



OHIO AUDITOR OF STATE
KEITH FABER



**ARLINGTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY
JUNE 30, 2021 AND 2020**

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HANCOCK COUNTY
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HANCOCK COUNTY
JUNE 30, 2021 AND 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Arlington Local School District
Hancock County
336 South Main Street
Arlington, Ohio 45814

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Arlington Local School District, Hancock County, Ohio (the District), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the District, as of June 30, 2021 and 2020, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 3 to the financial statements, during 2020, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. In addition, as discussed in Note 25 to the 2021 financial statements and Note 24 to the 2020 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2022, on our consideration of the 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

April 21, 2022

Arlington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

The discussion and analysis of Arlington Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2021 are as follows:

In total, net position increased \$227,801, or 23 percent.

General revenues were 79 percent of total revenues and represent the School District's significant dependence on taxes and unrestricted State entitlements.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Arlington Local School District as a financial whole, or as an entire operating entity.

The statement of net position and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other non-major funds presented in total in a single column. For Arlington Local School District, the General Fund is the most significant fund.

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2021. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

Arlington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

In the statement of net position and the statement of activities, all of the School District's activities are presented as governmental activities which include instruction, support services, non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's only major fund is the General Fund.

Governmental Funds - All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2021 and fiscal year 2020:

Table 1
Net Position

	Governmental Activities		Change
	2021	2020	
<u>Assets</u>			
Current and Other Assets	\$6,917,742	\$6,173,613	\$744,129
Net OPEB Asset	447,739	401,891	45,848
Capital Assets, Net	4,452,178	4,585,483	(133,305)
Total Assets	11,817,659	11,160,987	656,672
<u>Deferred Outflows of Resources</u>			
Pension	1,493,871	1,345,208	148,663
OPEB	203,615	170,876	32,739
Total Deferred Outflows of Resources	1,697,486	1,516,084	181,402

(continued)

Arlington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

Table 1
Net Position
(continued)

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2021</u>	<u>2020</u>	
<u>Liabilities</u>			
Current and Other Liabilities	\$770,083	\$716,709	(\$53,374)
Long-Term Liabilities			
Pension	7,684,499	6,961,860	(722,639)
OPEB	509,760	673,871	164,111
Other Amounts	595,818	633,539	37,721
Total Liabilities	<u>9,560,160</u>	<u>8,985,979</u>	<u>(574,181)</u>
<u>Deferred Inflows of Resources</u>			
Pension	218,861	388,723	169,862
OPEB	908,923	715,228	(193,695)
Other Amounts	1,593,379	1,581,120	(12,259)
Total Deferred Inflows of Resources	<u>2,721,163</u>	<u>2,685,071</u>	<u>(36,092)</u>
<u>Net Position</u>			
Net Investment in Capital Assets	4,287,178	4,380,483	(93,305)
Restricted	507,281	256,128	251,153
Unrestricted (Deficit)	<u>(3,560,637)</u>	<u>(3,630,590)</u>	<u>69,953</u>
Total Net Position	<u>\$1,233,822</u>	<u>\$1,006,021</u>	<u>\$227,801</u>

The net pension liability and net OPEB liability (asset) reported by the School District at June 30, 2021, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", respectively. For reasons discussed below, end users of these financial statements will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability (asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension or net OPEB liability. GASB Statements No. 68 and No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statements No. 68 and No. 75 require the net pension liability and the net OPEB liability (asset) to equal the School District's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Arlington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB Statements No. 68 and No. 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in the net pension liability and the net OPEB liability (asset), respectively, not accounted for as deferred outflows/inflows.

Pension/OPEB related changes noted in the above table reflect an overall increase in deferred outflows and in deferred inflows. The increase in the net OPEB asset and the net pension liability and the decrease in the net OPEB liability represents the School District's proportionate share of the unfunded benefits. As indicated previously, changes in pension/OPEB benefits, contribution rates, return on investments, and actuarial assumptions all affect the balance of the net pension/OPEB liability (asset).

Aside from pension/OPEB related changes, there were few changes of note in the above table. The increase in current and other assets was a combination of an increase in cash and cash equivalents (from operations; from additional grant funding, particularly for student wellness; and from COVID relief funding), an increase in intergovernmental receivables (largely Elementary and Secondary School Emergency Relief resources), and income taxes receivable (return to pre-pandemic levels). The increase in current and other liabilities results from modest increases in accounts and intergovernmental payables as well as a liability for matured compensated absences (additional employees meeting severance criteria). The decrease in other long-term liabilities represents scheduled debt retirement.

Arlington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

Table 2 reflects the change in net position for fiscal year 2021 and fiscal year 2020.

