



OHIO AUDITOR OF STATE
KEITH FABER



**ST. MARYS CITY SCHOOL DISTRICT
AUGLAIZE COUNTY
JUNE 30, 2024**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

St. Marys City School District
Auglaize County
2250 State Route 66
St. Marys, Ohio 45885

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Marys City School District, Auglaize County, Ohio (the School District), as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Marys City School District, as of June 30, 2024, and the respective changes in cash-basis financial position thereof and the budgetary comparison for the General fund for the fiscal year then ended in accordance with the cash-basis of accounting described in Note 2.

Basis for Opinions

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

Emphasis of Matter - Accounting Basis

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

Efficient • Effective • Transparent

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements.

The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied to the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2025, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

January 7, 2025

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St. Marys City School District
Statement of Net Position - Cash Basis
June 30, 2024

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| <u>Assets</u> | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$20,413,523</u> |
| | |
| <u>Net Position</u> | |
| Restricted for: | |
| Debt Service | 2,313,552 |
| Capital Projects | 1,137,142 |
| Food Service | 421,029 |
| Classroom Facilities Maintenance | 749,710 |
| Other Purposes | 338,963 |
| Unrestricted | <u>15,453,127</u> |
| | |
| Total Net Position | <u><u>\$20,413,523</u></u> |

See accompanying notes to the basic financial statements

St. Marys City School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2024

| | Program Cash Receipts | | | Net Disbursement and Change in Net Position |
|--------------------------------------|-----------------------|-------------------------|---|---|
| | Disbursements | Charges for Services | Operating Grants, Contributions, and Interest | Governmental Activities |
| Governmental Activities | | | | |
| Instruction: | | | | |
| Regular | \$10,599,987 | \$78,996 | \$438,799 | (\$10,082,192) |
| Special | 4,915,033 | 232,005 | 2,144,748 | (2,538,280) |
| Vocational | 1,086,600 | 0 | 200,470 | (886,130) |
| Support Services: | | | | |
| Pupils | 2,080,882 | 0 | 48,483 | (2,032,399) |
| Instructional Staff | 532,360 | 0 | 7,990 | (524,370) |
| Board of Education | 162,668 | 0 | 0 | (162,668) |
| Administration | 1,747,837 | 0 | 0 | (1,747,837) |
| Fiscal | 564,786 | 0 | 0 | (564,786) |
| Business | 7,235 | 0 | 0 | (7,235) |
| Operation and Maintenance | | | | |
| of Plant | 2,833,579 | 0 | 61,446 | (2,772,133) |
| Pupil Transportation | 984,168 | 0 | 97,243 | (886,925) |
| Central | 7,852 | 0 | 0 | (7,852) |
| Noninstructional Services | 2,150,840 | 539,085 | 1,438,492 | (173,263) |
| Extracurricular Activities | 1,146,174 | 511,961 | 0 | (634,213) |
| Capital Outlay | 885,543 | 0 | 0 | (885,543) |
| Debt Service: | | | | |
| Principal Retirement | 1,074,594 | 0 | 0 | (1,074,594) |
| Interest | 550,654 | 0 | 0 | (550,654) |
| Total Governmental Activities | \$31,330,792 | \$1,362,047 | \$4,437,671 | (25,531,074) |

General Receipts

| | |
|---|---------------------|
| Property Taxes Levied for: | |
| General Purposes | 8,868,271 |
| Classroom Facilities Maintenance | 129,947 |
| Debt Service | 1,533,343 |
| Permanent Improvements | 277,499 |
| Income Taxes Levied for General Purposes | 3,397,417 |
| Grants and Entitlements not Restricted to Specific Programs | 12,357,987 |
| Investment Earnings and Other Interest | 1,088,803 |
| Miscellaneous | 541,286 |
| Total General Receipts | 28,194,553 |
| Change in Net Position | 2,663,479 |
| Net Position at Beginning of Year | 17,750,044 |
| Net Position at End of Year | \$20,413,523 |

See accompanying notes to the basic financial statements

St. Marys City School District
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2024

| | <u>General</u> | <u>Bond Retirement</u> | <u>Other Governmental</u> | <u>Total</u> |
|--|---------------------|----------------------------|-------------------------------|---------------------|
| <u>Assets</u> | | | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$15,725,763</u> | <u>\$2,313,552</u> | <u>\$2,374,208</u> | <u>\$20,413,523</u> |
| <u>Fund Balances</u> | | | | |
| Restricted | \$0 | \$2,313,552 | \$2,646,844 | \$4,960,396 |
| Committed | 42,463 | 0 | 0 | 42,463 |
| Assigned | 425,418 | 0 | 0 | 425,418 |
| Unassigned (Deficit) | <u>15,257,882</u> | <u>0</u> | <u>(272,636)</u> | <u>14,985,246</u> |
| Total Fund Balances | <u>\$15,725,763</u> | <u>\$2,313,552</u> | <u>\$2,374,208</u> | <u>\$20,413,523</u> |

See accompanying notes to the basic financial statements

St. Marys City School District
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2024

