



OHIO AUDITOR OF STATE  
**KEITH FABER**





**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY  
JUNE 30, 2022**

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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, 2022, 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 Marion Local School District, as of June 30, 2022, 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.

***Emphasis of Matter***

As discussed in Note 16 to the financial statements, the financial impact of COVID-19 and the continuing recovery measures may impact subsequent periods of the School District. 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 January 4, 2024, 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

January 4, 2024

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**Marion Local School District**  
**Mercer County**  
*Statement of Net Position - Cash Basis*  
*June 30, 2022*

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|                           | <u>Governmental<br/>Activities</u> |
|---------------------------|------------------------------------|
| <b>Assets</b>             |                                    |
| Cash and Cash Equivalents | <u>\$ 10,765,181</u>               |
| <i>Total Assets</i>       | <u><u>\$ 10,765,181</u></u>        |
| <br>                      |                                    |
| <b>Net Position</b>       |                                    |
| Restricted for:           |                                    |
| Capital Projects          | \$ 1,230,324                       |
| Debt Service              | 106,129                            |
| Other Purposes            | 1,307,244                          |
| Unrestricted              | <u>8,121,484</u>                   |
| <i>Total Net Position</i> | <u><u>\$ 10,765,181</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, 2022

|   | Program Cash Receipts |                                   |  | Net (Disbursements) Receipts<br>and Changes in Net Position |
|---|-----------------------|-----------------------------------|--|---|
|   | Cash<br>Disbursements | Charges for<br>Services and Sales | Operating Grants,<br>Contributions<br>and Interest | Total<br>Governmental<br>Activities                         |
| <b>Governmental Activities:</b>                             |                       |                                   |  |   |
| Instruction   |                       |                                   |  |   |
| Regular   | \$ 4,666,468          | \$ 136,339                        | \$ 25,405  | \$ (4,504,724)  |
| Special   | 1,473,392             | -                                 | 573,253  | (900,139)   |
| Vocational  | 141,709               | -                                 | 67,261   | (74,448)  |
| Other   | 108,978               | -                                 | 8,500  | (100,478)   |
| Support Services  |                       |                                   |  |   |
| Pupil   | 333,920               | -                                 | -  | (333,920)   |
| Instructional Staff   | 361,553               | -                                 | -  | (361,553)   |
| Board of Education  | 21,378                | -                                 | -  | (21,378)  |
| Administration  | 720,298               | 28,872                            | 12   | (691,414)   |
| Fiscal  | 321,875               | -                                 | -  | (321,875)   |
| Business  | 7,162                 | -                                 | -  | (7,162)   |
| Operation and Maintenance of Plant                          | 730,948               | 8,010                             | 4,705  | (718,233)   |
| Pupil Transportation  | 329,792               | 3,500                             | 48,687   | (277,605)   |
| Central   | 1,855                 | -                                 | -  | (1,855)   |
| Operation of Non-Instructional Services                     | 392,973               | 97,605                            | 592,077  | 296,709   |
| Extracurricular Activities                                  | 652,041               | 380,015                           | 7,977  | (264,049)   |
| Capital Outlay  | 1,499,327             | -                                 | 240,788  | (1,258,539)   |
| Debt Service  | 101,084               | -                                 | -  | (101,084)   |
| <b>Total Governmental Activities</b>                        | <b>\$ 11,864,753</b>  | <b>\$ 654,341</b>                 | <b>\$ 1,568,665</b>                                | <b>(9,641,747)</b>  |
| <b>General Receipts</b>                                     |                       |                                   |  |   |
| Property Taxes Levied for:                                  |                       |                                   |  |   |
|   |                       |                                   |  | 3,454,064   |
| General Purposes  |                       |                                   |  | 170,188   |
| Capital Outlay  |                       |                                   |  | 23,795  |
| Debt Service  |                       |                                   |  | 38,133  |
| Classroom Facilities & Maintenance                          |                       |                                   |  | 5,795,697   |
| Grants and Entitlements not Restricted to Specific Programs |                       |                                   |  | 2,200   |
| Gifts and Donations not Restricted to Specific Programs     |                       |                                   |  | 28,243  |
| Interest  |                       |                                   |  | 259,411   |
| Miscellaneous   |                       |                                   |  | 9,771,731   |
| <b>Total General Receipts</b>                               |                       |                                   |  | <b>9,771,731</b>  |
| Change in Net Position                                      |                       |                                   |  | 129,984   |
| Net Position Beginning of Year                              |                       |                                   |  | 10,635,197  |
| Net Position End of Year                                    |                       |                                   |  | <b>\$ 10,765,181</b>  |

