.4 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA	2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of System expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00%	0.75%
US Equity	24.75%	4.82%
Non-US Equity Developed	13.50%	5.19%
Non-US Equity Emerging	6.75%	5.98%
Fixed Income/Global Bonds	19.00%	2.24%
Private Equity	12.00%	7.49%
Real Estate/Real Assets	17.00%	3.70%
Private Debt/Private Credit	5.00%	5.64%
Total	<u>100.00%</u>	

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 8 - Defined Benefit Pension Plans (continued)

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 21-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate of fiscal year 2023 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 2023 was 6.90%.

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 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	\$2,314,521	\$1,568,157	\$939,489

Actuarial Assumptions - STRS

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

Inflation	2.50 percent
Salary increases	From 2.5 percent to 8.5 percent based on service
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Payroll Increases	3.00 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 Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2023 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.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 8 - Defined Benefit Pension Plans (continued)

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%	6.60%
International Equity	22.00%	6.80%
Alternatives	19.00%	7.38%
Fixed Income	22.00%	1.75%
Real Estate	10.00%	5.75%
Liquidity Reserves	1.00%	1.00%
Total	100.00%	

*Final target weights reflected at October 1, 2022.

**10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% 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, 2023. 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 position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2023. 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, 2023.

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, 2023, calculated using the current period discount rate assumption of 7.00%, as well as what 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	\$11,358,224	\$7,386,124	\$4,026,814

Changes Between Measurement Date and Reporting Date - The discount rate remained at 7.00% for June 30, 2023 valuation. Demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015 through June 30, 2021.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 9 – Defined Benefit OPEB Plans

The net OPEB liability 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.

See Note 8 for a description of the net OPEB liability.

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 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.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 9 - Defined Benefit OPEB Plans (continued)

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, 2024, 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 2024, 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 2024, the School District's surcharge obligation was \$21,502.

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 \$21,502 for fiscal year 2024.

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.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2024, 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, 2023, and the total OPEB asset/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 pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset)			
Prior Measurement Date	0.0299408%	0.033815350%	
Current Measurement Date	0.0292555%	0.034298330%	
Change in Proportionate Share	<u>-0.0006853%</u>	<u>0.000482980%</u>	
Proportionate Share of the Net OPEB Liability (Asset)	\$481,968	(\$667,055)	(\$185,087)

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 9 - Defined Benefit OPEB Plans (continued)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2023, compared with June 30, 2022, are presented below:

	June 30, 2023	June 30, 2022
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	3.86%	3.69%
Single Equivalent interest rate, net of plan investment expense, including inflation price	4.27%	4.08%
Health Care Cost Trend Rate	6.75 to 4.40%	7.00 to 4.40%

In 2023, 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.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 9 - Defined Benefit OPEB Plans (continued)

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.

In the prior measurement date, mortality rates were based on the 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. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial 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 capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 9 - Defined Benefit OPEB Plans (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00%	0.75%
US Equity	24.75%	4.82%
Non-US Equity Developed	13.50%	5.19%
Non-US Equity Emerging	6.75%	5.98%
Fixed Income/Global Bonds	19.00%	2.24%
Private Equity	12.00%	7.49%
Real Estate/Real Assets	17.00%	3.70%
Private Debt/Private Credit	5.00%	5.64%
Total	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2023, was 4.27%. The discount rate used to measure total OPEB liability prior to June 30, 2023, was 4.08%. 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 2048 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, 2022 and the June 30, 2023 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 3.86% at June 30, 2023 and 3.69% at June 30, 2022.

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 net OPEB liability, what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.27%) and higher (5.27%) than the current discount rate (4.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB liability	\$616,093	\$481,968	\$376,205

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB liability	\$354,085	\$481,968	\$651,430

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 9 - Defined Benefit OPEB Plans (continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2023, actuarial valuation, compared with the June 30, 2022 actuarial valuation are presented below:

	June 30, 2023		June 30, 2022	
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%	4.14%	7.50%	3.94%
Medicare	-10.94%	4.14%	-68.78%	3.94%
Prescription Drug				
Pre-Medicare	-11.95%	4.14%	9.00%	3.94%
Medicare	1.33%	4.14%	-5.47%	3.94%

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

For June 30, 2023, 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, 2023 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.

Assumption Changes Since the Prior Measurement Date - The discount rate remained unchanged at 7.00% for the June 30, 2023 valuation.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 9 - Defined Benefit OPEB Plans (continued)

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, 2024.