| | General | Bond Retirement | Other Governmental | Total |
|--|---------------------|--------------------|-----------------------|---------------------|
| <u>Receipts</u> | | | | |
| Property Taxes | \$8,868,271 | \$1,533,343 | \$407,446 | \$10,809,060 |
| Income Taxes | 3,397,417 | 0 | 0 | 3,397,417 |
| Intergovernmental | 13,659,556 | 197,976 | 2,904,861 | 16,762,393 |
| Investment Earnings and Other Interest | 892,148 | 135,737 | 94,183 | 1,122,068 |
| Tuition and Fees | 311,001 | 0 | 0 | 311,001 |
| Charges for Services | 0 | 0 | 539,085 | 539,085 |
| Extracurricular Activities | 0 | 0 | 511,961 | 511,961 |
| Miscellaneous | 530,885 | 0 | 10,401 | 541,286 |
| Total Receipts | 27,659,278 | 1,867,056 | 4,467,937 | 33,994,271 |
| <u>Disbursements</u> | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 10,137,785 | 0 | 462,202 | 10,599,987 |
| Special | 4,041,197 | 0 | 873,836 | 4,915,033 |
| Vocational | 1,086,600 | 0 | 0 | 1,086,600 |
| Support Services: | | | | |
| Pupils | 2,023,546 | 0 | 57,336 | 2,080,882 |
| Instructional Staff | 524,370 | 0 | 7,990 | 532,360 |
| Board of Education | 162,668 | 0 | 0 | 162,668 |
| Administration | 1,747,837 | 0 | 0 | 1,747,837 |
| Fiscal | 522,786 | 33,355 | 8,645 | 564,786 |
| Business | 7,235 | 0 | 0 | 7,235 |
| Operation and Maintenance of Plant | 2,282,106 | 0 | 551,473 | 2,833,579 |
| Pupil Transportation | 984,168 | 0 | 0 | 984,168 |
| Central | 7,852 | 0 | 0 | 7,852 |
| Noninstructional Services | 1,639 | 0 | 2,149,201 | 2,150,840 |
| Extracurricular Activities | 656,420 | 0 | 489,754 | 1,146,174 |
| Capital Outlay | 17,260 | 0 | 868,283 | 885,543 |
| Debt Service: | | | | |
| Principal Retirement | 0 | 1,060,000 | 14,594 | 1,074,594 |
| Interest and Fiscal Charges | 0 | 550,654 | 0 | 550,654 |
| Total Disbursements | 24,203,469 | 1,644,009 | 5,483,314 | 31,330,792 |
| Excess of Receipts Over (Under) Disbursements | 3,455,809 | 223,047 | (1,015,377) | 2,663,479 |
| <u>Other Financing Sources (Uses):</u> | | | | |
| Transfers In | 0 | 0 | 809,310 | 809,310 |
| Transfers Out | (310) | (809,000) | 0 | (809,310) |
| Total Other Financing Sources (Uses) | (310) | (809,000) | 809,310 | 0 |
| Changes in Fund Balances | 3,455,499 | (585,953) | (206,067) | 2,663,479 |
| Fund Balances at Beginning of Year | 12,270,264 | 2,899,505 | 2,580,275 | 17,750,044 |
| Fund Balances at End of Year | \$15,725,763 | \$2,313,552 | \$2,374,208 | \$20,413,523 |

See accompanying notes to the basic financial statements

St. Marys City School District
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget (Budgetary Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2024

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Receipts | | | | |
| Property Taxes | \$7,671,204 | \$8,831,204 | \$8,868,271 | \$37,067 |
| Income Taxes | 3,387,340 | 3,379,939 | 3,397,417 | 17,478 |
| Intergovernmental | 12,309,168 | 13,594,768 | 13,659,556 | 64,788 |
| Interest | 468,844 | 843,834 | 892,148 | 48,314 |
| Tuition and Fees | 207,429 | 305,249 | 311,001 | 5,752 |
| Miscellaneous | 495,940 | 410,090 | 530,885 | 120,795 |
| Total Receipts | 24,539,925 | 27,365,084 | 27,659,278 | 294,194 |
| Disbursements | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 10,326,656 | 10,297,925 | 10,165,899 | 132,026 |
| Special | 3,727,593 | 4,102,593 | 4,086,197 | 16,396 |
| Vocational | 1,030,061 | 1,330,061 | 1,086,600 | 243,461 |
| Support Services: | | | | |
| Pupils | 1,990,355 | 2,070,355 | 2,063,349 | 7,006 |
| Instructional Staff | 561,918 | 561,918 | 525,461 | 36,457 |
| Board of Education | 263,529 | 263,529 | 170,057 | 93,472 |
| Administration | 1,832,876 | 1,832,876 | 1,776,425 | 56,451 |
| Fiscal | 529,201 | 529,200 | 522,804 | 6,396 |
| Business | 30,054 | 30,054 | 7,235 | 22,819 |
| Operation and Maintenance of Plant | 2,088,130 | 2,488,129 | 2,468,411 | 19,718 |
| Pupil Transportation | 963,438 | 1,003,438 | 990,288 | 13,150 |
| Central | 21,378 | 21,378 | 9,085 | 12,293 |
| Noninstructional Services | 3,212 | 3,212 | 1,639 | 1,573 |
| Extracurricular Activities | 595,379 | 680,054 | 657,714 | 22,340 |
| Capital Outlay | 0 | 17,260 | 17,260 | 0 |
| Total Disbursements | 23,963,780 | 25,231,982 | 24,548,424 | 683,558 |
| Excess of Receipts Over Disbursements | 576,145 | 2,133,102 | 3,110,854 | 977,752 |
| Other Financing Uses: | | | | |
| Transfers Out | 0 | (325) | (310) | 15 |
| Changes in Fund Balance | 576,145 | 2,132,777 | 3,110,544 | 977,767 |
| Fund Balance at Beginning of Year | 12,067,204 | 12,067,204 | 12,067,204 | 0 |
| Prior Year Encumbrances Appropriated | 203,060 | 203,060 | 203,060 | 0 |
| Fund Balance at End of Year | \$12,846,409 | \$14,403,041 | \$15,380,808 | \$977,767 |

See accompanying notes to the basic financial statements

St. Marys City School District
Statement of Cash Basis Change in Fiduciary Net Position
Custodial Fund
For the Fiscal Year Ended June 30, 2024

| | |
|-----------------------------------|-------------------|
| <u>Receipts</u> | |
| Charges Received for OHSAA | \$1,190 |
| <u>Disbursements</u> | |
| Distributions on Behalf of OHSAA | <u>1,190</u> |
| Change in Net Position | 0 |
| Net Position at Beginning of Year | <u>0</u> |
| Net Position at End of Year | <u><u>\$0</u></u> |

See accompanying notes to the basic financial statements

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 1 - Description of the School District and Reporting Entity

St. Marys City School District (School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District was established in 1862. The School District serves an area of approximately eighty-one square miles. It is located in Auglaize County, and includes all of the City of St. Marys and portions of Logan, Moulton, Noble, Salem, St. Marys, and Washington Townships. It is staffed by one hundred thirteen classified employees, one hundred fifty-one certified teaching personnel, and eleven administrative employees who provide services to 1,926 students and other community members. The School District currently operates three school buildings and a service building.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure 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 St. Marys City School District, this includes 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 School District. There are no component units of the St. Marys City School District.