Table 2
Change in Net Position

	Governmental Activities		Change
	2021	2020	
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$627,284	\$751,606	(\$124,322)
Operating Grants, Contributions, and Interest	1,151,577	760,943	390,634
Capital Grants and Contributions	14,650	2,000	12,650
Total Program Revenues	1,793,511	1,514,549	278,962
General Revenues			
Property Taxes Levied for General Purposes	1,766,570	1,763,029	3,541
Income Taxes Levied for General Purposes	1,423,766	1,189,793	233,973
Grants and Entitlements not Restricted to Specific Programs	3,408,917	3,402,963	5,954
Interest	9,267	37,463	(28,196)
Gifts and Donations	3,868	6,622	(2,754)
Miscellaneous	135,387	103,338	32,049
Total General Revenues	6,747,775	6,503,208	244,567
Total Revenues	8,541,286	8,017,757	523,529
<u>Expenses</u>			
Instruction:			
Regular	4,164,262	3,815,748	(348,514)
Special	1,007,437	913,623	(93,814)
Vocational	183,328	222,053	38,725
Support Services:			
Pupils	321,438	344,686	23,248
Instructional Staff	131,022	189,055	58,033
Board of Education	20,212	16,061	(4,151)
Administration	727,241	719,974	(7,267)
Fiscal	282,318	294,493	12,175
Operation and Maintenance of Plant	569,994	759,002	189,008
Pupil Transportation	268,731	321,226	52,495
Non-Instructional Services	299,657	251,556	(48,101)
Extracurricular Activities	335,193	374,550	39,357
Interest and Fiscal Charges	2,652	3,237	585
Total Expenses	8,313,485	8,225,264	(88,221)
Increase (Decrease) in Net Position	227,801	(207,507)	435,308
Net Position at Beginning of Year	1,006,021	1,213,528	(207,507)
Net Position at End of Year	\$1,233,822	\$1,006,021	\$227,801

Arlington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

For program revenues, the decrease in charges for services is due to two factors, school meals being provided to all students at no cost and a limited number of spectators allowed at sporting events (both due to the COVID-19 pandemic). The increase in operating grants and contributions is the result of additional grants for student wellness and federal funding to provide free meals to students. The increase in general revenues is primarily due to the increase in income tax revenue as economic conditions began to return to pre-pandemic levels.

The change in expenses from the prior fiscal year was not significant (approximately 1 percent).

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
Instruction:				
Regular	\$4,164,262	\$3,815,748	\$3,581,521	\$3,278,730
Special	1,007,437	913,623	577,573	561,974
Vocational	183,328	222,053	157,915	190,171
Support Services:				
Pupils	321,438	344,686	22,564	120,546
Instructional Staff	131,022	189,055	130,022	189,055
Board of Education	20,212	16,061	20,212	16,061
Administration	727,241	719,974	727,241	719,974
Fiscal	282,318	294,493	282,318	294,493
Operation and Maintenance of Plant	569,994	759,002	556,640	759,002
Pupil Transportation	268,731	321,226	265,694	321,226
Non-Instructional Services	299,657	251,556	(37,347)	31,595
Extracurricular Activities	335,193	374,550	232,969	224,651
Interest and Fiscal Charges	2,652	3,237	2,652	3,237
Total Expenses	<u>\$8,313,485</u>	<u>\$8,225,264</u>	<u>\$6,519,974</u>	<u>\$6,710,715</u>

With the substantial contribution of general revenues for funding the School District's activities, only a limited number of activities are affected by program revenues. Instruction costs are partially offset by tuition and fees and grants restricted for various instruction purposes. Non-instructional services costs are supported by cafeteria sales, state and federal subsidies, and donated commodities for food service operations and extracurricular activities costs are supported by music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

Arlington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting.

Fund balance increased approximately 16 percent in the General Fund. Revenues increased almost 6 percent largely due to an increase in income tax revenue (as discussed previously) along with modest increases in grant funding and tuition as well as miscellaneous revenue (workers' compensation refunds). There was also a very modest decrease in expenditures (1 percent).

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During fiscal year 2021, the School District amended its General Fund budget as needed. For revenues, there was very little change from the original budget to the final budget as well as from the final budget to actual revenues. For expenditures, there was almost no change from the original budget to the final budget and changes from the final budget to actual expenditures were generally due to conservative budgeting.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2021, the School District had \$4,452,178 invested in capital assets (net of accumulated depreciation). Additions consisted of miscellaneous equipment. Disposals included buildings and building improvements, miscellaneous equipment, and a bus. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

At June 30, 2021, the School District had outstanding energy conservation bonds, in the amount of \$165,000, for an energy conservation project. The School District's long-term obligations also included the net pension and net OPEB liabilities and compensated absences. For further information regarding the School District's long-term obligations, refer to Note 17 to the basic financial statements.

Current Issues

The Arlington Local School District is a rural, agricultural community with very little industry; it is also the focal point of the community providing weekend sporting events and musical productions. A high percentage of people live and work here long-term and the community supports the School District throughout its many endeavors. A high percentage of the students participate in athletics and the arts.

The School District entered into a three-year negotiated agreement with the Arlington Teachers Association that began on July 1, 2021, and expires on June 30, 2024. Per the agreement, all certified staff receive a 2 percent wage increase in fiscal years 2022, 2023, and 2024. Certified staff will also receive a longevity increase each year of service ranging from \$800 to \$1,600.