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:

Asset Class	Target Allocation*	Long-Term Expected Real Rate of Return **
Domestic Equity	26.00%	6.60%
International Equity	22.00%	6.80%
Alternatives	19.00%	7.38%
Fixed Income	22.00%	1.75%
Real Estate	10.00%	5.75%
Liquidity Reserves	1.00%	1.00%
Total	100.00%	

*Final target weights reflected at October 1, 2022.

**10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% 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 OPEB liability was 7.00% as of June 30, 2023. 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, 2023. 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, 2023.

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 net OPEB asset as of June 30, 2023, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 9 - Defined Benefit OPEB Plans (continued)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB (asset)	(\$564,575)	(\$667,055)	(\$756,305)
	<u>1% Decrease In Trend Rate</u>	<u>Current Trend Rate</u>	<u>1% Increase in Trend Rate</u>
School District's proportionate share of the net OPEB (asset)	(\$760,446)	(\$667,055)	(\$554,567)

Note 10 – Short-Term Debt

The changes in the School District's short-term obligations during fiscal year 2024 were as follows:

	<u>Amount Outstanding 6/30/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount Outstanding 6/30/2024</u>
Governmental Activities				
2023 School Facilities Construction and Improvement Bond Anticipation Notes - 5.125%	\$ -	\$ 12,315,000	\$ (12,315,000)	\$ -

On December 28, 2023, the School District issued \$12,315,000 in school facilities construction and improvement bond anticipation notes. The notes had a premium of \$45,442. The notes matured June 3, 2024, and were paid off from the Capital Facilities Fund with long-term debt proceeds.

Note 11 - Leases

During fiscal year 2024, the School District entered into a lease-purchase agreement for the acquisition and construction of (a) academic and special education classrooms, agricultural education complex suite with a greenhouse and cafeteria and commons area (b) high school competition gymnasium and multiple locker rooms and (c) an administrative office suite and other capital improvements. The School District is leasing the project site from PS&W Holding Company Inc. PS&W Holding Company Inc assigned U.S. Bank Trust Company, National Association as trustee, transferring rights, title, and interest in the project to the trustee. The School District is acting as an agent for the lessor and constructed the facilities and improvements from the proceeds provided by the lessor. The total expenditures on the building lease were \$73,178 during fiscal year 2024.

The following is a schedule of the future minimum lease payments required under the building lease and the present value of the minimum lease payments as of June 30, 2024:

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 11 – Leases (continued)

<u>Year ending June 30:</u>	<u>Amount</u>
2025	\$418,163
2026	476,662
2027	483,413
2028	489,662
2029	500,287
2030-2034	2,598,813
2035-2039	2,786,312
2040-2044	3,006,388
2045-2049	3,212,905
2049-2054	3,459,006
Total	17,431,611
Less: Amount Representing Interest and Fees	(8,431,611)
Present Value of Minimum Lease Payments	\$9,000,000

Note 12 – Long-Term Debt

The changes in the School District's long-term obligations during fiscal year 2024 were as follows:

	Amount Outstanding 6/30/2023	Additions	Deletions	Amount Outstanding 6/30/2024	Amount Due in One Year
Governmental Activities					
2024 Building Lease/Certificates of Participation - 4.125% to 5.0%	\$ -	\$ 9,000,000	\$ -	\$ 9,000,000	\$ -
2024 School Improvement Bonds - 4.0% to 5.0%	-	12,315,000	-	12,315,000	800,000
Total	\$ -	\$ 21,315,000	\$ -	\$ 21,315,000	\$ 800,000

2024 School Improvement Bonds – On April 9, 2024, the School District issued \$12,315,000 in general obligation school improvement bonds. The bonds had a premium of \$558,535. The bonds include serial and term bonds in the amount of \$1,960,000 and \$10,355,000, respectively. The bonds will be retired from the Bond Retirement debt service fund.

The term bonds maturing on or after December 1, 2032, are subject to mandatory sinking fund redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption on December 1, 2033 and December 1, 2035, 2038, 2041, 2044, 2049, and 2053. The final maturity of the bonds is December 1, 2053.