The following activities are included within the reporting entity:

Parochial School - Within the School District boundaries, the Holy Rosary Elementary School is operated through the Cincinnati Catholic Diocese. Current State legislation provides funding to the parochial school. The money is received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The activity is reflected in a special revenue fund of the School District for financial reporting purposes.

The School District participates in two jointly governed organizations, two insurance pools, a joint venture, and is associated with a related organization. These organizations are the Northwest Ohio Area Computer Services Cooperative, Auglaize County Educational Academy, Southwestern Ohio Educational Purchasing Council Insurance Program, Northern Buckeye Education Council Workers' Compensation Group Rating Plan, Tri-Star Career Compact, and the St. Marys Community Public Library. These organizations are presented in Notes 17, 18, 19, and 20 to the basic financial statements.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements

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

B. Fund Accounting

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

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's major funds are the General Fund and the Bond Retirement debt service fund.

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for property taxes restricted for the payment of principal, interest, and related costs on general obligation debt.

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.

Fiduciary Fund

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

The School District's custodial fund accounts for resources remitted to the Ohio High School Athletic Association.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

Note 2 - Summary of Significant Accounting Policies (continued)

D. Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the schedule of tax funds, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The schedule of tax funds indicates the projected receipts and disbursements for those funds receiving tax monies. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the function level for the General Fund and the fund level for all other funds. Budgetary allocations at the object level within the General Fund and the function and object level for all other funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the School District prior to fiscal year end.

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

E. Cash and Investments

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 School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2024, the School District's investments consisted of STAR Ohio. STAR 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 the investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For fiscal year 2024, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice for deposits and withdrawals of \$100 million or more is encouraged. STAR Ohio reserves the right to limit the transaction to \$250 million per day.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 2 - Summary of Significant Accounting Policies (continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings and other interest. Investment earnings and other interest credited to the General Fund during fiscal year 2024 was \$892,148, which included \$27,752 assigned from other School District funds.

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

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

F. Capital Assets

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

G. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

H. Long-Term Obligations

Cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made. Since recording a capital asset when entering into a financed purchase transaction is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Financed purchase payments are reported when paid.

I. Net Position

Net position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for student activities, music and athletic programs, parochial school subsidies, and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

J. Fund Balance

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

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 2 - Summary of Significant Accounting Policies (continued)

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

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

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. Certain resources have also been assigned for educational and administrative activities.

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 first applies restricted resources when an expenditure is 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 can be used.

K. Pensions/Other Postemployment Benefits

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.

L. New Accounting Pronouncement

For fiscal year 2024, GASB Statement No. 100, *Accounting Changes and Error Corrections* was effective. This GASB pronouncement had no effect on beginning net position/fund balance as the School District had no accounting changes or error corrections related to fiscal year 2024.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 3 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget (Budgetary Basis) and Actual presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than restricted, committed, or assigned fund balance (cash basis). The General Fund had encumbrances outstanding at year end (budgetary basis) of \$344,955.

Note 4 - Accountability and Compliance

A. Accountability

At June 30, 2024, the Miscellaneous Grants, ESSER, Title VI-B, Title I, Title IV-A, and Title II-A special revenue funds had deficit cash balances of \$3,711, \$151,468, \$65,405, \$39,730, \$5,842 and \$6,480, respectively, resulting from disbursements in advance of grant receipts. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed.

B. Compliance

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

Note 5 - Deposits and Investments

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

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

Inactive deposits are public deposits the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 5 - Deposits and Investments (continued)

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System, 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 may 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 2 percent and be marked to market 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 division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed two hundred seventy days in an amount not to exceed 40 percent of the interim monies available for investment at any one time (if training requirements have been met).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of settlement, 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.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 5 - Deposits and Investments (continued)

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 School District Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Investments

As of June 30, 2024, the School District had funds on deposit with STAR Ohio, in the amount of, \$19,640,554. The School District's investments in STAR Ohio had an average maturity of 46.5 days. STAR Ohio carries a rating of AAAM by Standards and Poor's. The School District has no policy regarding interest rate or credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized statistical rating organization.

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 distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2024 represent the collection of calendar year 2023 taxes. Real property taxes received in calendar year 2024 were levied after April 1, 2023, on the assessed values as of January 1, 2023, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2024 represent the collection of calendar year 2023 taxes. Public utility real and tangible personal property taxes received in calendar year 2024 became a lien on December 31, 2022, were levied after April 1, 2023, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Auglaize 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 counties by June 30, 2024, are available to finance fiscal year 2024 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 6 - Property Taxes (continued)

The assessed values upon which fiscal year 2024 taxes were collected are:

| | <u>2023 Second Half Collections</u> | | <u>2024 First Half Collections</u> | |
|---|---|----------------|--|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Real Estate | \$304,365,100 | 96.38% | \$391,033,850 | 95.56% |
| Public Utility | 11,440,040 | 3.62% | 18,156,390 | 4.44% |
| Total Assessed Value | <u>\$315,805,140</u> | <u>100.00%</u> | <u>\$409,190,240</u> | <u>100.00%</u> |
| Tax Rate per \$1,000 of assessed valuation | \$55.87 | | \$53.04 | |

Note 7 - Tax Abatements

The School District's property taxes were reduced as follows under community reinvestment area agreements entered into by an overlapping government.

