

**McDONALD LOCAL
SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

AUDIT REPORT

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

Zupka & Associates
Certified Public Accountants



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

Board of Education
McDonald Local School District
600 Iowa Ave
McDonald, OH 44437

We have reviewed the *Independent Auditor's Report* of the McDonald Local School District, Trumbull County, prepared by Zupka & Associates, for the audit period July 1, 2024 through June 30, 2025 . Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The McDonald Local School District is responsible for compliance with these laws and regulations.

KEITH FABER
Ohio Auditor of State

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

April 08, 2026

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**McDONALD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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INDEPENDENT AUDITOR'S REPORT

McDonald Local School District
Trumbull County
600 Iowa Avenue
McDonald, Ohio 44437

To the Members of the Board of Education:

Report on the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter

As discussed in Note 20 to the basic financial statements, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension and Postemployment Benefit Liabilities and Pension and Postemployment Benefit Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Zupka & Associates
Certified Public Accountants

December 9, 2025

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McDonald Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
Unaudited

As management of the McDonald Local School District (the School District), we offer readers of the School District's financial statements this narrative and analysis of the financial activities of the School District for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- Net position increased in fiscal year 2025 primarily due to capital asset additions and changes in the net pension/OPEB asset/liabilities and their associated deferred inflows/outflows.
- Capital asset additions included ongoing roof replacement construction at the elementary school, as well as the completion of restrooms and a concession stand at the athletic complex. The School District also completed the high school roof replacement. Another capital asset addition this year was a convection gas oven.
- The School District does not have any new debt in fiscal year 2025.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: (1) government-wide statements, (2) fund financial statements, and (3) notes to the basic financial statements.

Government-wide Financial Statements The government-wide financial statements are designed to provide the reader with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the School District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statement distinguishes functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from those that are primarily supported through user charges (*business-type activities*). The School District has no business-type activities. The governmental activities of the School District include instruction, support services, extracurricular activities, operation of non-instructional services, interest and operation of food services.

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Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like the State and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. These fund financial statements focus on the School District's most significant funds. The School District's major governmental fund are the general fund and the capital projects capital projects fund. All of the funds of the School District can be divided into one category: governmental.

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's Net Position for 2025 compared to 2024.

Table 1
Net Position
Governmental Activities

	2025	2024	Change
Assets			
Current and Other Assets	\$9,432,733	\$9,990,362	(\$557,629)
Net OPEB Asset	602,776	619,336	(16,560)
Capital Assets, Net	13,390,833	12,842,078	548,755
<i>Total Assets</i>	<u>23,426,342</u>	<u>23,451,776</u>	<u>(25,434)</u>
Deferred Outflows of Resources			
Pension	1,595,936	1,726,037	(130,101)
OPEB	249,574	288,554	(38,980)
<i>Total Deferred Outflows of Resources</i>	<u>\$1,845,510</u>	<u>\$2,014,591</u>	<u>(\$169,081)</u>

(continued)

McDonald Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
Unaudited

Table 1
Net Position (continued)
Governmental Activities

	2025	2024	Change
Liabilities			
Current Liabilities	\$1,367,489	\$1,273,119	(\$94,370)
Long-Term Liabilities			
Due Within One Year	305,627	50,112	(255,515)
Due in More Than One Year			
Net Pension Liability	7,366,951	8,174,668	807,717
Net OPEB Liability	253,400	402,291	148,891
Other Amounts	2,485,448	576,483	(1,908,965)
<i>Total Liabilities</i>	<u>11,778,915</u>	<u>10,476,673</u>	<u>(1,302,242)</u>
Deferred Inflows of Resources			
Property Taxes	2,150,553	2,138,280	(12,273)
Pension	1,126,104	921,065	(205,039)
OPEB	778,328	856,126	77,798
<i>Total Deferred Inflows of Resources</i>	<u>4,054,985</u>	<u>3,915,471</u>	<u>(139,514)</u>
Net Position			
Net Investment in Capital Assets	13,228,552	12,582,755	645,797
Restricted for:			
Capital Projects	249,652	652,613	(402,961)
OPEB Plans	602,776	619,336	(16,560)
Unclaimed Monies	1,899	3,231	(1,332)
Other Purposes	266,438	381,770	(115,332)
Unrestricted (Deficit)	(4,911,365)	(3,165,482)	(1,745,883)
<i>Total Net Position</i>	<u>\$9,437,952</u>	<u>\$11,074,223</u>	<u>(\$1,636,271)</u>

New Accounting Pronouncement/Restatements

Table 1 provides a summary of the School District's net position for fiscal year 2025 compared to 2024. For 2025, the School District implemented GASB Statement No. 101, *Compensated Absences*. GASB Statement No. 100, *Accounting Changes and Error Corrections*, does not require Management Discussion and Analysis information for years prior to periods presented in the basic financial statements to be restated for changes in accounting principle.

The implementation of GASB 101 resulted in recognizing additional compensated absences liabilities of \$1,952,274 in governmental activities at July 1, 2024. These amounts also impacted beginning net position for the cumulative effect of additional compensated absences expense (See Note 20).

McDonald Local School District
Management's Discussion and Analysis
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Unaudited

Governmental Activities

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2025. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Each year, the above referenced changes impact the balance of the net pension/OPEB asset/liability and the related deferred inflows and outflows.

- During fiscal year 2025, the net pension liability and the net OPEB asset/liability decreased for both STRS and SERS. These changes primarily resulted from increased investment earnings.
- The decrease in deferred outflows for pension primarily results from the difference between expected and actual experience amounts recognized in 2025 for STRS, offset by the amortization recognized in the current year for both STRS and SERS.
- The increase in deferred inflows for pension resulted from the difference between projected and actual earnings on investments recognized in the current year offset by the amortization recognized in the current year.
- For STRS, the net difference between projected and actual earnings on investments for OPEB changed from a net deferred outflow to a net deferred inflow as a result of prior year amortization offset by the deferred inflow amount recognized in 2025.
- The decrease in the remaining deferred outflows for OPEB resulted primarily from the amortization of prior year SERS amounts.
- The decrease in deferred inflows for OPEB resulted from the amortization recognized in the current year exceeding the difference between expected and actual experience amounts, change of assumptions amounts, and the difference between projected and actual earnings on investments amounts, recognized in fiscal year 2025.

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As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the School District, total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$9,437,952 in fiscal year 2025 and \$11,074,223 in fiscal year 2024.

A large portion of the School District's net position reflects "Net Investment in Capital Assets" (i.e. land, construction in progress, buildings, improvements, furniture, fixtures, equipment and vehicles) less any related debt to acquire those assets that are still outstanding. The School District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Total current and other assets decreased primarily from a decrease in cash and cash equivalents due to expenses outpacing revenues. The increase in capital assets was due to current year additions outpacing depreciation/amortization for the School District. Long-term liabilities decreased due to changes in the net pension/OPEB liabilities. The decrease in net pension liability is attributable to changes into the pension system valuations. Net position increased due to increased property tax revenues and increased receipt of grants and entitlements.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2025 and 2024.

Table 2
Change in Net Position
Governmental Activities

	2025	2024	Change
Program Revenues			
Charges for Services and Sales	\$443,654	\$450,458	(\$6,804)
Operating Grants and Contributions	1,091,603	1,167,639	(76,036)
Capital Grants	8,413	9,824	(1,411)
<i>Total Program Revenues</i>	<u>1,543,670</u>	<u>1,627,921</u>	<u>(84,251)</u>
General Revenues			
Property Taxes	2,067,116	1,962,560	104,556
Grants and Entitlements	7,807,434	7,465,146	342,288
Investment Earnings/Interest	325,532	358,066	(32,534)
Unrestricted Contributions	0	7,131	(7,131)
Miscellaneous	69,935	4,272	65,663
<i>Total General Revenues</i>	<u>10,270,017</u>	<u>9,797,175</u>	<u>472,842</u>
<i>Total Revenues</i>	<u>\$11,813,687</u>	<u>\$11,425,096</u>	<u>\$388,591</u>

(continued)

McDonald Local School District
Management's Discussion and Analysis
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Table 2
Change in Net Position (continued)
Governmental Activities