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, 2022*

|                            | General<br>Fund     | Permanent<br>Improvement | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|----------------------------|---------------------|--------------------------|--------------------------------|--------------------------------|
| <b>Assets</b>              |                     |                          |                                |                                |
| Cash and Cash Equivalents  | \$ 7,249,878        | \$ 1,230,324             | \$ 2,284,979                   | \$ 10,765,181                  |
| <i>Total Assets</i>        | <u>\$ 7,249,878</u> | <u>\$ 1,230,324</u>      | <u>\$ 2,284,979</u>            | <u>\$ 10,765,181</u>           |
| <br>                       |                     |                          |                                |                                |
| <b>Fund Balances</b>       |                     |                          |                                |                                |
| Restricted                 | \$ -                | \$ 1,230,324             | \$ 1,413,373                   | \$ 2,643,697                   |
| Committed                  | 110,017             | -                        | 871,606                        | 981,623                        |
| Assigned                   | 400,809             | -                        | -                              | 400,809                        |
| Unassigned                 | 6,739,052           | -                        | -                              | 6,739,052                      |
| <i>Total Fund Balances</i> | <u>\$ 7,249,878</u> | <u>\$ 1,230,324</u>      | <u>\$ 2,284,979</u>            | <u>\$ 10,765,181</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, 2022*

|  | General<br>Fund     | Permanent<br>Improvement | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|--------------------------|--------------------------------|--------------------------------|
| <b>Receipts</b>  |                     |                          |                                |                                |
| Property Taxes   | \$ 3,454,064        | \$ 170,188               | \$ 61,928                      | \$ 3,686,180                   |
| Intergovernmental                                      | 6,201,099           | 16,716                   | 1,138,112                      | 7,355,927                      |
| Interest   | 28,255              | -                        | 485                            | 28,740                         |
| Tuition and Fees                                       | 136,617             | -                        | -                              | 136,617                        |
| Rent   | 8,010               | -                        | 3,000                          | 11,010                         |
| Extracurricular Activities                             | 50,716              | -                        | 351,932                        | 402,648                        |
| Gifts and Donations                                    | 2,200               | -                        | 7,938                          | 10,138                         |
| Charges for Services                                   | -                   | -                        | 97,605                         | 97,605                         |
| Miscellaneous  | 21,584              | 240,788                  | -                              | 262,372                        |
| <i>Total Receipts</i>                                  | <u>9,902,545</u>    | <u>427,692</u>           | <u>1,661,000</u>               | <u>11,991,237</u>              |
| <b>Disbursements</b>                                   |                     |                          |                                |                                |
| Current:   |                     |                          |                                |                                |
| Instruction  |                     |                          |                                |                                |
| Regular  | 4,641,879           | -                        | 24,589                         | 4,666,468                      |
| Special  | 1,248,821           | -                        | 224,571                        | 1,473,392                      |
| Vocational   | 138,664             | -                        | 3,045                          | 141,709                        |
| Other  | 100,478             | -                        | 8,500                          | 108,978                        |
| Support Services                                       |                     |                          |                                |                                |
| Pupil  | 281,583             | -                        | 52,337                         | 333,920                        |
| Instructional Staff                                    | 361,553             | -                        | -                              | 361,553                        |
| Board of Education                                     | 21,378              | -                        | -                              | 21,378                         |
| Administration   | 720,298             | -                        | -                              | 720,298                        |
| Fiscal   | 312,438             | 3,669                    | 5,768                          | 321,875                        |
| Business   | 7,162               | -                        | -                              | 7,162                          |
| Operation and Maintenance of Plant                     | 721,537             | -                        | 9,411                          | 730,948                        |
| Pupil Transportation                                   | 329,792             | -                        | -                              | 329,792                        |
| Central  | 1,855               | -                        | -                              | 1,855                          |
| Operation of Non-Instructional Services                | -                   | -                        | 392,973                        | 392,973                        |
| Extracurricular Activities                             | 351,730             | -                        | 300,311                        | 652,041                        |
| Capital Outlay   | 564                 | 84,380                   | 1,414,383                      | 1,499,327                      |
| Debt Service   |                     |                          |                                |                                |
| Principal Retirement                                   | -                   | -                        | 95,000                         | 95,000                         |
| Interest   | -                   | -                        | 6,084                          | 6,084                          |
| <i>Total Disbursements</i>                             | <u>9,239,732</u>    | <u>88,049</u>            | <u>2,536,972</u>               | <u>11,864,753</u>              |
| <i>Excess of Receipts Over / (Under) Disbursements</i> | <u>662,813</u>      | <u>339,643</u>           | <u>(875,972)</u>               | <u>126,484</u>                 |
| <b>Other Financing Sources (Uses)</b>                  |                     |                          |                                |                                |
| Proceeds of Sale of Capital Assets                     | 3,500               | -                        | -                              | 3,500                          |
| Advances - In  | 40,000              | -                        | 40,000                         | 80,000                         |
| Advances - Out   | (40,000)            | -                        | (40,000)                       | (80,000)                       |
| <i>Total Other Financing Sources</i>                   | <u>3,500</u>        | <u>-</u>                 | <u>-</u>                       | <u>3,500</u>                   |
| <i>Net Change in Fund Balances</i>                     | 666,313             | 339,643                  | (875,972)                      | 129,984                        |
| <i>Fund Balances Beginning</i>                         | <u>6,583,565</u>    | <u>890,681</u>           | <u>3,160,951</u>               | <u>10,635,197</u>              |
| <i>Fund Balances End of Year</i>                       | <u>\$ 7,249,878</u> | <u>\$ 1,230,324</u>      | <u>\$ 2,284,979</u>            | <u>\$ 10,765,181</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, 2022*