| <u>Overlapping Government</u> | <u>Amount of Fiscal Year 2024 Taxes Abated</u> |
|--|--|
| Community Reinvestment Area City of St. Marys | \$521,337 |

Note 8 - Income Taxes

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2019, for a five year period. In November of 2022, voters approved the renewal of the 1 percent income tax for general operations effective on January 1, 2024, for a five year period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 9 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2024, the School District contracted with the Southwestern Ohio Educational Purchasing Council Insurance Program for the following insurance coverage.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 9 - Risk Management (continued)

| | |
|---|---------------|
| Ambridge Partners: | |
| Buildings, Personal Property, and Electronic Data Processing | \$350,000,000 |
| Property Coverage | 125,322,200 |
| Crime | 1,000,000 |
| General Liability | |
| Per Occurrence | 1,000,000 |
| Aggregate | 3,000,000 |
| Automobile Liability | 1,000,000 |
| Excess Liability | 4,000,000 |
| Affiliated FM: | |
| Boiler and Machinery | 250,000,000 |
| Richmond National: | |
| School Board Legal and Employment Practices Liability | |
| Per Occurrence | 1,000,000 |
| Aggregate | 1,000,000 |
| Ironshore Specialty Insurance Company: | |
| Pollution | |
| Per Occurrence | 1,000,000 |
| Aggregate | 5,000,000 |
| Crum & Forster | |
| Cyber Liability | 2,000,000 |
| Great American: | |
| Kidnap and Ransom | 5,000,000 |

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

The School District participates in the Southwestern Ohio Educational Purchasing Council Insurance Program (SOEPC), a public entity shared risk pool. The School District pays an annual premium to SOEPC for property and liability insurance coverage, as well as medical and dental insurance. The Executive Committee of SOEPC is responsible for its management and operation. The annual premium provides funding for the Aggregate Loss Fund, excess coverage, claims administration, and membership to SOEPC. The School District's risk within SOEPC is limited to any deductibles and the portion of the premium paid and held within the Aggregate Loss Fund. All annual claims above the amount held within the Aggregate Loss Fund will be paid by the excess liability policy.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 9 - Risk Management (continued)

The School District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. Northern Buckeye Education Council serves as sponsor for the plan through Optimal Health Initiatives. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants of the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to entities that can meet the Plan's selection criteria. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and performs its obligations in accordance with the terms of the agreement.

Note 10 - Contractual Obligations

At fiscal year end, the significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2025 are as follows:

| | |
|-----------------------------|-------------------------|
| General Fund | \$344,955 |
| Nonmajor Governmental Funds | 419,540 |
| Total | <u><u>\$764,495</u></u> |

Note 11 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions-between an employer and its employees-of salaries and benefits for employee services. Pensions/OPEB are provided to an employee-on a deferred-payment basis-as part of the total compensation package offered by an employer for employee services each financial period.

The net pension/OPEB liability (asset) represent the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

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

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 11 - Defined Benefit Pension Plans (continued)

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

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

The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description - School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 11 - Defined Benefit Pension Plans (continued)

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. 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 2023.

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, 2024, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2024, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$409,728 for fiscal year 2024.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective July 1, 2022, a one-time ad-hoc COLA of 3 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 one-time ad-hoc COLA of 1 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2024 as long as they retired prior to July 1, 2019. Pursuant to Ohio Revised Code 3307.67(E) the STRS Ohio Retirement Board may adjust the COLA upon a determination by the board's actuary that a change will not materially impair the fiscal integrity of the system or is necessary to preserve the fiscal integrity of the system. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 34 years of service credit at any age.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 11 - Defined Benefit Pension Plans (continued)

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

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.

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 2024 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2024, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$1,602,710 for fiscal year 2024.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 11 - Defined Benefit Pension Plans (continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the 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 | 0.07360450% | 0.08093980% | |
| Prior Measurement Date | 0.07392640% | 0.08056899% | |
| Change in Proportionate Share | -0.00032190% | 0.00037081% | |
| Proportionate Share of the Net Pension Liability | \$4,067,028 | \$17,430,337 | \$21,497,365 |

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2023, are presented below:

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 11 - Defined Benefit Pension Plans (continued)

| | |
|---|--|
| 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*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. As of June 30, 2023:

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

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 11 - Defined Benefit Pension Plans (continued)

Discount Rate The total pension liability for 2023 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 21-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate for fiscal year 2023 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 2023 was 6.90 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 | \$6,002,725 | \$4,067,028 | \$2,436,571 |

Actuarial Assumptions - STRS

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

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

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

Actuarial assumptions used in the June 30, 2023 valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 11 - Defined Benefit Pension Plans (continued)

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

| Asset Class | Target Allocation * | Long-Term Expected Rate of Return ** |
|----------------------|------------------------|---|
| Domestic Equity | 26.00% | 6.60% |
| International Equity | 22.00 | 6.80 |
| Alternatives | 19.00 | 7.38 |
| Fixed Income | 22.00 | 1.75 |
| Real Estate | 10.00 | 5.75 |
| Liquidity Reserves | 1.00 | 1.00 |
| Total | <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 2.25 percent, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2023. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with 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, 2023. 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, 2023.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|--|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$26,803,998 | \$17,430,337 | \$9,502,782 |

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 11 - Defined Benefit Pension Plans (continued)

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2024, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - Defined Benefit OPEB Plans

See Note 11 for a description of the net OPEB liability (asset).

Plan Description - 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.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 12 - Defined Benefit OPEB Plans (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2024, 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 2024, this amount was \$30,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2024, the School District's surcharge obligation was \$52,165.