	2025	2024	Change
Program Expenses			
Instruction:			
Regular	\$5,336,492	\$5,101,411	(\$235,081)
Special	1,223,871	1,187,284	(36,587)
Vocational	7	9	2
Student Intervention Services	33,055	0	(33,055)
Support Services			
Pupils	496,899	463,497	(33,402)
Instructional Staff	146,997	69,857	(77,140)
Board of Education	55,214	37,332	(17,882)
Administration	1,032,956	897,076	(135,880)
Fiscal	275,758	249,464	(26,294)
Operation and Maintenance of Plant	1,344,548	1,199,485	(145,063)
Pupil Transportation	279,129	263,908	(15,221)
Central	175,391	160,566	(14,825)
Operation of Non-Instructional Services	12,860	12,882	22
Operation of Food Service	273,021	202,115	(70,906)
Extracurricular Activities	810,797	796,448	(14,349)
Interest	689	1,012	323
<i>Total Program Expenses</i>	<u>11,497,684</u>	<u>10,642,346</u>	<u>(855,338)</u>
<i>Change in Net Position</i>	316,003	782,750	(466,747)
<i>Net Position Beginning of Year as Previously Stated</i>	<u>11,074,223</u>	<u>10,291,473</u>	<u>782,750</u>
Change in Accounting Principles - See Note 20	<u>(1,952,274)</u>	<u>0</u>	<u>(1,952,274)</u>
<i>Restated Net Position Beginning of Year</i>	<u>9,121,949</u>	<u>10,291,473</u>	<u>(1,169,524)</u>
Net Position End of Year	<u><u>\$9,437,952</u></u>	<u><u>\$11,074,223</u></u>	<u><u>(\$1,636,271)</u></u>

McDonald Local School District
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Unaudited

New Accounting Pronouncement/Restatements

Table 2 provides a summary of the School District's change in net position for fiscal year 2025 compared to 2024. The above table also separately reflects the restatement for changes in accounting principles related to the implementation of GASB Statement No. 101, *Compensated Absences*. GASB Statement No. 100, *Accounting Changes and Error Corrections* does not require Management Discussion and Analysis information for years prior to periods presented in the basic financial statements to be restated for changes in accounting principle. The 2024 information does not reflect activity related to the additional compensated absences expenses required under GASB 101, *Compensated Absences*. (See also explanation of new accounting pronouncements provided related to Net Position - Table 1 and explanation provided in Note 20.)

Analysis of overall financial position and results of operations

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00 and the School District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid.

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service.

Revenue is divided into two major components: program revenues and general revenues. Program revenues are defined as fees, restricted grants and charges for services that are program specific. General revenues include taxes and unrestricted grants such as State foundation support.

Program revenues decreased for governmental activities in fiscal year 2025 due to a decrease in operating grants from the receipt of less grant monies. General revenues increased due to an increase property tax collections and grants and entitlements due primarily to changes in the State foundation monies.

Program expenses increased due to an increase in compensated absences from changes to salaries and benefits.

In the following table, the total cost of services column contains all costs related to the programs and the net cost of services column shows how much of the total amount is not covered by program revenues. The net costs are program costs that must be covered by unrestricted State aid (State Foundation) or local taxes.

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Table 3
Total and Net Cost of Program Services
Governmental Activities

	2025		2024	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$5,336,492	\$5,208,039	\$5,101,411	\$4,971,755
Special	1,223,871	417,956	1,187,284	410,735
Vocational	7	(3,398)	9	(1,607)
Student Intervention Services	33,055	32,271	0	0
Support Services:				
Pupils	496,899	463,021	463,497	424,620
Instructional Staff	146,997	146,997	69,857	69,857
Board of Education	55,214	55,183	37,332	37,332
Administration	1,032,956	978,194	897,076	846,435
Fiscal	275,758	275,758	249,464	249,464
Operation and Maintenance of Plant	1,344,548	1,303,485	1,199,485	1,093,102
Pupil Transportation	279,129	279,129	263,908	263,908
Central	175,391	134,723	160,566	132,920
Operation of Non-Instructional Services	12,860	961	12,882	(3,650)
Operation of Food Service	273,021	78,548	202,115	(14,605)
Extracurricular Activities	810,797	582,458	796,448	533,147
Interest	689	689	1,012	1,012
Total	<u>\$11,497,684</u>	<u>\$9,954,014</u>	<u>\$10,642,346</u>	<u>\$9,014,425</u>

The School District's dependence upon general revenues for governmental activities is apparent from Table 3. The majority of expenses are supported through taxes and other general revenues.

Financial Analysis of the Government's Funds

Governmental Funds Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. The general fund revenues increased from the prior year due to increases in property taxes and intergovernmental revenue. This increase was offset by a transfer made to support capital improvements throughout the School District, resulting in a decrease in fund balance. The capital projects capital project fund increased due to the transfer in.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the main operating fund of the School District, the general fund. During the course of fiscal year 2025, the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

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For the general fund, the final budget basis revenue estimate was more than the original budget estimate. The change was mainly attributed to an increase intergovernmental and interest revenue as a better picture of actual receipts became apparent.

The final budget appropriations were lower than the original budget appropriations for the general fund. This change was attributed to decreases in estimates for regular, special and vocational instructional activities as well as decreased estimates in pupils, administration and extracurricular activities as a more accurate picture of the fiscal year was realized.

Capital Assets and Debt

Capital Assets

For fiscal year 2025, the increase in capital assets was due to current year additions exceeding depreciation/amortization. Capital asset additions included ongoing construction, the completed high school roof, athletic complex restrooms and concession stand and convection gas oven. For more information about the School District's capital assets, see Note 8 within the notes to the basic financial statements.

Debt

In prior fiscal years, the School District entered into a financed purchase agreement specific to the School District wide copiers. See Note 10 to the basic financial statements for additional information on the School District's long-term obligations.

School District Outlook

The School District is committed to the pursuit of academic excellence, to inspire productive citizenship, and to empower lifelong learning for every student. With this comes the need to remain financially responsible; however, the financial future of the School District is not without challenges. The School District faces uncertainty related to potential expenditure increases in healthcare costs, constant required maintenance of the bus fleet, as well as uncertainty in the long-term future of State funding. The majority of the operating revenue that is received by the School District is from State funding. The State operating budget for fiscal years 2026 and 2027 continues to utilize the fair school funding plan from the previous school year. However, in light of ongoing adjustments and changes within the State legislature, the District is proceeding with conservative revenue projections.

The School District remains dedicated to fiscal responsibility and is committed to maintaining focus on education while providing value and accountability for tax dollars spent. The Board of Education and Administration closely monitor revenue and expenditures in accordance with the financial forecast and work diligently to ensure tax dollars are being used efficiently and effectively. But above all, the Board of Education and Administration continue to carefully plan in order to provide the resources and education required to meet student needs.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Amanda Latell, Treasurer, at McDonald Local School District, 600 Iowa Avenue, McDonald, Ohio 44437-1699.

McDonald Local School District*Statement of Net Position**June 30, 2025*

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$7,046,812
Accounts Receivable	13,164
Intergovernmental Receivable	57,814
Prepaid Items	6,609
Inventory Held for Resale	3,878
Materials and Supplies Inventory	1,744
Property Taxes Receivable	2,302,712
Net OPEB Asset (See Note 15)	602,776
Non-Depreciable Capital Assets	752,592
Depreciable Capital Assets, Net	12,638,241
<i>Total Assets</i>	<u>23,426,342</u>
Deferred Outflows of Resources	
Pension	1,595,936
OPEB	249,574
<i>Total Deferred Outflows of Resources</i>	<u>1,845,510</u>
Liabilities	
Accounts Payable	125,093
Contracts Payable	145,250
Accrued Wages and Benefits	869,990
Intergovernmental Payable	200,327
Matured Compensated Absences Payable	26,829
Long-Term Liabilities:	
Due Within One Year	305,627
Due In More Than One Year:	
Net Pension Liability (See Note 14)	7,366,951
Net OPEB Liability (See Note 15)	253,400
Other Amounts	2,485,448
<i>Total Liabilities</i>	<u>11,778,915</u>
Deferred Inflows of Resources	
Property Taxes	2,150,553
Pension	1,126,104
OPEB	778,328
<i>Total Deferred Outflows of Resources</i>	<u>4,054,985</u>
Net Position	
Net Investment in Capital Assets	13,228,552
Restricted for:	
Capital Projects	249,652
OPEB Plans	602,776
Unclaimed Monies	1,899
Other Purposes	266,438
Unrestricted (Deficit)	(4,911,365)
<i>Total Net Position</i>	<u>\$9,437,952</u>