|  | Budgeted Amounts    |                     | Actual              | Variance with<br>Final Budget<br>Over (Under) |
|--|---------------------|---------------------|---------------------|---|
|  | Original            | Final               |                     |   |
| <b>Receipts</b>                                      |                     |                     |                     |   |
| Property Taxes                                       | \$ 3,488,126        | \$ 3,488,126        | \$ 3,454,064        | \$ (34,062)                                   |
| Intergovernmental                                    | 5,379,986           | 5,379,986           | 6,201,099           | 821,113                                       |
| Interest   | 58,050              | 58,050              | 28,243              | (29,807)                                      |
| Tuition and Fees                                     | 464,170             | 464,170             | 102,388             | (361,782)                                     |
| Rent   | 7,400               | 7,400               | 8,010               | 610   |
| Extracurricular Activities                           | 19,000              | 19,000              | 18,669              | (331)   |
| Gifts and Donations                                  | 2,200               | 2,200               | 2,200               | -   |
| Miscellaneous  | 50,000              | 50,000              | 18,623              | (31,377)                                      |
| <i>Total Receipts</i>                                | <u>9,468,932</u>    | <u>9,468,932</u>    | <u>9,833,296</u>    | <u>364,364</u>                                |
| <b>Disbursements</b>                                 |                     |                     |                     |   |
| Current:   |                     |                     |                     |   |
| Instruction  |                     |                     |                     |   |
| Regular  | 4,873,575           | 4,873,575           | 4,608,161           | 265,414                                       |
| Special  | 1,230,827           | 1,230,827           | 1,265,930           | (35,103)                                      |
| Vocational   | 139,418             | 139,418             | 138,664             | 754   |
| Other  | 211,295             | 211,295             | 102,445             | 108,850                                       |
| Support Services                                     |                     |                     |                     |   |
| Pupil  | 300,519             | 300,519             | 282,177             | 18,342  |
| Instructional Staff                                  | 385,145             | 385,145             | 364,701             | 20,444  |
| Board of Education                                   | 51,005              | 51,006              | 21,378              | 29,628  |
| Administration                                       | 704,850             | 704,845             | 692,116             | 12,729  |
| Fiscal   | 294,197             | 294,197             | 327,447             | (33,250)                                      |
| Business   | 6,767               | 6,767               | 7,162               | (395)   |
| Operation and Maintenance of Plant                   | 756,043             | 783,543             | 731,557             | 51,986  |
| Pupil Transportation                                 | 383,273             | 499,972             | 525,195             | (25,223)                                      |
| Central  | 1,694               | 1,694               | 1,855               | (161)   |
| Extracurricular Activities                           | 254,760             | 264,959             | 352,219             | (87,260)                                      |
| Capital Outlay                                       | 27,904              | 27,904              | 564                 | 27,340  |
| <i>Total Disbursements</i>                           | <u>9,621,272</u>    | <u>9,775,666</u>    | <u>9,421,571</u>    | <u>354,095</u>                                |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(152,340)</u>    | <u>(306,734)</u>    | <u>411,725</u>      | <u>718,459</u>                                |
| <b>Other Financing Sources (Uses)</b>                |                     |                     |                     |   |
| Proceeds of Sale of Capital Assets                   |                     | -                   | 3,500               | 3,500   |
| Advances - In  |                     | -                   | 40,000              | 40,000  |
| Refund of Prior Year Expenditures                    | 7,500               | 7,500               | -                   | (7,500)                                       |
| Operating Transfers - Out                            | (50,000)            | (350,000)           | (10,802)            | 339,198                                       |
| Advances - Out                                       | (40,000)            | (40,000)            | (40,000)            | -   |
| <i>Total Other Financing Sources (Uses)</i>          | <u>(82,500)</u>     | <u>(382,500)</u>    | <u>(7,302)</u>      | <u>375,198</u>                                |
| <i>Net Change in Fund Balance</i>                    | (234,840)           | (689,234)           | 404,423             | 1,093,657                                     |
| <i>Fund Balance Beginning of Year</i>                | 6,282,084           | 6,282,084           | 6,282,084           | -   |
| Prior Year Encumbrances Appropriated                 | 85,538              | 85,538              | 85,538              | -   |
| <i>Fund Balance End of Year</i>                      | <u>\$ 6,132,782</u> | <u>\$ 5,678,388</u> | <u>\$ 6,772,045</u> | <u>\$ 1,093,657</u>                           |

See accompanying notes to the 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, 2022*

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**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, component units, 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 12 to the basic financial statements.

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, 2022*

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**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.

**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.



**Marion Local School District**  
**Mercer County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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**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.

Permanent Improvement – This fund is used to account for revenues from a permanent improvement tax levy that will be used for permanent improvements.

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

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.

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.

**Marion Local School District**  
**Mercer County**  
*Notes to the Basic Financial Statements*  
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**Note 2 - Summary of Significant Accounting Policies** (continued)

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 2022, the School District invested in negotiable CDs 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 2022 was \$28,255 which included \$9,226 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.

**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.

**Marion Local School District**  
**Mercer County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**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 7 and 8, 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. 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, 2022.

**L. 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.

**Marion Local School District**  
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*Notes to the Basic Financial Statements*  
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**Note 2 - Summary of Significant Accounting Policies** (continued)

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.