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 \$52,165 for fiscal year 2024.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. 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, 2024, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of June 30, 2023, and the total OPEB 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:

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 12 - Defined Benefit OPEB Plans (continued)

| | SERS | STRS | Total |
|---------------------------------------|-------------|---------------|---------------|
| Proportion of the Net OPEB Liability: | | | |
| Current Measurement Date | 0.07544680% | 0.08093980% | |
| Prior Measurement Date | 0.07528520% | 0.08056899% | |
| Change in Proportionate Share | 0.00016160% | 0.00037081% | |
| Proportionate Share of the: | | | |
| Net OPEB Liability | \$1,242,945 | \$0 | \$1,242,945 |
| Net OPEB (Asset) | \$0 | (\$1,574,168) | (\$1,574,168) |

Actuarial Assumptions - SERS

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

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

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

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

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 12 - Defined Benefit OPEB Plans (continued)

| | June 30, 2023 |
|---|--|
| 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 | 2048 |
| Municipal Bond Index Rate: | |
| Measurement Date | 3.86 percent |
| Prior Measurement Date | 3.69 percent |
| Single Equivalent Interest Rate, | |
| Measurement Date | 4.27 percent |
| Prior Measurement Date | 4.08 percent |
| Health Care Cost Trend Rate | |
| Medical Trend Assumption | |
| Measurement Date | 6.75 to 4.40 percent |
| Prior Measurement Date | 7.00 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 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.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 12 - Defined Benefit OPEB Plans (continued)

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 11.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2023, was 4.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2023, was 4.08 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 2048 by SERS' actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination of the single equivalent interest rate for both the June 30, 2022, and the June 30, 2023, total OPEB liability. The Municipal Bond Index Rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate was 3.86 percent at June 30, 2023, and 3.69 percent at June 30, 2022.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.27%) and higher (5.27%) than the current discount rate (4.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate.

| | 1% Decrease (3.27%) | Current Discount Rate (4.27%) | 1% Increase (5.27%) |
|--|---|---|---|
| School District's proportionate share of the net OPEB liability | \$1,588,839 | \$1,242,945 | \$970,193 |
| | | | |
| | 1% Decrease (5.75% decreasing to 3.40%) | Current Trend Rate (6.75% decreasing to 4.40%) | 1% Increase (7.75% decreasing to 5.40%) |
| School District's proportionate share of the net OPEB liability | \$913,148 | \$1,242,945 | \$1,679,969 |

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 12 - Defined Benefit OPEB Plans (continued)

Actuarial Assumptions - STRS

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

| | June 30, 2023 | June 30, 2022 |
|----------------------------|---|---|
| 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 4.14 percent ultimate | 7.50 percent initial 3.94 percent ultimate |
| Medicare | -10.94 percent initial 4.14 percent ultimate | -68.78 percent initial 3.94 percent ultimate |
| Prescription Drug | | |
| Pre-Medicare | -11.95 percent initial 4.14 percent ultimate | 9.00 percent initial 3.94 percent ultimate |
| Medicare | 1.33 percent initial 4.14 percent ultimate | -5.47 percent initial 3.94 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, 2023, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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 11.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 12 - Defined Benefit OPEB Plans (continued)

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2023. 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, 2023. 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, 2023.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2023, calculated using the current period discount rate assumption of 7.00 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) | (\$1,332,327) | (\$1,574,168) | (\$1,784,785) |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---------------|-----------------------|---------------|
| School District's proportionate share of the net OPEB (asset) | (\$1,794,558) | (\$1,574,168) | (\$1,308,710) |

Note 13 - Other Employee Benefits

A. 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 days of vacation per year, depending upon length of service. All two hundred sixty day administrative personnel earn twenty to twenty-five days of vacation per contract period. Accumulated unused vacation time is paid to classified employees and two hundred sixty day administrative personnel upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated without limit for certified employees and classified employees. Upon retirement, payment is made for 28.5 percent of accrued but unused sick leave credit to a maximum of fifty-seven days for both certified and classified employees.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 13 - Other Employee Benefits (continued)

B. Health Care Benefits

The School District offers medical (Anthem), dental (Delta Dental), and vision (Vision Service Plan) insurance to most employees through the Southwestern Ohio Educational Purchasing Council Insurance Program. In addition, the School District offers life insurance through American United Life Insurance Company.

Note 14 - Long-Term Obligations

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

| | <u>Balance at 6/30/2023</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance at 6/30/2024</u> | <u>Due Within One Year</u> |
|--|---------------------------------|------------------|--------------------|---------------------------------|--------------------------------|
| <u>Governmental Activities:</u> | | | | | |
| General Obligation Bonds: | | | | | |
| Direct Placement: | | | | | |
| 2015 School Improvement | | | | | |
| Refunding Bonds A | | | | | |
| Serial Bonds 2.5 to 5% | \$1,935,000 | \$0 | \$950,000 | \$985,000 | \$985,000 |
| 2016 School Improvement | | | | | |
| Refunding Bonds | | | | | |
| Serial Bonds 1.75-5% | 1,995,000 | 0 | 0 | 1,995,000 | 0 |
| 2021 School Improvement | | | | | |
| Refunding Bonds | | | | | |
| Serial Bonds 1.65-5% | 11,795,000 | 0 | 110,000 | 11,685,000 | 115,000 |
| Capital Bonds 46.2% | 24,754 | 0 | 0 | 24,754 | 0 |
| Accretion | 34,277 | 30,422 | 0 | 64,699 | 0 |
| Premium | 2,642,509 | 0 | 24,592 | 2,617,917 | 0 |
| Total General Obligation Bonds | 18,426,540 | 30,422 | 1,084,592 | 17,372,370 | 1,100,000 |
| Other Long-Term Obligations: | | | | | |
| Financed Purchase | | | | | |
| | 226,205 | 0 | 14,594 | 211,611 | 14,594 |
| Total Governmental Activities | \$18,652,745 | \$30,422 | \$1,099,186 | \$17,583,981 | \$1,114,594 |

FY 2015 School Improvement Refunding Bonds A - On November 20, 2014, the School District issued bonds, in the amount of \$8,465,000, to partially advance refund bonds previously issued in fiscal year 2008 to renovate, improve, expand, furnish, and equip the current school facilities and construct new school facilities. The refunding bond issue consists of serial bonds. The bonds were issued for a fifteen fiscal year period, with final maturity in fiscal year 2030. The bonds are being retired through the Bond Retirement debt service fund. During fiscal year 2021, \$5,600,000 of these bonds were advance refunded.