See accompanying notes to the basic financial statements

McDonald Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$5,336,492	\$127,414	\$1,039	\$0	(\$5,208,039)
Special	1,223,871	23,880	782,035	0	(417,956)
Vocational	7	2,328	1,077	0	3,398
Student Intervention Services	33,055	784	0	0	(32,271)
Support Services:					
Pupils	496,899	369	33,509	0	(463,021)
Instructional Staff	146,997	0	0	0	(146,997)
Board of Education	55,214	0	31	0	(55,183)
Administration	1,032,956	45,551	9,211	0	(978,194)
Fiscal	275,758	0	0	0	(275,758)
Operation and Maintenance of Plant	1,344,548	32,650	0	8,413	(1,303,485)
Pupil Transportation	279,129	0	0	0	(279,129)
Central	175,391	0	40,668	0	(134,723)
Operation of Non-Instructional Services	12,860	0	11,899	0	(961)
Operation of Food Service	273,021	35,077	159,396	0	(78,548)
Extracurricular Activities	810,797	175,601	52,738	0	(582,458)
Interest	689	0	0	0	(689)
Totals	\$11,497,684	\$443,654	\$1,091,603	\$8,413	(9,954,014)
General Revenues					
Property Taxes Levied for:					
General Purposes					1,849,095
Capital Outlay					218,021
Grants and Entitlements not Restricted to Specific Programs					7,807,434
Investment Earnings/Interest					325,532
Miscellaneous					69,935
Total General Revenues					10,270,017
Change in Net Position					316,003
<i>Net Position Beginning of Year as Previously Stated</i>					11,074,223
Change in Accounting Principle - See Note 20					(1,952,274)
<i>Restated Net Position Beginning of Year</i>					9,121,949
<i>Net Position End of Year</i>					\$9,437,952

See accompanying notes to the basic financial statements

McDonald Local School District

Balance Sheet

Governmental Funds

June 30, 2025

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,117,971	\$1,985,000	\$941,942	\$7,044,913
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	1,899	0	0	1,899
Accounts Receivable	1,664	0	11,500	13,164
Intergovernmental Receivable	57,814	0	0	57,814
Inventory Held for Resale	0	0	3,878	3,878
Materials and Supplies Inventory	0	0	1,744	1,744
Property Taxes Receivable	2,062,488	0	240,224	2,302,712
Prepaid Items	6,609	0	0	6,609
<i>Total Assets</i>	<u>\$6,248,445</u>	<u>\$1,985,000</u>	<u>\$1,199,288</u>	<u>\$9,432,733</u>
Liabilities				
Accounts Payable	\$50,592	\$0	\$74,501	\$125,093
Contracts Payable	0	145,250	0	145,250
Accrued Wages and Benefits	856,095	0	13,895	869,990
Matured Compensated Absences Payable	26,829	0	0	26,829
Intergovernmental Payable	196,959	0	3,368	200,327
<i>Total Liabilities</i>	<u>1,130,475</u>	<u>145,250</u>	<u>91,764</u>	<u>1,367,489</u>
Deferred Inflows of Resources				
Property Taxes	1,926,556	0	223,997	2,150,553
Unavailable Revenue	131,482	0	15,418	146,900
<i>Total Deferred Inflows of Resources</i>	<u>2,058,038</u>	<u>0</u>	<u>239,415</u>	<u>2,297,453</u>
Fund Balances				
Nonspendable	8,508	0	1,744	10,252
Restricted	0	0	521,822	521,822
Committed	200,000	1,839,750	344,543	2,384,293
Assigned	49,089	0	0	49,089
Unassigned	2,802,335	0	0	2,802,335
<i>Total Fund Balances</i>	<u>3,059,932</u>	<u>1,839,750</u>	<u>868,109</u>	<u>5,767,791</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$6,248,445</u>	<u>\$1,985,000</u>	<u>\$1,199,288</u>	<u>\$9,432,733</u>

See accompanying notes to the basic financial statements

McDonald Local School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2025

Total Governmental Fund Balances	\$5,767,791
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*Amounts reported for governmental activities in the statement of
net position are different because*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 13,390,833

Other long-term assets are not available to pay for current-period expenditures
and therefore are reported as unavailable revenue in the funds.

Delinquent Property Taxes	144,572	
Tuition and Fees	<u>2,328</u>	
Total		146,900

The net pension liability and net OPEB asset/liability is not due and payable in
the current period; therefore, the asset/liability and related deferred
inflows/outflows are not reported in governmental funds.

Net OPEB Asset	602,776	
Deferred Outflows - Pension	1,595,936	
Deferred Outflows - OPEB	249,574	
Net Pension Liability	(7,366,951)	
Net OPEB Liability	(253,400)	
Deferred Inflows - Pension	(1,126,104)	
Deferred Inflows - OPEB	<u>(778,328)</u>	
Total		(7,076,497)

Long-term liabilities are not due and payable in the current period
and therefore are not reported in the funds.

Financed Purchases	(17,031)	
Compensated Absences	<u>(2,774,044)</u>	
Total		<u>(2,791,075)</u>

<i>Net Position of Governmental Activities</i>	<u><u>\$9,437,952</u></u>
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See accompanying notes to the basic financial statements

McDonald Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2025

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$1,891,296	\$0	\$225,146	\$2,116,442
Intergovernmental	8,338,347	0	493,024	8,831,371
Investment Earnings/Interest	325,532	0	0	325,532
Tuition and Fees	147,477	0	0	147,477
Extracurricular Activities	53,651	0	170,451	224,102
Contributions and Donations	3,099	0	79,628	82,727
Charges for Services	2,020	0	35,077	37,097
Rentals	32,650	0	0	32,650
Miscellaneous	67,692	0	2,243	69,935
<i>Total Revenues</i>	<u>10,861,764</u>	<u>0</u>	<u>1,005,569</u>	<u>11,867,333</u>
Expenditures				
Current:				
Instruction:				
Regular	5,209,354	0	20,948	5,230,302
Special	1,007,105	0	264,959	1,272,064
Vocational	7	0	0	7
Student Intervention Services	33,055	0	0	33,055
Support Services:				
Pupils	448,796	0	56,428	505,224
Instructional Staff	156,350	0	0	156,350
Board of Education	55,154	0	60	55,214
Administration	971,996	0	0	971,996
Fiscal	294,532	0	3,657	298,189
Operation and Maintenance of Plant	1,080,114	145,250	484,601	1,709,965
Pupil Transportation	294,809	0	0	294,809
Central	155,205	0	21,720	176,925
Operation of Non-Instructional Services	0	0	12,860	12,860
Operation of Food Service	0	0	281,129	281,129
Extracurricular Activities	314,379	0	273,810	588,189
Capital Outlay	0	0	880,056	880,056
Debt Service:				
Principal Retirement	10,936	0	0	10,936
Interest	689	0	0	689
<i>Total Expenditures</i>	<u>10,032,481</u>	<u>145,250</u>	<u>2,300,228</u>	<u>12,477,959</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>829,283</u>	<u>(145,250)</u>	<u>(1,294,659)</u>	<u>(610,626)</u>
Other Financing Sources (Uses)				
Transfers In	0	1,985,000	710,000	2,695,000
Transfers Out	(2,695,000)	0	0	(2,695,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,695,000)</u>	<u>1,985,000</u>	<u>710,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(1,865,717)</u>	<u>1,839,750</u>	<u>(584,659)</u>	<u>(610,626)</u>
<i>Fund Balances Beginning of Year</i>	<u>4,925,649</u>	<u>0</u>	<u>1,452,768</u>	<u>6,378,417</u>
<i>Fund Balances End of Year</i>	<u>\$3,059,932</u>	<u>\$1,839,750</u>	<u>\$868,109</u>	<u>\$5,767,791</u>

See accompanying notes to the basic financial statements

McDonald Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2025*

Net Change in Fund Balances - Total Governmental Funds	(\$610,626)
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Amounts reported for governmental activities in the statement of activities are different because

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

Capital Asset Additions	\$1,343,256	
Current Year Depreciation/Amortization	<u>(794,501)</u>	
Total		548,755

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

Delinquent Property Taxes	(49,326)	
Intergovernmental	(6,648)	
Tuition and Fees	<u>2,328</u>	
Total		(53,646)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.