The School District's overall legal debt margin was \$6,978,743 the un-voted debt margin was \$205,376 and the energy conservation debt margin was \$1,848,382 at June 30, 2024.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 12 – Long-Term Debt (continued)

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2024, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2025	\$ 800,000	\$ 538,200	\$ 1,338,200
2026	125,000	515,075	640,075
2027	135,000	508,575	643,575
2028	155,000	501,325	656,325
2029	165,000	493,325	658,325
2030-2034	1,050,000	2,323,500	3,373,500
2035-2039	1,510,000	2,004,250	3,514,250
2040-2044	2,115,000	1,554,375	3,669,375
2045-2049	2,815,000	983,225	3,798,225
2050-2054	3,445,000	355,500	3,800,500
Total	<u>\$ 12,315,000</u>	<u>\$ 9,777,350</u>	<u>\$ 22,092,350</u>

Note 13 – 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.

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Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 13 – Fund Balance (continued)

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

<u>Fund Balance</u>	<u>General</u>	<u>Building Fund</u>	<u>Capital Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted:					
Classroom Maintenance				\$ 481,060	\$ 481,060
Athletics				159,823	159,823
Grants				17,533	17,533
Food Service				450,064	450,064
Debt Service				809,919	809,919
Capital Improvements		\$ 12,315,000	\$ 8,657,091	1,378,619	22,350,710
Student Activities				126,980	126,980
Total Restricted		12,315,000	8,657,091	3,423,998	24,396,089
Committed to:					
Capital Improvements			2,000,000		2,000,000
Underground Storage Tank	3,143				3,143
Termination Benefits	149,859				149,859
Total Committed	153,002		2,000,000		2,153,002
Assigned for:					
Unpaid Obligations	43,027				43,027
Public School Support	67,471				67,471
Uniform School Supplies	19,155				19,155
Total Assigned	129,653				129,653
Unassigned	9,039,436				9,039,436
Total Fund Balance	\$ 9,322,091	\$ 12,315,000	\$ 10,657,091	\$ 3,423,998	\$ 35,718,180

Note 14 – Set-Aside Requirements

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years. The following cash basis information identifies the changes in the fund balance reserves capital improvements during fiscal year 2024.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 14 – Set-Aside Requirements (continued)

	Capital Improvements
Set-aside Reserve Balance as of June 30, 2023	\$0
Current Year Set-aside Requirement	205,169
Offsets	
Tax levy for permanent improvements	(213,414)
Total	(\$8,245)
Balance Carried Forward to Fiscal Year 2025	\$0
Set-aside Reserve Balance as of June 30, 2024	\$0

During fiscal year 2024, the School District issued \$12,315,000 in capital related debt. These proceeds may be used to offset the required capital improvements set-aside amount for future years. The School District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods.

Note 15 - Jointly Governed Organizations, Insurance Purchasing Pools and Related Organization

A. Jointly Governed Organizations

Northwest Ohio Area Computer Services Cooperative - The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, Seneca, Van Wert, Wood and Wyandot counties. The jointly governed 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 districts. Each of the governments of these school supports NOACSC based upon a per pupil charge dependent upon the software package utilized.

The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of two Assembly members from Hancock, Paulding, Allen, Mercer, Putnam and Van Wert Counties and two at large members. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2024, the School District contributed \$37,992 to NOACSC. Financial information can be obtained by contacting Ben Thaxton, who serves as Executive Director, at 4277 East Road, Lima, OH 45807.

State Support Team Region 6 – The State Support Team Region 6 (“SST6”) is a special educational service center, which selects its own board, adopts its own budget and receives direct Federal and State grants for its operations. The jointly governed organization was formed for the purpose of initiating, expanding, and improving special education programs and services for children with disabilities and their parents. A board of 52 members made up of the 50 superintendents of the participating school districts, one non-public school, and Wright State University, whose terms rotate every year, governs the SST6.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 15 - Jointly Governed Organizations, Insurance Purchasing Pools and Related Organization
(continued)

The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Michele Bambauer, Director, at 1045 Dearbaugh, Suite #1, Wapakoneta, Ohio 45895.

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 240 school districts/organizations in 37 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. Insurance Purchasing Pools

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan - The School District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials (OASBO) as an insurance purchasing pool. A five member OASBO Board of Directors conducts the Plan's business and affairs. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

Southwestern Ohio Educational Purchasing Council - The district participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), an insurance purchasing pool, for medical insurance. The SOEPC was established under Section 2744.081 of the Ohio Revised Code. SOEPC is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SOEPC's business and affairs are conducted by a board consisting of seven school administrators, who are elected by the membership each year.