The refunded bonds were fully retired in fiscal year 2019.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 14 - Long-Term Obligations (continued)

FY 2016 School Improvement Refunding Bonds - On March 31, 2016, the School District issued bonds, in the amount of \$3,555,000, to partially advance refund bonds previously issued in fiscal year 2008 to renovate, improve, expand, furnish, and equip the current school facilities and construct new school facilities. The refunding bond issue consists of serial bonds. The bonds were issued for a twenty fiscal year period, with final maturity in fiscal year 2036. The bonds are being retired through the Bond Retirement debt service fund.

The serial bonds maturing on or after December 1, 2034, are subject to prior redemption on or after December 1, 2025, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The refunded bonds were fully retired in fiscal year 2018.

FY 2021 School Improvement Refunding Bonds - On February 25, 2021, the School District issued bonds, in the amount of \$12,109,754, to partially advance refund bonds previously issued in fiscal year 2015, to renovate, improve, expand, furnish, and equip the current school facilities and construct new school facilities. The refunding bond issue includes serial and capital appreciation bonds, in the amount of \$12,085,000 and \$24,754, respectively. The bonds were issued for a fourteen fiscal year period, with final maturity in fiscal year 2035. The bonds are being retired through the Bond Retirement debt service fund.

The serial bonds maturing on or after December 1, 2030, are subject to prior redemption on or after December 1, 2030, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds mature in fiscal year 2031. The maturity amount of the bonds is \$1,435,000. For fiscal year 2024, \$30,422 was accreted for a total bond value of \$89,453.

As of June 30, 2024, \$10,279,972 of the refunded bonds were still outstanding.

Financed Purchase Agreement - In a prior fiscal year the School District entered into a financed purchase agreement with the City of St. Marys for stadium lighting with an interest rate of zero percent. The School District makes semi-annual lease payments to the City of St. Marys. Total principal payments in fiscal year 2024 totaled \$14,594 from the Permanent Improvement Fund. The agreement provides for minimum annual financed purchase payments as follows:

| Fiscal Year Ending | Principal |
|--------------------|------------------|
| June 30, | |
| 2025 | \$14,594 |
| 2026 | 14,594 |
| 2027 | 14,594 |
| 2028 | 14,594 |
| 2029 | 14,594 |
| 2030-2034 | 72,970 |
| 2035-2039 | 65,671 |
| Total | <u>\$211,611</u> |

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 14 - Long-Term Obligations (continued)

The School District's overall debt margin was \$24,239,309 with an unvoted debt margin of \$197,579 at June 30, 2024.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2024, were as follows:

| Fiscal Year Ending June 30, | General Obligation Bonds | | | |
|--------------------------------|--------------------------|-------------------------|-------------|--------------|
| | Serial | Capital Appreciation | Interest | Total |
| 2025 | \$1,100,000 | \$0 | \$516,004 | \$1,616,004 |
| 2026 | 1,085,000 | 0 | 471,229 | 1,556,229 |
| 2027 | 1,150,000 | 0 | 415,354 | 1,565,354 |
| 2028 | 1,210,000 | 0 | 356,354 | 1,566,354 |
| 2029 | 1,265,000 | 0 | 294,479 | 1,559,479 |
| 2030-2034 | 5,705,000 | 24,754 | 2,313,557 | 8,043,311 |
| 2035-2036 | 3,150,000 | 0 | 142,577 | 3,292,577 |
| Total | \$14,665,000 | \$24,754 | \$4,509,554 | \$19,199,308 |

Note 15 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 15 - Fund Balance (continued)

| Fund Balances | General Fund | Bond Retirement Fund | Nonmajor Governmental Funds | Total |
|----------------------------------|----------------------------|----------------------------|-----------------------------------|----------------------------|
| Restricted for: | | | | |
| Debt Service | \$0 | \$2,313,552 | \$0 | \$2,313,552 |
| Athletics and Music | 0 | 0 | 157,037 | 157,037 |
| Building Construction | 0 | 0 | 322,107 | 322,107 |
| Classroom Facilities Maintenance | 0 | 0 | 749,710 | 749,710 |
| Food Service Operations | 0 | 0 | 421,029 | 421,029 |
| Network Connectivity | 0 | 0 | 3,600 | 3,600 |
| Non-Public Schools | 0 | 0 | 19,584 | 19,584 |
| Permanent improvements | 0 | 0 | 815,035 | 815,035 |
| School Safety | 0 | 0 | 52,924 | 52,924 |
| Student Activities | 0 | 0 | 105,818 | 105,818 |
| Total Restricted | <u>0</u> | <u>2,313,552</u> | <u>2,646,844</u> | <u>4,960,396</u> |
| Committed to: | | | | |
| Technology | <u>42,463</u> | <u>0</u> | <u>0</u> | <u>42,463</u> |
| Assigned to: | | | | |
| Educational Activities | 76,709 | 0 | 0 | 76,709 |
| Administrative Activities | 5,048 | 0 | 0 | 5,048 |
| Unpaid Obligations | <u>343,661</u> | <u>0</u> | <u>0</u> | <u>343,661</u> |
| Total Assigned | <u>425,418</u> | <u>0</u> | <u>0</u> | <u>425,418</u> |
| Unassigned (Deficits) | <u>15,257,882</u> | <u>0</u> | <u>(272,636)</u> | <u>14,985,246</u> |
| Total Fund Balances | <u><u>\$15,725,763</u></u> | <u><u>\$2,313,552</u></u> | <u><u>\$2,374,208</u></u> | <u><u>\$20,413,523</u></u> |

Note 16 - 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. The amount not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. This amount must be carried forward and used for the same purpose in future years.