Pension	801,552	
OPEB	<u>18,794</u>	
Total		820,346

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension expense in the statement of activities.

Pension	(328,975)	
OPEB	<u>152,355</u>	
Total		(176,620)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	10,936
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Some expenses reported in the statement of activities such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>(223,142)</u>
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<i>Change in Net Position of Governmental Activities</i>	<u><u>\$316,003</u></u>
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See accompanying notes to the basic financial statements

McDonald Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$1,936,517	\$1,887,329	\$1,887,329	\$0
Intergovernmental	8,204,164	8,325,501	8,325,501	0
Interest	230,000	330,879	330,879	0
Tuition and Fees	102,000	137,743	137,743	0
Charges for Services	2,020	2,020	2,020	0
Rentals	31,000	32,650	32,650	0
Miscellaneous	0	68,898	68,898	0
<i>Total Revenues</i>	<u>10,505,701</u>	<u>10,785,020</u>	<u>10,785,020</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular	5,144,343	3,760,911	5,130,687	(1,369,776)
Special	1,078,172	717,485	1,004,568	(287,083)
Vocational	9	5	7	(2)
Student Intervention Services	11,543	29,981	33,055	(3,074)
Support Services:				
Pupils	467,008	321,182	445,532	(124,350)
Instructional Staff	73,522	134,973	154,550	(19,577)
Board of Education	39,941	36,302	46,937	(10,635)
Administration	922,687	670,616	916,298	(245,682)
Fiscal	275,166	215,812	289,081	(73,269)
Operation and Maintenance of Plant	865,164	792,820	1,023,187	(230,367)
Pupil Transportation	289,482	216,097	293,178	(77,081)
Central	150,624	115,098	155,205	(40,107)
Extracurricular Activities	317,007	224,610	309,019	(84,409)
<i>Total Expenditures</i>	<u>9,634,668</u>	<u>7,235,892</u>	<u>9,801,304</u>	<u>(2,565,412)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	871,033	3,549,128	983,716	(2,565,412)
Other Financing Sources (Uses)				
Transfers Out	(446,332)	(2,896,332)	(2,896,332)	0
<i>Net Change in Fund Balance</i>	424,701	652,796	(1,912,616)	(2,565,412)
<i>Fund Balance Beginning of Year</i>	<u>5,752,602</u>	<u>5,752,602</u>	<u>5,752,602</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$6,177,303</u>	<u>\$6,405,398</u>	<u>\$3,839,986</u>	<u>(\$2,565,412)</u>

See accompanying notes to the basic financial statements

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 1 - Description of the School District and Reporting Entity

McDonald Local School District (the School District) is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio to provide educational services to students and other community members of the School District. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms.

The School District serves an area of approximately 3 square miles in Trumbull County, including the Village of McDonald and a portion of Weathersfield Township. The School District operates one elementary school and one comprehensive middle/high school. It is staffed by 60 certified members (including teachers, Title 1 teachers, and administration staff) and 27 classified members (including classified union members, para-professional aids, and administration staff) to provide services to 714 students and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. 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 the School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The School District has no component units.

The School District participates in two jointly governed organizations and one shared risk pool. The organizations are the Northeast Ohio Management Information Network, the Trumbull Career and Technical Center and the Trumbull County Schools Employee Insurance Benefit Consortium. These organizations are presented in Notes 11 and 12 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

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

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

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. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the 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.

Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. In reporting its financial activities, the School District uses governmental funds.

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

General Fund The general fund is the operating fund of the School District and is used to account and report for all financial resources except those required to be accounted for and reported 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.

Capital Projects Fund This fund accounts for and reports the accumulation of resources committed to the acquisition, construction, or improvement of capital assets under ORC 5705.13 (C).

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

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 14 and 15.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2025, but which were levied to finance fiscal year 2026 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental revenue. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 14 and 15)

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

Pensions/Other Postemployment Benefits (OPEB)

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

Budgetary Data

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds. The Treasurer has been given the authority to allocate board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original and final appropriations were passed by the Board of Education. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue matched actual revenue for the fiscal year.

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over 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.

Cash and Cash Equivalents

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

During fiscal year 2025, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The School District measures 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.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Investment earnings/interest revenue credited to the general fund during 2025 amounted to \$325,532 which includes \$135,212 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies and donated and purchased food held for resale.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2025, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the general fund includes unclaimed monies legally required to be maintained until the end of a five-year holding period.

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets (except for intangible right to use subscription assets, which are discussed subsequently) are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Governmental Activities Estimated Lives
<i>Tangible Assets</i>	
Land Improvements	20 years
Building and Improvements	20 - 50 years
Equipment and Furniture	5 - 20 years
Vehicles	8 years
<i>Intangible Assets</i>	
Intangible Right to Use - Software	2-5 years

Subscription Assets

The School District is reporting intangible right to use assets related to subscription assets. Subscription assets represent intangible right to use assets related to the use of another party's IT software. These intangible right to use assets are being amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying asset.

Compensated Absences

For the School District, compensated absences includes leave for which employees may receive cash payments when the leave is used for time off or receive cash payments for unused leave upon termination of employment. These payments could occur during employment or upon termination of employment. Compensated absences generally do not have a set payment schedule. The School District does not offer noncash settlements. The School District uses a first-in first-out flow assumption for compensated absences.

McDonald Local School District
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For the Fiscal Year Ended June 30, 2025

Liabilities should be recognized for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates and is allowed to be carried over to subsequent years, and the leave is more likely than not to be used for time off or otherwise paid in cash. For the School District, this leave includes sick, personal and vacation time. However, the School District also has certain compensated absences that are dependent upon the occurrence of a sporadic events that affects a relatively small proportion of employees. A liability for these types of leave is recognized when the leave commences. For the School District this type of leave includes bereavement leave, military leave, on-the-job injury leave, and court leave. Holiday leave taken on a specific date, not at the discretion of the employee is recognized as a liability when used. The liability for compensated absences includes salary-related payments, where applicable.

Liabilities for compensated absences are recognized in financial statements prepared using the economic resources measurement focus for leave that has not been used and leave that has been used but not yet paid or settled.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

Accrued Liabilities and Long-term Obligations

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

Fund Balance

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

Nonspendable The nonspendable fund balance category 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" criterion includes items that are not expected to be converted to cash. Nonspendable fund balance in the general fund includes unclaimed monies legally required to be maintained until the end of a five-year holding period offset by any estimated liability for payments to claimants.

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

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. The Board of Education also committed fund balance for termination benefits.

Assigned Amounts in the assigned fund balance 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. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by State statute. The Board of Education assigned fund balance for administrative purposes.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Of the restricted net position, none has resulted from enabling legislation. The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Restricted net position for unclaimed monies represents amounts required to be maintained until the end of a five-year holding period offset by any estimated liability for payments to claimants. Restricted net position for OPEB plans represent the corresponding restricted asset amounts held in trust by the OPEB plans for future benefits.

Estimates

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

Internal Activity

Transfers between governmental activities are eliminated on the government wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Note 3 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Budgetary revenues and expenditures of the public school support and termination benefits funds are classified to the general fund for GAAP reporting.
4. Unreported cash represents amounts received but not included as revenue on the budgetary statements, but which are reported on the operating statements prepared using GAAP.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund:

Net Change in Fund Balance	
GAAP Basis	(\$1,865,717)
Revenue Accruals	180,771
Beginning Unrecorded Cash	31,463
Ending Unrecorded Cash	(26,116)
Expenditure Accruals	(19,716)
Perspective Difference:	
Public School Support	(13,301)
Termination Benefits	(200,000)
Budget Basis	<u><u>(\$1,912,616)</u></u>

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 4 – Fund Balances

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 resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented in the following table:

Fund Balances	General	Capital Projects	Other Governmental Funds	Total
<i>Nonspendable</i>				
Prepays	\$6,609	\$0	\$0	\$6,609
Materials and Supplies Inventory	0	0	1,744	1,744
Unclaimed Monies	1,899	0	0	1,899
<i>Total Nonspendable</i>	8,508	0	1,744	10,252
<i>Restricted for</i>				
Food Service Operations	0	0	153,227	153,227
Scholarships	0	0	13,058	13,058
Student Activities and Wellness	0	0	44,019	44,019
Athletics	0	0	77,284	77,284
Capital Improvements	0	0	234,234	234,234
<i>Total Restricted</i>	0	0	521,822	521,822
<i>Committed to</i>				
Termination Benefits	200,000	0	0	200,000
Capital Projects	0	1,839,750	344,543	2,184,293
<i>Total Committed</i>	200,000	1,839,750	344,543	2,384,293
<i>Assigned to</i>				
Administrative	49,089	0	0	49,089
<i>Unassigned</i>	2,802,335	0	0	2,802,335
<i>Total Fund Balances</i>	\$3,059,932	\$1,839,750	\$868,109	\$5,767,791

Note 5 - Deposits and Investments

Monies held by the School District are classified into three categories: active deposits, inactive deposits and interim deposits.