**M. 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.

**N. 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.

**Marion Local School District**  
**Mercer County**  
*Notes to the Basic Financial Statements*  
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**Note 2 - Summary of Significant Accounting Policies** (continued)

**O. 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.

**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 fund balance (cash basis) and

2.) Perspective differences resulting from differences in fund structure.

|                            |                          |
|----------------------------|--------------------------|
| Cash Basis                 | \$ 666,313               |
| Encumbrances               | (267,136)                |
| Perspective Differences ** | <u>5,246</u>             |
| Budgetary Basis            | <u><u>\$ 404,423</u></u> |

**Marion Local School District**  
**Mercer County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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**Note 3 - Budgetary Basis of Accounting** (continued)

\*\*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) or by eligible securities pledged by the financial institution as security for repayment.

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;

**Marion Local School District**  
**Mercer County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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**Note 4 - Deposits and Investments** (continued)

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.

***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 year end, \$7,043,220 of the School District's bank balance of \$7,543,623 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.

**Marion Local School District**  
**Mercer County**  
*Notes to the Basic Financial Statements*  
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**Note 4 - Deposits and Investments** (continued)

***Investments***

The fair value of these investments is not materially different than measurement value. As of June 30, 2022, the School District had the following investments:

| <u>Investment</u> | <u>Maturity</u> | <u>Amount</u>       |
|-------------------|-----------------|---------------------|
| STAR Ohio         | 35.3 days       | \$ 3,042,476        |
| Negotiable CDs    | 2023-2024       | 400,008             |
|                   |                 | <u>\$ 3,442,484</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.

*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. STAR Ohio carries a rating of AAAM by Standard and Poor’s.

*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, State statute limits investments in commercial paper and bankers’ acceptances to 25 percent of the interim monies available for investment at any one time. 88 percent of the School District’s investments are in STAR Ohio and 12 percent is in negotiable CDs.



**Marion Local School District**  
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*Notes to the Basic Financial Statements*  
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**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 2022 represents collections of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed value listed as of January 1, 2021, 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 2022 represents collections of calendar year 2021 taxes. Public utility real and tangible personal property taxes received in calendar year 2022 became a lien December 31, 2020, were levied after April 1, 2021 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, 2022, are available to finance fiscal year 2022 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 2022 taxes were collected are:

|   | <u>2021 Second-<br/>Half Collections</u> |                | <u>2022 First-<br/>Half Collections</u> |                |
|---|--|----------------|---|----------------|
|   | Amount                                   | Percent        | Amount                                  | Percent        |
| Agricultural/Residential<br>and Other Real Estate | \$129,554,210                            | 98.09%         | \$131,396,340                           | 98.03%         |
| Public Utility Personal                           | <u>2,520,470</u>                         | <u>1.91%</u>   | <u>2,638,960</u>                        | <u>1.97%</u>   |
| Total   | <u>\$132,074,680</u>                     | <u>100.00%</u> | <u>\$134,035,300</u>                    | <u>100.00%</u> |
| Tax Rate per \$1,000 of<br>Assessed Valuation     | \$31.60                                  |                | \$31.50                                 |                |

**Note 6 - Risk Management**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2022, Ohio School Plan provided the School District's insurance.

**Marion Local School District**  
**Mercer County**  
*Notes to the Basic Financial Statements*  
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**Note 6 - Risk Management** (continued)

Coverage provided includes:

|                                  |              |
|----------------------------------|--------------|
| Building and Business Personal   |              |
| Property Coverage                | \$39,642,885 |
| Automobile Liability             | 5,000,000    |
| Uninsured/Underinsured Motorists | 1,000,000    |
| General Liability:               |              |
| Each Occurrence                  | 5,000,000    |
| General Aggregate Limit          | 7,000,000    |
| Violence Coverage                | 1,000,000    |
| Pollution                        | 2,000,000    |
| 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 12). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. Sedgwick provides administrative, cost control and actuarial services to the GRP.

**C. Health Care Benefits**

For fiscal year 2022, the School District participated in the Southwestern Ohio Educational Purchasing Council, an insurance purchasing pool (Note 12). 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 7 - 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.

**Marion Local School District**  
**Mercer County**  
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**Note 7 - Defined Benefit Pension Plans** (continued)

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.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

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

**Marion Local School District**  
**Mercer County**  
*Notes to the Basic Financial Statements*  
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**Note 7 - Defined Benefit Pension Plans** (continued)

***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, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 0.5 percent COLA for calendar year 2021.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2022, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$153,868 for fiscal year 2022.

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**Note 7 - Defined Benefit Pension Plans** (continued)

***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 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](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent 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 percent 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. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent 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 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate is deposited into the member’s DC account and the remaining 2 percent 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 Combined 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.