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2024.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 16 - Set Asides (continued)

| | Capital Acquisition |
|---|------------------------|
| Set-aside Balance as of June 30, 2023 | \$0 |
| Current Fiscal Year Set-aside Requirement | 428,486 |
| Current Fiscal Year Offsets | (428,486) |
| Set-aside Balance as of June 30, 2024 | \$0 |

Note 17 - Jointly Governed Organizations

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Seneca, Van Wert, and Wood Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. The degree of control exercised by any participating educational entity is limited to its representation on the Board. During fiscal year 2024, the School District paid \$68,907 to NOACSC for various services. Financial information can be obtained from NOACSC, 4277 East Road, Elida, Ohio 45807.

B. Auglaize County Educational Academy

The School District is a participant in the Auglaize County Educational Academy (ACEA), which is a community school. The ACEA is an association of the school districts within Auglaize County to provide general curricular education for kindergarten through twelfth grade students for gifted, regular, and special education instruction through the use of a virtual curriculum. The governing board of the ACEA consists of the superintendents from each of the participating school districts. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue Suite 2, Wapakoneta, Ohio 45895.

Note 18 - Insurance Pools

A. Southwestern Ohio Educational Purchasing Council Insurance Program

The School District participates in a public entity shared risk pool. The Southwestern Ohio Educational Purchasing Council Insurance Program (SOEPC) provides for property and liability insurance coverage as well as medical, dental, and vision insurance.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 18 - Insurance Pools (continued)

SOEPC's business and affairs are conducted by an Executive Council of participating school administrators and the director of the SOEPC. Participation in SOEPC is by written application subject to acceptance by the Executive Council and the payment of the annual premium. The Administrator of SOEPC is Arthur J. Gallagher Risk Management Services which coordinates the management, administration, claims management, and actuarial studies of SOEPC. Insurance premiums are paid to SOEPC. Financial information can be obtained from Southwestern Ohio Educational Purchasing Council Insurance Program, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums.

B. Northern Buckeye Education Council Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan) was established through the Northern Buckeye Education Council as an insurance purchasing pool. The Plan is governed by the Plan's Board and its participants. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program. Financial information can be obtained from Northern Buckeye Education Council, 209 Nolan Parkway, Archbold, Ohio 43502.

Note 19 - Joint Venture.

The School District participates in the Tri-Star Career Compact, a joint venture with eight other school districts. The nine participating school districts comprise a "qualifying partnership" as defined by Ohio Revised Code Section 3318.71. The purpose of the Compact is to establish and maintain a career technical education program in accordance with standards adopted by the State Board of Education.

The joint venture is governed by a board of directors consisting of each superintendent of the nine participating school districts. The board of directors serves at the discretion of the Boards of Education of the participating school districts and is not responsible to serve the electorate in any legal capacity.

In fiscal year 2016, the joint venture issued \$16,999,987 in classroom facilities bonds to acquire classroom facilities. The bonds are a general obligation of the "qualifying partnership". The bonds have an interest rate ranging from 2 percent to 4.2 percent and mature in fiscal year 2032. The bonds will be repaid from the resources of a property tax levied by the qualifying partnership and the qualifying partnership is obligated to pay all debt service on the bonds. If the proceeds of the tax collection are less than anticipated in any particular year resulting in insufficient resources to pay the principal and interest requirements of the bonds, the school districts making up the partnership are obligated to make up the amount of any shortfall.

In addition, each participating school district is required to contribute a service fee and a reserve capital fee for each participating student from their school district and may also incur excess costs for operations of the Tri-Star Career Compact.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 19 - Joint Venture (continued)

At the end of fiscal year 2024, the School District performed a reconciliation of the amounts received and owed between St. Marys City School District and Tri-Star Career Compact. It was determined a fiscal year 2024 true-up in the amount of \$23,756 was owed to the Compact. This amount was paid to Tri-Star Compact during fiscal year 2025.

The joint venture has not currently accumulated significant financial resources nor is the joint venture experiencing fiscal stress that would cause an additional financial benefit to or burden on the participants; however, all participants have an ongoing financial responsibility as outlined above. Financial information may be obtained from the Celina City School District who serves as fiscal agent for the joint venture.

Note 20 - Related Organization

The St. Marys Community Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the St. Marys City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the St. Marys Community Public Library, 140 South Chestnut Street, St. Marys, Ohio 45855.

Note 21 - Contingencies

A. 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2024.

B. 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, DEW has finalized the impact of enrollment adjustments to the June 30, 2024 foundation funding. As a result of these reviews, the School District owes \$3,605. This amount is not reported on the financial statements.

C. Litigation

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

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 22 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During Fiscal year 2024, the School district received COVID-19 funding. The School District will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

**ST. MARYS CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

| FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title | Federal Assistance Listing Number | Total Federal Expenditures |
|---|--|---------------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | |
| <i>Passed through Ohio Department of Education and Workforce</i> | | |
| Child Nutrition Cluster | | |
| Non-Cash Assistance (Food Distribution Program) | | |
| National School Lunch Program | 10.555 | \$ 89,391 |
| Cash Assistance: | | |
| School Breakfast Program | 10.553 | 385,432 |
| National School Lunch Program | 10.555 | 827,827 |
| COVID-19 National School Lunch Program | 10.555 | 60,467 |
| Total Child Nutrition Cluster | | <u>1,363,117</u> |
| Total U.S. Department of Agriculture | | <u>1,363,117</u> |
| U.S. DEPARTMENT OF THE TREASURY | | |
| <i>Passed through Ohio Facilities Construction Commission</i> | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 | <u>247,976</u> |
| Total U.S. Department of the Treasury | | <u>247,976</u> |
| U.S. DEPARTMENT OF EDUCATION | | |
| <i>Passed through Ohio Department of Education and Workforce</i> | | |
| Title I Grants to Local Educational Agencies | 84.010 | 309,887 |
| Special Education Cluster: | | |
| COVID-19 - Special Education Grants to States | 84.027 | 6,823 |
| Special Education Grants to States | 84.027 | 478,158 |
| Special Education Preschool Grants | 84.173 | 14,421 |
| Total Special Education Cluster | | <u>499,402</u> |
| English Language Acquisition State Grants | 84.365 | 1,857 |
| Supporting Effective Instruction State Grants | 84.367 | 53,594 |
| Student Support and Academic Enrichment Program | 84.424 | 23,826 |
| COVID-19 - Education Stabilization Fund - ARP ESSER | 84.425U | 591,557 |
| Total U.S. Department of Education | | <u>1,480,123</u> |
| Total Expenditures of Federal Awards | | <u>\$ 3,091,216</u> |