Active deposits are public deposits necessary to meet current demands on 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.

McDonald Local School District
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For the Fiscal Year Ended June 30, 2025

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institution's participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, 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 obligation or security 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 daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Investments As of June 30, 2025, the School District had STAR Ohio as an investment. STAR Ohio is being held with an amount of \$3,797,432 which is measured at net asset value per share. The average maturity is 30.4 days.

Credit Risk STAR Ohio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized statistical rating organization. The School District has no investment policy that addresses credit risk beyond the requirements in State statutes.

Interest Rate Risk The School District has no investment policy that addresses interest rate risk beyond the requirements in State statutes.

Note 6 – Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District's 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 property and public utility property located in the School District. Real property tax revenues received in calendar year 2025 represents collections of calendar year 2024 taxes. Real property taxes received in calendar year 2025 were levied after April 1, 2024, on the assessed value listed as of January 1, 2024, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property 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 revenues received in calendar year 2025 represents collections of calendar year 2024 taxes. Public utility real and tangible personal property taxes received in calendar year 2024 become a lien December 31, 2023, were levied after April 1, 2024 and are collected in 2025 with real property taxes. Public utility real property is assessed at thirty-five 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 Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2025, are available to finance fiscal year 2025 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2025 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The amount available as an advance at June 30, 2025 was \$6,778 in the general fund and \$809 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2024 was \$2,811 in the general fund and \$370 in the permanent improvement capital projects fund.

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

The assessed values upon which the fiscal year 2025 taxes were collected are:

	2024 Second Half Collections		2025 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$76,815,770	96.19%	\$76,637,750	96.09%
Public Utility Personal	3,043,320	3.81	3,115,950	3.91
Total	<u>\$79,859,090</u>	<u>100.00%</u>	<u>\$79,753,700</u>	<u>100.00%</u>
Full Tax Rate per \$1,000 of assessed valuation	\$52.25		\$52.25	

Note 7 - Receivables

Receivables at June 30, 2025, consisted of taxes, accounts and intergovernmental receivables. All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of Federal funds. All receivables, except delinquent taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. At June 30, 2025, the general fund had intergovernmental receivables of \$57,814 which consisted of Trumbull County Educational Service Center True-up for \$45,646 and prior year State foundation adjustments of \$12,168.

Note 8 – Capital Assets

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

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025
<i>Nondepreciable Capital Assets</i>				
Land	\$607,342	\$0	\$0	\$607,342
Construction in Progress	<u>297,026</u>	<u>924,388</u>	<u>(1,076,164)</u>	<u>145,250</u>
<i>Total Nondepreciable Capital Assets</i>	<u>904,368</u>	<u>924,388</u>	<u>(1,076,164)</u>	<u>752,592</u>
<i>Depreciable Capital Assets</i>				
<i>Tangible Assets</i>				
Land Improvements	4,414,522	0	0	4,414,522
Buildings and Improvements	22,293,167	1,470,545	0	23,763,712
Equipment and Furniture	1,088,061	24,658	(10,283)	1,102,436
Vehicles	<u>399,054</u>	<u>0</u>	<u>0</u>	<u>399,054</u>
<i>Total Tangible Assets</i>	<u>28,194,804</u>	<u>1,495,203</u>	<u>(10,283)</u>	<u>\$29,679,724</u>
<i>Intangible Right to Use Subscription Assets</i>				
Intangible Right to Use - Software	<u>15,921</u>	<u>0</u>	<u>(2,785)</u>	<u>13,136</u>
<i>Total Depreciable Capital Assets</i>	<u>\$28,210,725</u>	<u>\$1,495,203</u>	<u>(\$13,068)</u>	<u>\$29,692,860</u>

(continued)

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025
<i>Less Accumulated Depreciation/Amortization</i>				
<i>Depreciation</i>				
Land Improvements	(\$1,053,858)	(\$184,356)	\$0	(\$1,238,214)
Buildings and Improvements	(14,349,232)	(504,953)	0	(14,854,185)
Equipment and Furniture	(547,216)	(91,563)	10,112	(628,667)
Vehicles	(314,670)	(11,002)	0	(325,672)
<i>Total Depreciation</i>	(16,264,976)	(791,874)	10,112	(17,046,738)
<i>Intangible Right to Use Subscription Assets</i>				
<i>Amortization</i>				
Intangible Right to Use - Software	(8,039)	(2,627)	2,785	(7,881)
<i>Total Accumulated Depreciation/Amortization</i>	(16,273,015)	(794,501) *	12,897	(17,054,619)
<i>Total Depreciable Capital Assets, Net</i>	11,937,710	700,702	(171)	12,638,241
<i>Governmental Activities Capital Assets, Net</i>	\$12,842,078	\$1,625,090	(\$1,076,335)	\$13,390,833

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

	Depreciation	Amortization	Total
Instruction			
Regular	\$458,203	\$2,285	\$460,488
Support Services			
Operation and Maintenance of Plant	97,365	0	97,365
Pupil Transportation	11,002	0	11,002
Central	0	342	342
Operation of Food Service	1,359	0	1,359
Extracurricular Activities	223,945	0	223,945
Total Depreciation/Amortization Expense	\$791,874	\$2,627	\$794,501

Note 9 - Interfund Transfers

The general fund transferred \$60,000 to the district managed student activity special revenue fund to help fund operations. The general fund made a transfer of \$650,000 to the district replacement capital project fund and a transfer of \$1,985,000 to the capital projects capital project fund for the acquisition and construction of capital improvements.

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 10 – Long-Term Obligations

Original issue amounts and interest rates of the School District's debt issues were as follows:

Debt Issue	Interest Rate	Original Issue	Maturity
Financed Purchase:			
Ford Business Machine Copiers	3.00%	\$53,917	2027

Changes in long-term obligations of the School District during fiscal year 2025 were as follows:

	Principal Outstanding July 1, 2024	Additions	Deductions	Principal Outstanding June 30, 2025	Amount Due in One Year
Governmental Activities					
Other Long-term Obligations					
Net Pension Liability					
STRS	\$6,857,738	\$0	(\$743,051)	\$6,114,687	\$0
SERS	1,316,930	0	(64,666)	1,252,264	0
<i>Total Net Pension Liability</i>	8,174,668	0	(807,717)	7,366,951	0
Net OPEB Liability					
SERS	402,291	0	(148,891)	253,400	0
Financed Purchase From Direct Borrowing	27,967	0	(10,936)	17,031	11,269
Compensated Absences	2,550,902	223,142	0	2,774,044	294,358
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$11,155,828</u>	<u>\$223,142</u>	<u>(\$967,544)</u>	<u>\$10,411,426</u>	<u>\$305,627</u>

Increases and decreases to compensated absences are presented net on the above table.

Financed Purchase From Direct Borrowing – In 2022, the School District entered into financed purchase agreements for District wide copiers in the amount of \$53,917 to be paid from the general fund.

The overall debt margin of the School District as of June 30, 2025, was \$7,177,833 with an unvoted debt margin of \$79,754. Principal and interest requirements to retire financed purchases outstanding at June 30, 2025, are as follows:

	<i>From Direct Borrowing</i>
	Financed Purchase
Year	Principal Interest
2026	\$11,269 \$357
2027	5,762 50
Total	<u>\$17,031 \$407</u>

There are no repayment schedules for the net pension liability and net OPEB liability. However, employer pension and OPEB contributions are made from the following funds: the general fund and the food service special revenue fund. For additional information related to the net pension and net OPEB liabilities see Notes 14 and 15.

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Note 11 - Jointly Governed Organizations

Northeast Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among twenty-nine school districts and two educational service centers in Trumbull and Ashtabula 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 districts supports NEOMIN based upon a per pupil charge. McDonald Local School District paid \$43,428 to NEOMIN during fiscal year 2025.