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**Note 7 - Defined Benefit Pension Plans** (continued)

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. 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 State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2022 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$615,462 fiscal year 2022.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2021, 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:

|  | SERS        | STRS         | Total       |
|--|-------------|--------------|-------------|
| Proportion of the Net Pension Liability          |             |              |             |
| Prior Measurement Date                           | 0.0302938%  | 0.034020140% |             |
| Current Measurement Date                         | 0.0310609%  | 0.034818777% |             |
| Change in Proportionate Share                    | 0.0007671%  | 0.000798637% |             |
| Proportionate Share of the Net Pension Liability | \$1,146,057 | \$4,451,894  | \$5,597,951 |

***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.

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**Note 7 - Defined Benefit Pension Plans** (continued)

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2021, compared with June 30, 2020, are presented below:

|  | June 30, 2021  | June 30, 2020  |
|--|--|--|
| Inflation  | 2.4 percent  | 3.00 percent   |
| Future Salary Increases, including inflation COLA or Ad Hoc COLA | 3.25 percent to 13.58 percent<br>2.0 percent, on or after<br>April 1, 2018, COLAs for future<br>retirees will be delayed for three<br>years following commencement | 3.50 percent to 18.20 percent<br>2.5 percent                   |
| Investment Rate of Return  | 7.00 percent net of<br>System expenses   | 7.50 percent net of investment<br>expense, including inflation |
| Actuarial Cost Method  | Entry Age Normal<br>(Level Percent of Payroll)   | Entry Age Normal<br>(Level Percent of Payroll)                 |

Mortality rates for 2021 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.

Mortality rates for 2020 were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

**Marion Local School District**  
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**Note 7 - Defined Benefit Pension Plans** (continued)

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 by 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 an arithmetic 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.

| <u>Asset Class</u>          | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| Cash                        | 2.00 %                   | (0.33) %                                      |
| US Equity                   | 24.75                    | 5.72  |
| Non-US Equity Developed     | 13.50                    | 6.55  |
| Non-US Equity Emerging      | 6.75                     | 8.54  |
| Fixed Income/Global Bonds   | 19.00                    | 1.14  |
| Private Equity              | 11.00                    | 10.03   |
| Real Estate/Real Assets     | 16.00                    | 5.41  |
| Multi-Asset Strategy        | 4.00                     | 3.47  |
| Private Debt/Private Credit | 3.00                     | 5.28  |
| Total                       | <u>100.00 %</u>          |   |

**Discount Rate** The total pension liability for 2021 was calculated using the discount rate of 7.00 percent. The discount rate for 2020 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**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 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

|  | 1% Decrease<br>(6.0%) | Current<br>Discount Rate<br>(7.0%) | 1% Increase<br>(8.0%) |
|--|-----------------------|------------------------------------|-----------------------|
| School District's proportionate share of the net pension liability | \$1,906,758           | \$1,146,057                        | \$504,525             |



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**Note 7 - Defined Benefit Pension Plans** (continued)

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the June 30, 2021, actuarial valuation compared to those used in the June 30, 2020, actuarial valuation are presented below:

|                                   | June 30, 2021  | June 30, 2020  |
|-----------------------------------|--|--|
| Inflation                         | 2.50 percent   | 2.50 percent   |
| Projected salary increases        | 12.50 percent at age 20 to<br>2.50 percent at age 65             | 12.50 percent at age 20 to<br>2.50 percent at age 65             |
| Investment Rate of Return         | 7.00 percent, net of investment<br>expenses, including inflation | 7.45 percent, net of investment<br>expenses, including inflation |
| Discount Rate of Return           | 7.00 percent   | 7.45 percent   |
| Payroll Increases                 | 3.00 percent   | 3.00 percent   |
| Cost-of-Living Adjustments (COLA) | 0.0 percent  | 0.0 percent,   |

Post-retirement mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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:

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**Marion Local School District**  
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**Note 7 - Defined Benefit Pension Plans** (continued)

| Asset Class          | Target<br>Allocation | Long-Term Expected<br>Rate of Return * |
|----------------------|----------------------|--|
| Domestic Equity      | 28.00%               | 7.35%                                  |
| International Equity | 23.00                | 7.55                                   |
| Alternatives         | 17.00                | 7.09                                   |
| Fixed Income         | 21.00                | 3.00                                   |
| Real Estate          | 10.00                | 6.00                                   |
| Liquidity Reserves   | 1.00                 | 2.25                                   |
| Total                | <u>100.00%</u>       |  |

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2021, and was 7.45 percent as of June 30, 2020. 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 rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

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

|  | 1% Decrease<br>(6.0%) | Current<br>Discount Rate<br>(7.0%) | 1% Increase<br>(8.0%) |
|--|-----------------------|------------------------------------|-----------------------|
| School District's proportionate share of the net pension liability | \$8,336,731           | \$4,451,894                        | \$1,169,215           |

**Marion Local School District**  
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**Note 7 - Defined Benefit Pension Plans** (continued)

***Changes Between the Measurement Date and the Reporting date*** In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. These demographic measures include retirement, salary increase, disability/termination and mortality assumptions. In March 2022, the STRS Board approved benefit plan changes to take effect on July 1, 2022. These changes include a one-time three percent cost-of-living increase (COLA) to be paid to eligible benefit recipients and the elimination of the age 60 requirement for retirement age and service eligibility that was set to take effect in 2026. The effect on the net pension liability is unknown.

**Note 8 – 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 7 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. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. 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](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

**Marion Local School District**  
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**Note 8 – 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 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2022, no allocation was made to 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 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the School District’s surcharge obligation was \$19,164.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District’s contractually required contribution to SERS was \$19,164 for fiscal year 2022.