The accompanying notes are an integral part of this schedule.

**ST. MARYS CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of St. Marys City School District (the School District) under programs of the federal government for the fiscal year ended June 30, 2024. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE E – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the entitlement value. The School District allocated donated food commodities to the program that benefitted from the use of those donated food commodities.

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with Ohio Department of Education and Workforce’s consent, schools can transfer unobligated amounts to the subsequent fiscal year’s program. The School District transferred the following amounts from 2024 to 2025 programs:

| <u>Program Title</u> | <u>AL Number</u> | <u>Amt. Transferred</u> |
|---|------------------|-------------------------|
| Title I Grants to Local Educational Agencies | 84.010 | \$ 28,392 |
| Supporting Effective Instruction State Grants | 84.367 | \$ 7,824 |
| Student Support and Academic Enrichment | 84.424 | \$ 4,456 |
| Special Education Grants to States | 84.027 | \$ 4,527 |

OHIO AUDITOR OF STATE KEITH FABER



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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

St. Marys City School District
Auglaize County
2250 State Route 66
St. Marys, Ohio 45885

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Marys City School District, Auglaize County, Ohio (the School District) as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 7, 2025, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2024-001.

School District's Response to Findings

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

Purpose of This Report

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



Keith Faber
Auditor of State
Columbus, Ohio

January 7, 2025

OHIO AUDITOR OF STATE KEITH FABER



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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

St. Marys City School District
Auglaize County
2250 State Route 66
St. Marys, Ohio 45885

To the Board of Education:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited St. Marys City School District's, Auglaize County, (the School District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on St. Marys City School District's major federal program for the fiscal year ended June 30, 2024. St. Marys City School District's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, St. Marys City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the fiscal year ended June 30, 2024.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

January 7, 2025

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**ST. MARYS CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2024**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material weaknesses in internal control reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under 2 CFR § 200.516(a)? | No |
| (d)(1)(vii) | Major Programs (list): | Child Nutrition Cluster |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 750,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee under 2 CFR § 200.520? | No |

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

FINDING NUMBER 2024-001

Failure to File GAAP - Noncompliance

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

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

**FINDING NUMBER 2024-001
(Continued)**

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

Pursuant to Ohio Rev. Code § 117.38 the School District may be fined for its failure to file the required financial report. Failure to report on a GAAP basis compromises the School District's ability to evaluate and monitor the overall financial condition of the School District. To help provide the users with more meaningful financial statements, the School District should prepare its annual financial statements according to generally accepted accounting principles.

Officials' Response:

See Corrective Action Plan on page 57.

| |
|---------------------------------------|
| 3. FINDINGS FOR FEDERAL AWARDS |
|---------------------------------------|

None

St. Marys City Schools



Administrative Offices:
 2250 State Route 66
 St. Marys, OH 45885-9355
 Phone: 419-394-4312
 FAX: 419-394-5638
<http://www.smriders.net>

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2024

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|--|---------------|-------------------------------|
| 2023-001 | Finding first reported in 2005, Ohio Rev. Code Sec. 117.38 and Ohio Admin. Code Sec. 117-02-03 (B) Failed to prepare Financial Statements in Accordance with GAAP. | Not Corrected | Repeated as Finding 2024-001. |

Superintendent
 Bill Ruane
 419-394-4312

Treasurer
 Andy Wilker
 419-394-4312

Director of Operations
 Nick Hager
 419-300-1405

Director of Special Education/Student Services
 Cary Roehm
 419-394-7278

Curriculum Director
 Kim Overman
 419-300-1406

Board of Education
 Ron Wilker, President
 Brian Little, Vice President
 Karl Dammeyer
 Chris Falk
 Ronda Shelby

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St. Marys City Schools



Administrative Offices:
2250 State Route 66
St. Marys, OH 45885-9355
Phone: 419-394-4312
FAX: 419-394-5638
<http://www.smriders.net>

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2024

Finding Number: 2024-001
Planned Corrective Action: There is no corrective action plan. The Board of Education of St. Marys City Schools has opted to prepare its financial statements using the 'look alike' OCBOA presentation. The driving force behind this option is financial. The preparation costs, as well as the auditing costs, are considerably less with this OCBOA presentation than with a GAAP presentation. In addition, the AICPA has interpreted that this type of 'look alike' OCBOA presentation is acceptable.
Anticipated Completion Date: N/A
Responsible Contact Person: Andrew Wilker, Treasurer

Superintendent
Bill Ruane
419-394-4312

Treasurer
Andy Wilker
419-394-4312

Director of Operations
Nick Hager
419-300-1405

Director of Special
Education/Student Services
Cary Roehm
419-394-7278

Curriculum Director
Kim Overman
419-300-1406

Board of Education
Ron Wilker, President
Brian Little, Vice President
Karl Dammeyer
Chris Falk
Ronda Shelby

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OHIO AUDITOR OF STATE KEITH FABER



ST. MARYS CITY SCHOOL DISTRICT

AUGLAIZE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 1/28/2025

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