The Governing board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts and the fiscal agent (or NEOMIN). The McDonald Local School District was not represented on the Governing Board during fiscal year 2025. The Board exercises total control over the operations of NEOMIN including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446.

Trumbull Career and Technical Center The Trumbull Career and Technical Center is a distinct political subdivision of the State of Ohio providing vocational needs of the students. The center is operated under the direction of a Board consisting of one representative from each of the nineteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. The Board exercises total control over the operations of the Trumbull Career and Technical Center including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain financial information write to the Trumbull Career and Technical Center, Cody Holecko, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

Note 12 – Shared Risk Pool

Trumbull County Schools Employee Insurance Benefit Consortium The School District participates in the Trumbull County Schools Employee Insurance Consortium. This is a shared risk pool comprised of seventeen Trumbull County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

Note 13 - Risk Management

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. The School District maintains comprehensive commercial insurance coverage through Ohio School Plan for real property, building contents, vehicles, and boilers.

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Vehicle policies include liability coverage for bodily injury and property damage. The liability limits are \$1,000,000 for each accident and uninsured motorist of \$1,000,000 for each accident with a collision deductible of \$1,000 for buses and \$500 for all other automobiles, and a comprehensive deductible of \$1,000 for buses and \$250 for all other automobiles.

Real property and contents are fully insured. Limits of insurance on real property and equipment are \$67,587,475 with a deductible of \$1,000.

The School District has earthquake and flood insurance policies. Limits on these policies are \$1,000,000 with a deductible of \$25,000.

The School District liability policy has a limit of \$1,000,000 for each occurrence and \$3,000,000 aggregate.

The School District cyber coverage policy has a policy aggregate of \$5,000,000 and \$1,000,000 member aggregate.

Trumbull County Schools Employee Insurance Benefit Consortium

The School District has contracted with the Trumbull County Schools Employee Insurance Benefit Consortium to provide employee medical/surgical, dental, and prescription drug benefits. The Trumbull County Schools Employee Insurance Benefit Consortium is a shared risk pool comprised of seventeen Trumbull County school districts. Rates are set through an annual calculation process. The McDonald Local School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Anthem is the third party administrator for the Consortium. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. Employees can choose between two different medical/surgical/prescription plans:

Medical and Prescription	Monthly Premium	
	Option 1	Option 2
Employee	\$870	\$778
Employee and Spouse	1,823	1,633
Employee and Child(ren)	1,476	1,323
Family	2,432	2,177

For both options, staff pays 10 percent of this premium and the School District pays the remaining percentage. The second option is a high deductible plan. No employees have selected the second option. If the School District were to withdraw from the Consortium, there would be no liability because premium levels fund a reserve for subsequent claim payments.

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

Worker's Compensation

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll times the contribution rate established by Worker's Compensation for the School District. This rate is calculated based on accident history and administrative costs.

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Note 14 – Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability (asset) represents 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 proportionate share of each plan's unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 15 for the required OPEB disclosures.

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

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financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. 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 2.5 percent COLA for calendar year 2024.

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, 2025, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2025, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$148,484 for fiscal year 2025. Of this amount \$21,978 is reported as an intergovernmental payable.

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.

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. The calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of credited service. Effective August 1, 2023, any member can retire with unreduced benefits with 34 years of services credit at any age; or five years of service credit and age 65. Effective June 1, 2025 - July 1, 2027, any member can retire with unreduced benefits with 33 years of service credit at any age; or five years of service credit and age 65. Effective on or after August 1, 2027, any member can retire with unreduced benefits with 34 years of service credit at any age; or five years of service credit and age 65.

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

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

The DC Plan allows members to place all their member contributions and 11.09 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 2.91 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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 fifty and after termination of employment.

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.

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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 to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The 2025 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2025, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$653,068 for fiscal year 2025. Of this amount \$103,309 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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 contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.02447930%	0.03177845%	
Prior Measurement Date	0.02383360%	0.03184471%	
Change in Proportionate Share	0.00064570%	-0.00006626%	
Proportionate Share of the Net			
Pension Liability	\$1,252,264	\$6,114,687	\$7,366,951
Pension Expense	\$112,634	\$216,341	\$328,975

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

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	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$47,810	\$385,065	\$432,875
Changes of assumptions	11,202	281,799	293,001
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	32,572	35,936	68,508
School District contributions subsequent to the measurement date	148,484	653,068	801,552
Total Deferred Outflows of Resources	<u>\$240,068</u>	<u>\$1,355,868</u>	<u>\$1,595,936</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$3,348	\$3,348
Changes of assumptions	0	212,113	\$212,113
Net difference between projected and actual earnings on pension plan investments	78,328	525,739	604,067
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	0	306,576	306,576
Total Deferred Inflows of Resources	<u>\$78,328</u>	<u>\$1,047,776</u>	<u>\$1,126,104</u>

\$801,552 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2026	(\$47,772)	(\$462,992)	(\$510,764)
2027	89,080	482,525	571,605
2028	(5,019)	(233,918)	(238,937)
2029	(23,033)	(130,591)	(153,624)
Total	<u>\$13,256</u>	<u>(\$344,976)</u>	<u>(\$331,720)</u>

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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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2137.

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

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

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

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

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

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. ORC 3309.15 and the SERS Board-adopted Investment Policy govern investment activity. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. As of June 30, 2024:

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

Discount Rate The total pension liability for 2024 was calculated using the discount rate of 7.00 percent. The discount rate determination did not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 20-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate for fiscal year 2024 was 14 percent. 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. The annual money-weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2024 was 9.31 percent.

Sensitivity of the 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 (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$1,915,788	\$1,252,264	\$693,609

Actuarial Assumptions -- STRS

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

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

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

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

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

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

* Final target weights reflected at October 1, 2022.

** 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.4 percent, and 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, 2024. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with 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, 2024. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2024.

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:

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	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$9,864,062	\$6,114,687	\$2,943,360

Note 15 – Defined Benefit OPEB Plans

See Note 14 for a description of the net OPEB liability (asset).

School Employees Retirement System (SERS)

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 under Employers/Audit Resources.

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

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2025, 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 2025, this amount was \$30,000. Statutes provide that no employer shall pay a health care

McDonald Local School District
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For the Fiscal Year Ended June 30, 2025

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 2025, the School District's surcharge obligation was \$18,794.

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 \$18,794 for fiscal year 2025. Of this amount \$18,794 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Health care premiums were reduced by a Medicare Part B premium credit beginning in 2023. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. 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, 2025, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.02487980%	0.03177845%	
Prior Measurement Date	0.02441910%	0.03184471%	
Change in Proportionate Share	0.00046070%	-0.00006626%	
Proportionate Share of the:			
Net OPEB Liability	\$253,400	\$0	\$253,400
Net OPEB (Asset)	\$0	(\$602,776)	(\$602,776)
OPEB Expense	(\$31,521)	(\$120,834)	(\$152,355)

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For the Fiscal Year Ended June 30, 2025

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$26,204	\$26,204
Changes of assumptions	108,759	74,193	182,952
Net difference between projected and actual earnings on OPEB plan investments	1,237	0	1,237
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	12,627	7,760	20,387
School District contributions subsequent to the measurement date	18,794	0	18,794
Total Deferred Outflows of Resources	<u>\$141,417</u>	<u>\$108,157</u>	<u>\$249,574</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$273,231	\$64,958	\$338,189
Changes of assumptions	116,402	271,848	388,250
Net difference between projected and actual earnings on OPEB plan investments	0	25,882	25,882
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	25,827	180	26,007
Total Deferred Inflows of Resources	<u>\$415,460</u>	<u>\$362,868</u>	<u>\$778,328</u>

\$18,794 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase in the net OPEB asset in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2026	(\$71,926)	(\$90,645)	(\$162,571)
2027	(51,420)	(39,399)	(90,819)
2028	(41,524)	(50,656)	(92,180)
2029	(36,803)	(47,111)	(83,914)
2030	(36,430)	(37,912)	(74,342)
Thereafter	(54,734)	11,012	(43,722)
Total	<u>(\$292,837)</u>	<u>(\$254,711)</u>	<u>(\$547,548)</u>

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Actuarial Assumptions – SERS

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

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

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

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

	<u>June 30, 2024</u>
Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Fiduciary Net Position is Projected to be Depleted	2059
Municipal Bond Index Rate:	
Measurement Date	3.93 percent
Prior Measurement Date	3.86 percent
Single Equivalent Interest Rate,	
Measurement Date	4.88 percent
Prior Measurement Date	4.27 percent
Health Care Cost Trend Rate	
Medical Trend Assumption	
Measurement Date	7.00 to 4.40 percent
Prior Measurement Date	6.75 to 4.40 percent

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

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For the Fiscal Year Ended June 30, 2025

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board on April 15, 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) 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 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 SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2024, was 4.88 percent. The discount rate used to measure total OPEB liability prior to June 30, 2024, was 4.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the 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 be depleted in 2059 by SERS'actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination of the single equivalent interest rate for both the June 30, 2023, and the June 30, 2024, total OPEB liability. The Municipal Bond Index Rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate was 3.93 percent at June 30, 2024, and 3.86 percent at June 30, 2023.