***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. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://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. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2022, 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, 2021, 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:

|  | <u>SERS</u>       | <u>STRS</u>         | <u>Total</u> |
|--|-------------------|---------------------|--------------|
| Proportion of the Net OPEB Liability (Asset) |                   |                     |              |
| Prior Measurement Date                       | 0.0313495%        | 0.034020140%        |              |
| Current Measurement Date                     | <u>0.0319496%</u> | <u>0.034818777%</u> |              |
| Change in Proportionate Share                | 0.0006001%        | 0.000798637%        |              |
| Proportionate Share of the Net OPEB          |                   |                     |              |
| Liability (Asset)                            | \$604,672         | (\$734,125)         | (\$129,453)  |

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**Note 8 – 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, 2021, compared with June 30, 2020, are presented below:

|  | June 30, 2021   | June 30, 2020   |
|--|---|---|
| Inflation  | 2.40 percent  | 3.00 percent  |
| Future Salary Increases, including inflation   |   |   |
| Wage Increases   | 3.25 percent to 13.58 percent                               | 3.50 percent to 18.20 percent                               |
| Investment Rate of Return  | 7.00 percent net of investment expense, including inflation | 7.50 percent net of investment expense, including inflation |
| Municipal Bond Index Rate:   |   |   |
| Measurement Date   | 1.92 percent  | 2.45 percent  |
| Prior Measurement Date   | 2.45 percent  | 3.13 percent  |
| Single Equivalent Interest Rate, net of plan investment expense, including price inflation |   |   |
| Measurement Date   | 2.27 percent  | 2.63 percent  |
| Prior Measurement Date   | 2.63 percent  | 3.22 percent  |
| Medical Trend Assumption   |   |   |
| Medicare   | 5.125 to 4.40 percent                                       | 5.25 to 4.75 percent  |
| Pre-Medicare   | 6.75 to 4.40 percent  | 7.00 to 4.75 percent  |

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**Note 8 – Defined Benefit OPEB Plans** (continued)

For 2021, mortality rates among healthy retirees 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 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. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

For 2020, mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2015 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

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

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**Note 8 – Defined Benefit OPEB Plans** (continued)

| Asset Class                 | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return |
|-----------------------------|----------------------|---|
| Cash                        | 2.00 %               | (0.33) %                                  |
| US Equity                   | 24.75                | 5.72                                      |
| Non-US Equity Developed     | 13.50                | 6.55                                      |
| Non-US Equity Emerging      | 6.75                 | 8.54                                      |
| Fixed Income/Global Bonds   | 19.00                | 1.14                                      |
| Private Equity              | 11.00                | 10.03                                     |
| Real Estate/Real Assets     | 16.00                | 5.41                                      |
| Multi-Asset Strategy        | 4.00                 | 3.47                                      |
| Private Debt/Private Credit | 3.00                 | 5.28                                      |
| Total                       | <u>100.00 %</u>      |   |

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92 percent at June 30, 2021 and 2.45 percent at June 30, 2020.

**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 of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27%) and higher (3.27%) than the current discount rate (2.27%). 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 3.4%) and higher (7.75% decreasing to 5.4%) than the current rate.

|   | Current                                    |  |  |
|---|--|--|--|
|   | 1% Decrease<br>(1.27%)                     | Discount Rate<br>(2.27%)                     | 1% Increase<br>(3.27%)                     |
| School District's proportionate share of the net OPEB liability | \$749,262                                  | \$604,672                                    | \$489,164                                  |
|   | Current                                    |  |  |
|   | 1% Decrease<br>5.75% decreasing<br>to 3.4% | Discount Rate<br>6.75% decreasing<br>to 4.4% | 1% Increase<br>7.75% decreasing<br>to 5.4% |
| School District's proportionate share of the net OPEB liability | \$465,548                                  | \$604,672                                    | \$790,500                                  |

**Marion Local School District**  
**Mercer County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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**Note 8 – Defined Benefit OPEB Plans** (continued)

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the June 30, 2021, actuarial valuation and the June 30, 2020 actuarial valuation are presented below:

|                            | June 30, 2021  | June 30, 2020  |
|----------------------------|--|--|
| Projected salary increases | 12.50 percent at age 20 to<br>2.50 percent at age 65             | 12.50 percent at age 20 to<br>2.50 percent at age 65             |
| Investment Rate of Return  | 7.00 percent, net of investment<br>expenses, including inflation | 7.45 percent, net of investment<br>expenses, including inflation |
| Payroll Increases          | 3 percent  | 3 percent  |
| Discount Rate of Return    | 7.00 percent   | 7.45 percent   |
| Health Care Cost Trends    |  |  |
| Medical                    |  |  |
| Pre-Medicare               | 5.00 percent initial, 4 percent ultimate                         | 5.00 percent initial, 4 percent ultimate                         |
| Medicare                   | -16.18 percent initial, 4 percent ultimate                       | -6.69 percent initial, 4 percent ultimate                        |
| Prescription Drug          |  |  |
| Pre-Medicare               | 6.50 percent initial, 4 percent ultimate                         | 6.50 percent initial, 4 percent ultimate                         |
| Medicare                   | 29.98 initial, 4 percent ultimate                                | 11.87 initial, 4 percent ultimate                                |

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

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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:



**Marion Local School District**  
**Mercer County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

**Note 8 – Defined Benefit OPEB Plans** (continued)

| <u>Asset Class</u>   | <u>Target Allocation</u> | <u>Long-Term Expected Rate of Return *</u> |
|----------------------|--------------------------|--|
| Domestic Equity      | 28.00%                   | 7.35%                                      |
| International Equity | 23.00                    | 7.55                                       |
| Alternatives         | 17.00                    | 7.09                                       |
| Fixed Income         | 21.00                    | 3.00                                       |
| Real Estate          | 10.00                    | 6.00                                       |
| Liquidity Reserves   | 1.00                     | 2.25                                       |
| Total                | <u>100.00%</u>           |  |

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, and is net of investment expenses. Over a 30-year period, STRS' 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 percent as of June 30, 2021, and was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was used to measure the total OPEB liability as of June 30, 2021.