In addition, the cooperative hires attorneys, auditors and actuaries to assist in running the day-to-day program. Gallagher is responsible for the insurance program administration. JWF Specialty Company is responsible for processing claims between SOEPC and its members. Payments to SOEPC are made from the General Fund. During 2024, the School District paid \$1,430,850 to the SOEPC. 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.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 15 - Jointly Governed Organizations, Insurance Purchasing Pools and Related Organization
(continued)

Ohio School Plan (Plan) – The School District participates in the Ohio School Plan, an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members, which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection, and provides risk management programs and other administrative services. A board composed of officials from various member entities conducts the Plan’s business and affairs. The School District paid \$51,059 in premiums for fiscal year 2024. The Hylant Administrative Services, LLC is the Plan’s administrator and is responsible for processing claims. Financial information can be obtained from Ohio School Plan, c/o Hylant Administrative Services, LLC 811 Madison Avenue, P.O. Box 2083, Toledo, Ohio 43603-2083.

Note 16 - Interfund Balances

During fiscal year 2024, the School District advanced \$40,000 to non-major special revenue funds from the general fund. These advances were necessary due to the timing of the receipt of grants and were repaid during fiscal year 2024.

During 2024, the School District transferred \$792,416 from the general fund to the capital facilities fund.

Note 17 – Contractual Commitments

As of June 30, 2024, the School District had the following outstanding contractual commitments:

<u>Vendor</u>	<u>Remaining Amount</u>
Baumer Construction	\$ 159,600
Garmann/Miller	1,251,142
Innovative Office Solutions	24,973

Note 18 – 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.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 19 – Contingent Liabilities

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, 2024.

B. Litigation

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

C. 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. As of the date of this report, ODEW has finalized the impact of enrollment adjustments to the June 30, 2024 Foundation funding for the School District. The adjustments were not significant to the School District.

Note 20 – Tax Abatements

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures, the School District is required to disclose certain information about tax abatements as defined in the Statement. For purposes of GASB Statement 77, a tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the local government or its citizens.

Community Reinvestment Area (CRA) Program

The Ohio Community Reinvestment Area program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. Community Reinvestment Areas (CRA) are areas of land in which property owners can receive tax incentives for investing in real property improvements. In order to use the Community Reinvestment program, a city, village, or county petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing has traditionally been discouraged. Once the area is confirmed by the Director of ODSA, communities may offer real property tax exemptions to taxpayers that invest in that area.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 20 – Tax Abatements (continued)

The type of development is determined by specifying the eligibility of residential, commercial and/or industrial projects. The local governments negotiate property tax exemptions on new property tax from investment for up to one hundred percent for up to fifteen years based on the amount of investments made to renovate or construct buildings within a CRA. Taxes are abated as the increase in assessed value resulting from the investment is not included (or included at a lesser amount) in the assessed value used for property tax computation for the taxpayer. For commercial projects, job retention and/or creation is also required. Agreements must be in place before the project begins. Provisions for recapturing property tax exemptions, which can be used at the discretions of the local governments, are pursuant to ORC Section 9.66(C)(1) and 9.66(C)(2).

Property taxes forgone by the School District for this program for the year ended December 31, 2023, was \$125,151.

Enterprise Zone Agreement

Ohio Revised Code Section 5709.61 through 5709.69 ("The Act") has authorized counties, with the consent and agreement of affected municipalities and townships therein, to designate areas as Enterprise Zones and to execute agreements with certain enterprises for the purpose of establishing, expanding, renovating or occupying facilities and hiring new employees and preserving jobs within said zones in exchange for specified local tax incentives granted by the county.

Marion Township entered into agreements with Ohio Recycling Inc. The property taxes foregone by the School District for the abatement program for the year ended December 31, 2023, was \$2,577.

Note 21 – Implementation of New Accounting Policies and Changes within the Financial Reporting Entity

Implementation of New Accounting Policies

For fiscal year 2024, the School District has implemented certain paragraphs of GASB Implementation Guide No. 2021-1, certain paragraphs of GASB Statement No. 99, "Omnibus 2022", GASB Statement No. 100, "Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62" and Implementation Guide No. 2023-1.

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on the financial statements of the School District.

GASB Statement No. 99 is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the School District.

GASB Statement No. 100 is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The implementation of GASB Statement No. 100 resulted in a change in the financial reporting entity disclosure.

Marion Local School District
Mercer County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 21 – Implementation of New Accounting Policies and Changes within the Financial Reporting Entity (Continued)

GASB Implementation Guide 2023-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2023-1 did not have an effect on the financial statements of the School District.