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 (3.88%) and higher (5.88%) than the current discount rate (4.88%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate.

	1% Decrease (3.88%)	Current Discount Rate (4.88%)	1% Increase (5.88%)
School District's proportionate share of the net OPEB liability	\$337,899	\$253,400	\$186,253

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

	1% Decrease (6.00 % decreasing to 3.40%)	Current Trend Rate (7.00 % decreasing to 4.40%)	1% Increase (8.0 % decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$171,289	\$253,400	\$361,328

Actuarial Assumptions – STRS

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

	June 30, 2024	June 30, 2023
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by service from 2.5 percent to 8.5 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 3.94 percent ultimate	7.50 percent initial 4.14 percent ultimate
Medicare	-112.22 percent initial 3.94 percent ultimate	-10.94 percent initial 4.14 percent ultimate
Prescription Drug		
Pre-Medicare	8.00 percent initial 3.94 percent ultimate	-11.95 percent initial 4.14 percent ultimate
Medicare	-15.14 percent initial 3.94 percent ultimate	1.33 percent initial 4.14 percent ultimate

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

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

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

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed 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, 2024. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2024.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net OPEB (asset)	(\$490,097)	(\$602,776)	(\$700,832)

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB (asset)	(\$707,456)	(\$602,776)	(\$476,886)

Note 16 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service and hours worked. Teachers do not earn vacation. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Certificated employees with ten years or more of service upon separation receive payment for twenty-five percent of the total sick leave accumulation, up to a maximum of 80 days. Classified employees with ten years or more of service upon retirement receive payment for twenty-five percent of the total sick leave accumulation.

Life Insurance Benefits

The School District provides life insurance to most employees through Voya Financial, in the amount of \$50,000 for all employees. Some administrators receive additional life insurance coverage paid by the Board of Education. Premiums are paid for by the Board of Education.

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 17 - Set Asides

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 year must be held in cash at year end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the fiscal year end set aside amounts for capital acquisition. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-Aside Balance as of June 30, 2024	\$0
Current Year Set-aside Requirement	173,030
Offsets	(233,120)
Qualifying Disbursements	<u>(170,827)</u>
Total	<u><u>(\$230,917)</u></u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>
Set-aside Balance as of June 30, 2025	<u><u>\$0</u></u>

Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the capital acquisition set-aside amounts below zero, these extra amounts will not be used to reduce the set-aside requirements of future years. The negative amounts will not be presented as being carried forward to the next fiscal year.

Note 18 – Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2025, if applicable, cannot be determined at this time.

School Foundation

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

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Litigation

The School District is not party to legal proceedings as of June 30, 2025.

Note 19 – Contractual Commitments

At June 30, 2025, the School District had a contract balance of \$269,750 for a roof replacement construction project. Contracts payable in the amount of \$145,250 for governmental activities has been capitalized.

Note 20 – Change in Accounting Principles and Restatement of Net Position

For fiscal year 2025, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* and GASB Statement No. 102, *Certain Risk Disclosures*.

GASB 101 will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. This change in accounting principle is separately displayed in the accompanying financial statements. For the School District, GASB Statement No. 101 increased the compensated absences liability and the cumulative effects of compensated absence related expense decreased beginning net position. This change in accounting principle is separately displayed by reporting unit in the accompanying financial statements.

GASB 102 will provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. GASB 102 requirements apply only to note disclosure and do not have any effect on beginning net position/fund balance. The School District evaluated their concentrations and constraints but did not have any events that required disclosure.

Note 22 – Compliance

Contrary to Section 5705.41(B), Ohio Revised Code, the following funds had expenditures plus encumbrances in excess of appropriations:

Fund	Appropriations Plus	Expenditures Plus	Excess
	Prior Year Encumbrances	Encumbrances	
General	\$10,132,224	\$12,697,636	(\$2,565,412)
Public School Support	62,130	66,446	(4,316)
Food Service	184,242	230,738	(46,496)
Capital Improvements	42,781	398,039	(355,258)
District Replacement	375,569	1,207,057	(831,488)

Although these budgetary violations were not corrected by year end, management has indicated that appropriations will be closely monitored to prevent future violations.

Required Supplementary Information

McDonald Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2025	2024	2023	2022
School District's Proportion of the Net Pension Liability	0.02447930%	0.02383360%	0.02348410%	0.02420470%
School District's Proportionate Share of the Net Pension Liability	\$1,252,264	\$1,316,930	\$1,270,203	\$893,083
School District's Covered Payroll	\$1,005,350	\$960,721	\$892,164	\$835,521
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	124.56%	137.08%	142.37%	106.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.52%	76.06%	75.82%	82.86%

Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2021	2020	2019	2018	2017	2016
0.02317600%	0.02279510%	0.02357330%	0.02288770%	0.02223310%	0.01954910%
\$1,532,910	\$1,363,871	\$1,350,088	\$1,367,489	\$1,627,256	\$1,115,491
\$829,007	\$786,022	\$809,215	\$748,050	\$693,279	\$590,279
184.91%	173.52%	166.84%	182.81%	234.72%	188.98%
68.55%	70.85%	71.36%	69.50%	62.98%	69.16%

McDonald Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Nine Fiscal Years (1)

	2025	2024	2023	2022
School District's Proportion of the Net OPEB Liability	0.02487980%	0.02441910%	0.02403700%	0.02500260%
School District's Proportionate Share of the Net OPEB Liability	\$253,400	\$402,291	\$337,482	\$473,195
School District's Covered Payroll	\$1,005,350	\$960,721	\$892,164	\$835,521
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	25.21%	41.87%	37.83%	56.63%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	44.50%	30.02%	30.34%	24.08%

(1) Information prior to 2017 is not available.

Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2021	2020	2019	2018	2017
0.02429930%	0.02341970%	0.02372870%	0.02308200%	0.02241330%
\$528,103	\$588,958	\$658,298	\$619,459	\$638,862
\$829,007	\$786,022	\$809,215	\$748,050	\$693,279
63.70%	74.93%	81.35%	82.81%	92.15%
18.17%	15.57%	13.57%	12.46%	11.49%

McDonald Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2025	2024	2023	2022
School District's Proportion of the Net Pension Liability	0.03177845%	0.03184471%	0.03330243%	0.03464090%
School District's Proportionate Share of the Net Pension Liability	\$6,114,687	\$6,857,738	\$7,403,173	\$4,429,151
School District's Covered Payroll	\$4,412,050	\$4,269,350	\$4,449,914	\$4,222,214
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	138.59%	160.63%	166.37%	104.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.50%	80.00%	78.90%	87.80%

Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2021	2020	2019	2018	2017	2016
0.03366387%	0.03405352%	0.03375248%	0.03223152%	0.03088894%	0.03118773%
\$8,145,459	\$7,530,732	\$7,421,411	\$7,656,666	\$10,339,461	\$8,619,376
\$4,098,264	\$4,025,493	\$3,881,564	\$3,588,700	\$3,288,450	\$3,222,664
198.75%	187.08%	191.20%	213.35%	314.42%	267.46%
75.50%	77.40%	77.30%	75.30%	66.80%	72.10%

McDonald Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
State Teachers Retirement System of Ohio
Last Nine Fiscal Years (1)

	2025	2024	2023	2022
School District's Proportion of the Net OPEB Liability/Asset	0.03177845%	0.03184471%	0.03330243%	0.03464090%
School District's Proportionate Share of the Net OPEB (Asset) Liability	(\$602,776)	(\$619,336)	(\$862,310)	(\$730,374)
School District's Covered Payroll	\$4,412,050	\$4,269,350	\$4,449,914	\$4,222,214
School District's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered Payroll	-13.66%	-14.51%	-19.38%	-17.30%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	158.00%	168.50%	230.70%	174.70%

(1) Information prior to 2017 is not available.

Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2021	2020	2019	2018	2017
0.03366387%	0.03405352%	0.03375248%	0.03223152%	0.03088894%
(\$591,640)	(\$564,008)	(\$542,369)	\$1,257,555	\$1,651,949
\$4,098,264	\$4,025,493	\$3,881,564	\$3,588,700	\$3,288,450
-14.44%	-14.01%	-13.97%	35.04%	50.23%
182.10%	174.70%	176.00%	47.10%	37.30%

McDonald Local School District
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2025	2024	2023	2022
Net Pension Liability				
Contractually Required Contribution	\$148,484	\$140,749	\$134,501	\$124,903
Contributions in Relation to the Contractually Required Contribution	(148,484)	(140,749)	(134,501)	(124,903)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$1,060,600	\$1,005,350	\$960,721	\$892,164
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	18,794	17,515	17,280	15,822
Contributions in Relation to the Contractually Required Contribution	(18,794)	(17,515)	(17,280)	(15,822)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.77%</u>	<u>1.74%</u>	<u>1.80%</u>	<u>1.77%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.77%</u>	<u>15.74%</u>	<u>15.80%</u>	<u>15.77%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2021	2020	2019	2018	2017	2016
\$116,973	\$116,061	\$106,113	\$109,244	\$104,727	\$97,059
(116,973)	(116,061)	(106,113)	(109,244)	(104,727)	(97,059)
\$0	\$0	\$0	\$0	\$0	\$0
\$835,521	\$829,007	\$786,022	\$809,215	\$748,050	\$693,279
14.00%	14.00%	13.50%	13.50%	14.00%	14.00%
16,267	16,791	18,502	16,037	11,915	10,837
(16,267)	(16,791)	(18,502)	(16,037)	(11,915)	(10,837)
\$0	\$0	\$0	\$0	\$0	\$0
1.95%	2.03%	2.35%	1.98%	1.59%	1.56%
15.95%	16.03%	15.85%	15.48%	15.59%	15.56%

McDonald Local School District
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2025	2024	2023	2022
Net Pension Liability				
Contractually Required Contribution	\$653,068	\$617,687	\$597,709	\$622,988
Contributions in Relation to the Contractually Required Contribution	<u>(653,068)</u>	<u>(617,687)</u>	<u>(597,709)</u>	<u>(622,988)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$4,664,771	\$4,412,050	\$4,269,350	\$4,449,914
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Net OPEB Liability (1)

(1) Although the covered payroll for the net OPEB liability is the same as the net pension liability, there were no OPEB related required contributions for 2016-2025, STRS did not allocate any employer contributions to postemployment health care; therefore, there is no required supplementary information to present related to the statutorily established employer contribution requirements for the net OPEB liability.

See accompanying notes to the required supplementary information

2021	2020	2019	2018	2017	2016
\$591,110	\$573,757	\$563,569	\$543,419	\$502,418	\$460,383
(591,110)	(573,757)	(563,569)	(543,419)	(502,418)	(460,383)
\$0	\$0	\$0	\$0	\$0	\$0
\$4,222,214	\$4,098,264	\$4,025,493	\$3,881,564	\$3,588,700	\$3,288,450
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

McDonald Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

Net Pension Liability

Changes in Benefit Terms/Assumptions – SERS

Beginning in fiscal year 2018, on each anniversary of the initial retirement, the allowance of all retirees and survivors may be increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0 percent nor greater than 2.5 percent. The COLA was suspended for 2018-2020. Prior to 2018, an assumption of 3 percent was used. For 2021, the cost-of-living adjustment was reduced from 2.5 percent to 2 percent. For 2023 and 2024, the cost-of-living adjustment was increased from 2 percent to 2.5 percent.

Amounts reported in 2022 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in prior years are presented as follows:

	Fiscal Year 2022	Fiscal Years 2021-2017	Fiscal Year 2016 and Prior
Wage Inflation	2.4 percent	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.0 percent net of system expenses	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning in 2022, amounts reported use mortality rates 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.

Amounts report for 2017 through 2021 use mortality rates that are 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. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions – STRS

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal years 2018-2021 and fiscal year 2017 and prior are presented as follows:

McDonald Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

	<u>Fiscal Year 2022</u>	<u>Fiscal Years 2021-2018</u>	<u>Fiscal Year 2017 and Prior</u>
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	Varies by Service from 2.5 percent to 8.5 percent	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	See Below	See Below	See Below
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustment: (COLA)	0.0 percent, effective July 1, 2017	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring after August 1, 2013, or later, COLA commences on fifth anniversary of retirement date.

Investment rate of return:

Beginning with Fiscal Year 2022	7.00 percent, net of investment expenses, including inflation
Fiscal Years 2018 through 2021	7.45 percent, net of investment expenses, including inflation
Fiscal Year 2017 and prior	7.75 percent, net of investment expenses, including inflation

Beginning with fiscal year 2022, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees were 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. 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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

McDonald Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

Changes in Benefit Term – STRS

For 2024 and 2025, demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015, through June 30, 2021.

For fiscal year 2023, the Board approved a one-time 3 percent COLA effective on the anniversary of a benefit recipient's retirement date for those eligible during fiscal year 2023 and eliminated the age 60 requirement to receive unreduced retirement that was scheduled to go into effect August 1, 2026.

Net OPEB Liability

Changes in Assumptions – SERS

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by SERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2021 and prior are presented below:

	2022	2021 and Prior
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

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Municipal Bond Index Rate:

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

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

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

McDonald Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

Changes in Assumptions – STRS

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

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

For fiscal year 2022, the discount rate was decreased from 7.45 percent to the long-term expected rate of return of 7.00.

For fiscal year 2023, the projected salary increases were changed from age based to service based. Healthcare trends were updated to reflect emerging claims and recoveries experience.

Changes in Benefit Terms – STRS

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

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

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For fiscal year 2021, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

McDonald Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

For fiscal year 2022, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2022, premium based on June 30, 2021, enrollment distribution. 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.

For fiscal year 2023, healthcare trends were updated to reflect emerging claims and recoveries experience.

For fiscal year 2024, healthcare trends were updated to reflect emerging claims and recoveries experience as well as benefit changes effective January 1, 2024.

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

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

McDonald Local School District
Trumbull County
600 Iowa Avenue
McDonald, Ohio 44437

To the Members of the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the McDonald Local School District, Trumbull County, Ohio, (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2025, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Report on Compliance and Other Matters

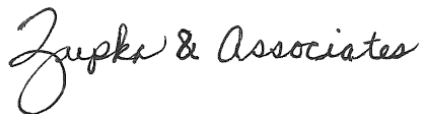
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Responses as item **2025-001**.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Zupka & Associates
Certified Public Accountants

December 9, 2025

**McDONALD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

Finding No. 2025-001 - Material Non-Compliance - Expenditures Exceeding Appropriations

Per Ohio Revised Code Section 5705.41 (B), no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

During our review, we noted that the following funds had expenditures plus encumbrances that were greater than the final appropriations:

Fund	Appropriations Plus	Expenditures Plus	Variance
	Prior Year Encumbrances	Encumbrances	
General	\$ 10,132,224	\$ 12,697,636	\$ (2,565,412)
Public School Support	62,130	66,446	(4,316)
Food Service	184,242	230,738	(46,496)
Capital Improvements	42,781	398,039	(355,258)
District Replacement	375,569	1,207,057	(831,488)

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, resulting in deficit spending.

Recommendation

We recommend that the District closely monitor expenditures and make appropriation amendments as necessary to ensure that expenditures plus encumbrances do not exceed final appropriations.

District Response

The error occurred due to a clerical oversight. Additional review practices will be put in place to reduce the risk of recurrence.

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

The audit report for the fiscal year ending June 30, 2024, included no findings.

OHIO AUDITOR OF STATE KEITH FABER



MCDONALD LOCAL SCHOOL DISTRICT

TRUMBULL 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 4/21/2026

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

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