**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, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

|   | <u>1% Decrease<br/>(6.0%)</u>        | <u>Current<br/>Discount Rate<br/>(7.0%)</u> | <u>1% Increase<br/>(8.0%)</u>        |
|---|--------------------------------------|---|--------------------------------------|
| School District's proportionate share of the net OPEB asset | (\$619,488)                          | (\$734,125)                                 | (\$829,887)                          |
|   | <u>1% Decrease<br/>In Trend Rate</u> | <u>Current<br/>Trend Rate</u>               | <u>1% Increase<br/>in Trend Rate</u> |
| School District's proportionate share of the net OPEB asset | (\$826,007)                          | (\$734,125)                                 | (\$620,505)                          |

**Marion Local School District**  
**Mercer County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

**Note 8 – Defined Benefit OPEB Plans** (continued)

**Changes Between the Measurement Date and the Reporting date** In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. The effect on the net OPEB liability is unknown.

**Note 9 – Debt**

The changes in the School District’s long-term obligations during fiscal year 2022 were as follows:

|                                 | Amount<br>Outstanding<br>6/30/2021 | Additions | Deletions   | Amount<br>Outstanding<br>6/30/2022 | Amount<br>Due in<br>One Year |
|---------------------------------|------------------------------------|-----------|-------------|------------------------------------|------------------------------|
| <b>Governmental Activities</b>  |                                    |           |             |                                    |                              |
| 2006 Refunding Bonds:           |                                    |           |             |                                    |                              |
| Serial and Term Bonds 4 - 4.13% | \$ 195,000                         | \$ -      | \$ (95,000) | \$ 100,000                         | \$ 100,000                   |

**2006 Refunding Bonds** – On August 29, 2006, the School District refinanced \$2,664,996 in prior bond issues; \$730,000 of the 2000 issue was refinanced and \$1,934,996 of the 1997 issue was refinanced. The bond refunding bonds includes serial, term, and capital appreciation bonds in the amount of \$1,695,000, \$620,000 and \$349,995, respectively. The bonds are being retired from the Bond Retirement debt service fund.

The term bonds maturing on or after December 1, 2022, 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, 2020 and each December 1 thereafter. Unless previously redeemed, the remaining principal amount of bonds (\$100,000) is to be paid at stated maturity on December 1, 2022.

The School District's overall legal debt margin was \$12,069,306 the un-voted debt margin was \$134,035 and the energy conservation debt margin was \$1,206,318 at June 30, 2022.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2022, are as follows:

| Fiscal Year<br>Ending June 30, | General Obligation Bonds |          |           |
|--------------------------------|--------------------------|----------|-----------|
| 2023                           | Principal                | Interest | Total     |
|                                | \$100,000                | \$2,063  | \$102,063 |

**Note 10 – Fund Balance**

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

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

**Marion Local School District**  
**Mercer County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

**Note 10 – Fund Balance** (continued)

| Fund Balance             | General      | Permanent<br>Improvement | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------|--------------|--------------------------|--------------------------------|--------------------------------|
| Restricted:              |              |                          |                                |                                |
| Classroom Maintenance    | \$ -         | \$ -                     | \$ 499,100                     | \$ 499,100                     |
| Athletics                | -            | -                        | 134,274                        | 134,274                        |
| Grants                   | -            | -                        | 43,404                         | 43,404                         |
| Food Service             | -            | -                        | 489,026                        | 489,026                        |
| Debt Service             | -            | -                        | 106,129                        | 106,129                        |
| Capital Improvements     | -            | 1,230,324                | -                              | 1,230,324                      |
| Student Activities       | -            | -                        | 141,440                        | 141,440                        |
| Total Restricted         | -            | 1,230,324                | 1,413,373                      | 2,643,697                      |
| Committed to:            |              |                          |                                |                                |
| Capital Improvements     | -            | -                        | 871,606                        | 871,606                        |
| Underground Storage Tank | 3,143        | -                        | -                              | 3,143                          |
| Termination Benefits     | 106,874      | -                        | -                              | 106,874                        |
| Total Committed          | 110,017      | -                        | 871,606                        | 981,623                        |
| Assigned for:            |              |                          |                                |                                |
| Unpaid Obligations       | 267,136      | -                        | -                              | 267,136                        |
| FY 23 Appropriations     | 40,893       | -                        | -                              | 40,893                         |
| Public School Support    | 66,879       | -                        | -                              | 66,879                         |
| Uniform School Supplies  | 25,901       | -                        | -                              | 25,901                         |
| Total Assigned           | 400,809      | -                        | -                              | 400,809                        |
| Unassigned               | 6,739,052    | -                        | -                              | 6,739,052                      |
| Total Fund Balance       | \$ 7,249,878 | \$ 1,230,324             | \$ 2,284,979                   | \$ 10,765,181                  |