Change within the Financial Reporting Entity

For fiscal year 2024, the Permanent Improvement fund presentation was adjusted from major to nonmajor due to no longer meeting the quantitative threshold for a major fund. In addition, the newly created Building fund was presented as major due to meeting the quantitative threshold for a major fund for fiscal year 2024. These changes are separately displayed in the financial statements.

OHIO AUDITOR OF STATE KEITH FABER

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

Marion Local School District
Mercer County
7956 State Route 119
Maria Stein, Ohio 45860

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 the 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, each major fund, and the aggregate remaining fund information of Marion Local School District, Mercer County, (the School District) as of and for the fiscal year ended June 30, 2024, 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 15, 2025, 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 opinions 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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2024-002 that we consider to be a material weakness.

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 matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2024-001.

School District's Response to Findings

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

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.



Keith Faber
Auditor of State
Columbus, Ohio

May 15, 2025

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2024**

FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2024-001

Noncompliance – Failure to File GAAP

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.

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.

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. To help provide the users with more meaningful financial statements, the School District should prepare its annual financial statements according to generally accepted accounting principles.

Officials' Response

The School District does not plan to file GAAP due to the time and expense.

FINDING NUMBER 2024-002

Material Weakness – Financial Statement Errors

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Governmental Accounting Standards Board (GASB) Statement No. 100 requires changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period. In addition, the Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. Lastly, the Statement requires disclosure in notes to the financial statements of descriptive information about accounting changes, such as their nature.

FINDING NUMBER 2024-002
(Continued)

The School District had the following material errors that required adjustment on the financial statements:

- Premium on bonds and notes and issuance costs were inaccurately posted to Fund 004 - Building Fund in the amount of \$235,550. Both should have been posted to Fund 002 - Bond Retirement, as this is the fund that will repay the bonds. This resulted in a decrease to Other Governmental Funds premium on bonds and notes and issuance cost in the amount of \$235,550 and an increase of the same for the Building Fund.
- Capital Facilities Fund has two special cost centers on the School Districts books, however only one special cost center was included in the major fund. This resulted in an increase to beginning fund balance of \$1,207,584 and an increase to transfers in of \$792,416 for the Capital Facilities Fund and a decrease of the same for Other Governmental Funds.
- GASB Statement No. 100 Errors
 - The Permanent Improvement Fund was classified as a major fund in the previous reporting period, however this change was not noted on the face of the financial statements or in the note disclosures.
 - The Building Fund, a new fund during fiscal year 2024, was a new major fund in comparison to the prior reporting period, however this change was not noted on the face of the financial statements or in the note disclosures.

The School District also had the following immaterial errors that did not require adjustment on the financial statements; however, were adjusted at the School District's request:

- Property tax receipts and ending fund balance in the General fund were understated by \$23,477 and Other Governmental Funds property tax receipts and ending fund balance were overstated by \$23,477. This also caused unrestricted net position to be understated and net position restricted for capital projects to be overstated by the same amount.

The failure to correctly classify financial activity in the financial statements may impact the user's understanding of the financial operations, the School District's ability to make sound financial decisions, and may result in material misstatement to the financial statements.

Procedures should be implemented to provide for the proper recording of activity and ensuring all applicable standards relating to presentation in the financial statements are presented.

Officials' Response

The School District will research and understand new GASB pronouncements as they are issued and review financial statements as prepared by the compiler in detail before filing.

Marion Local Schools

7956 State Route 119 - Maria Stein, OH, 45860 – Phone: (419) 925-4294 – Fax: (419) 925-0212

MICHAEL L. POHLMAN
Superintendent

RYAN GOLDSCHMIDT
Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2024

Finding Number	Finding Summary	Status	Additional Information
2023-001	ORC 117.38 – Finding of Annual Financial Report on GAAP basis; first reported in 2003-001	Not corrected	Repeated as Finding 2024-001.

Wisdom * Integrity * Service

TIM GOODWIN
High School Principal

MICHELLE MESCHER
Technology Director

KELLI THOBE
K-8 Principal

SUE BRUNS
K-8 Asst. Principal

1901 St. Rt. 716, Maria Stein, OH 45860
Phone: 925-4597 Fax: 925-5111

7956 St. Rt. 119, Maria Stein, OH 45860
Phone: 925-4595 Fax: 925-0212

OHIO AUDITOR OF STATE KEITH FABER



MARION LOCAL SCHOOL DISTRICT

MERCER 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 6/3/2025

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

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