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**Marion Local School District**  
**Mercer County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

**Note 11 – 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 2022.

|  | Capital<br>Improvements |
|--|-------------------------|
| Set-aside Reserve Balance as of June 30, 2021                | \$0                     |
| Current Year Set-aside Requirement                           | 151,318                 |
| Offsets  |                         |
| Proceeds from tax levy for maintenance of capital facilities | (73,699)                |
| Tax levy for permanent improvements                          | (77,619)                |
| Total  | \$0                     |
| Balance Carried Forward to Fiscal Year 2023                  | \$0                     |
| Set-aside Reserve Balance as of June 30, 2022                | \$0                     |

**Note 12 - 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 2022, the School District contributed \$33,418 to NOACSC. Financial information can be obtained by contacting Ben Thaxton, who serves as 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, 2022*

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**Note 12 - 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 Becky Rees, 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. 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, 2022*

**Note 12 - 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 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 43606-2083.

**Note 13 - Interfund Balances**

During fiscal year 2022, 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 2022.

**Note 14 – Contractual Commitments**

As of June 30, 2022, the School District had the following outstanding contractual commitments:

| Vendor                       | Purchase<br>Order Amount | Disbursed | Remaining<br>Amount |
|------------------------------|--------------------------|-----------|---------------------|
| Wenger Corporation           | \$ 17,800                | \$ -      | \$ 17,800           |
| Cardinal Bus Sales & Service | 323,025                  | -         | 323,025             |

**Note 15 – Compliance**

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

**Note 16 – 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, 2022.

**Marion Local School District**  
**Mercer County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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**Note 16 – Contingent Liabilities** (continued)

***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 (ODE) 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, ODE has finalized the impact of enrollment adjustments to the June 20, 2022 Foundation funding for the School District. The adjustments were not significant to the School District.

***D. COVID-19 Pandemic***

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During fiscal year 2022, the School District received COVID-19 funding. The financial impact of COVID-19 and the continuing recovery measures may impact subsequent periods of the School District. The impact on the School District's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

**Note 17 – Tax Abatements**

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures, the County 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 petitions 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, 2022*

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**Note 17 – 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).

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, 2021, was \$61,952.

**Note 18 - Change in Accounting Principles**

For fiscal year 2022, the School District implemented GASB Statement No. 87, *Leases and GASB Implementation Guide*. The implementation of these statements had no effect on School District's fund balance/net position.

The School District also implemented GASB Statement No. 93, *Replacement of Interbank Offered Rates*, GASB Statement No. 89, *Accounting for Interest Costs before the End of a Construction Period*, GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, GASB Implementation Guide No. 2020-1, *Implementation Guidance Update – 2020*. The implementation of these statements had no effect on School District's fund balance/net position.

**Note 19 – Subsequent Event**

On November 7, 2023, voters approved the construction of a \$23.3 million school building to be repaid from a 0.5% income tax levy as well as to issue bonds in an amount not to exceed \$12,315,000 and be repaid over a maximum of 30 years by a 5.3 mill property tax levy.



# OHIO AUDITOR OF STATE KEITH FABER



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## 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, 2022, 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 January 4, 2024, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing recovery measures may impact subsequent periods of the School District.

### ***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 2022-001 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 matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2022-002.

***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

January 4, 2024

MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2022

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

FINDING NUMBER 2022-001

**Material Weakness – Financial Reporting**

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.

The following errors were noted on the basic financial statements:

- Permanent Improvement Fund capital outlay expenditures and transfers-in were both overstated by \$156,408. This also resulted in Other Governmental Funds capital outlay expenditures being understated by \$156,408 and transfers-out being overstated by the same amount.
- Governmental Activities and Permanent Improvement Fund miscellaneous revenue and capital outlay expenditures were both understated by \$240,788.

The misstatements noted above have been corrected on the accompanying basic financial statements. The School District also had immaterial errors ranging from \$491 to \$6,938 that did not require adjustment on the financial statements.

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.

To improve financial reporting, the School District should establish and implement procedures to provide for accurate and complete recording of financial activity in the accounting records and financial statements to assist in the effective management and reporting of financial resources.

**Officials' Response**

We did not receive a response from Officials to this finding.

FINDING NUMBER 2022-002

**Noncompliance - Annual Financial Reporting**

**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)**, which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

**FINDING NUMBER 2022-002**  
**(Continued)**

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 and subject to various other administrative remedies 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**

We did not receive a response from Officials to this finding.

# Marion Local Schools

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

**MICHAEL L. POHLMAN**

**AMY REINEKE**

**Superintendent**

**Treasurer**

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**JUNE 30, 2022**

| <b>Finding Number</b> | <b>Finding Summary</b>  | <b>Status</b> | <b>Additional Information</b> |
|-----------------------|---|---------------|-------------------------------|
| 2021-001              | ORC 117.38 – Filing of Annual Financial Report on GAAP Basis; First reported in 2003-001. | Not corrected | Repeated as Finding 2022-002. |

**Wisdom \* Integrity \* Service**

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**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

7956 St. Rt. 119, Maria Stein, OH 45860

**Phone: 925-4597 Fax: 925-5111 Phone: 925-4595 Fax: 925-0212**

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# 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 1/23/2024**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)