Arlington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

There is a Staff Handbook for classified staff which also provides the classified staff with 2 percent wage increases in fiscal years 2022, 2023, and 2024.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kendra Chapman, Treasurer, Arlington Local School District, 336 South Main Street, Arlington, Ohio 45814.

Arlington Local School District
Statement of Net Position
June 30, 2021

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$4,310,490
Accounts Receivable	9,292
Accrued Interest Receivable	767
Intergovernmental Receivable	158,623
Prepaid Items	4,064
Inventory Held for Resale	49,976
Materials and Supplies Inventory	7,902
Income Taxes Receivable	605,020
Property Taxes Receivable	1,771,608
Net OPEB Asset	447,739
Nondepreciable Capital Assets	1,008,467
Depreciable Capital Assets, Net	3,443,711
Total Assets	11,817,659
<u>Deferred Outflows of Resources:</u>	
Pension	1,493,871
OPEB	203,615
Total Deferred Outflows of Resources	1,697,486
<u>Liabilities:</u>	
Accounts Payable	27,617
Accrued Wages and Benefits Payable	582,468
Matured Compensated Absences Payable	24,044
Intergovernmental Payable	135,753
Accrued Interest Payable	201
Long-Term Liabilities:	
Due Within One Year	51,345
Due in More Than One Year	
Net Pension Liability	7,684,499
Net OPEB Liability	509,760
Other Amounts	544,473
Total Liabilities	9,560,160
<u>Deferred Inflows of Resources:</u>	
Property Taxes Receivable	1,593,379
Pension	218,861
OPEB	908,923
Total Deferred Inflows of Resources	2,721,163
<u>Net Position:</u>	
Net Investment in Capital Assets	4,287,178
Restricted For:	
Set Asides	81,269
Capital Projects	15,884
Other Purposes	410,128
Unrestricted (Deficit)	(3,560,637)
Total Net Position	\$1,233,822

See Accompanying Notes to the Basic Financial Statements

Arlington Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2021

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$4,164,262	\$445,785	\$122,306	\$14,650
Special	1,007,437	94,428	335,436	0
Vocational	183,328	0	25,413	0
Support Services:				
Pupils	321,438	0	298,874	0
Instructional Staff	131,022	0	1,000	0
Board of Education	20,212	0	0	0
Administration	727,241	0	0	0
Fiscal	282,318	0	0	0
Operation and Maintenance of Plant	569,994	0	13,354	0
Pupil Transportation	268,731	0	3,037	0
Non-Instructional Services	299,657	19,281	317,723	0
Extracurricular Activities	335,193	67,790	34,434	0
Interest and Fiscal Charges	2,652	0	0	0
Total Governmental Activities	<u>\$8,313,485</u>	<u>\$627,284</u>	<u>\$1,151,577</u>	<u>\$14,650</u>

General Revenues:

Property Taxes Levied for General Purposes
Income Taxes Levied for General Purposes
Grants and Entitlements not Restricted to Specific Programs
Interest
Gifts and Donations
Miscellaneous
Total General Revenues

Change in Net Position

Net Position at Beginning of Year
Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Position

Governmental
Activities

(\$3,581,521)
(577,573)
(157,915)

(22,564)
(130,022)
(20,212)
(727,241)
(282,318)
(556,640)
(265,694)
37,347
(232,969)
(2,652)

(6,519,974)

1,766,570
1,423,766
3,408,917
9,267
3,868
135,387

6,747,775

227,801

1,006,021

\$1,233,822

Arlington Local School District
Balance Sheet
Governmental Funds
June 30, 2021

	General	Other Governmental	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,872,888	\$355,964	\$4,228,852
Accounts Receivable	9,147	145	9,292
Accrued Interest Receivable	767	0	767
Interfund Receivable	50,660	745	51,405
Intergovernmental Receivable	29,145	129,478	158,623
Prepaid Items	3,940	124	4,064
Inventory Held for Resale	0	49,976	49,976
Materials and Supplies Inventory	6,585	1,317	7,902
<u>Restricted Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	81,638	0	81,638
Income Taxes Receivable	605,020	0	605,020
Property Taxes Receivable	1,771,608	0	1,771,608
Total Assets	<u>\$6,431,398</u>	<u>\$537,749</u>	<u>\$6,969,147</u>
<u>Liabilities:</u>			
Accounts Payable	\$25,996	\$1,621	\$27,617
Accrued Wages and Benefits Payable	551,300	31,168	582,468
Matured Compensated Absences Payable	24,044	0	24,044
Interfund Payable	489	50,916	51,405
Intergovernmental Payable	124,724	11,029	135,753
Total Liabilities	<u>726,553</u>	<u>94,734</u>	<u>821,287</u>
<u>Deferred Inflows of Resources:</u>			
Property Taxes Receivable	1,593,379	0	1,593,379
Unavailable Revenue	116,777	71,661	188,438
Total Deferred Inflows of Resources	<u>1,710,156</u>	<u>71,661</u>	<u>1,781,817</u>
<u>Fund Balances:</u>			
Nonspendable	10,894	1,441	12,335
Restricted	81,269	388,794	470,063
Committed	310,094	0	310,094
Assigned	671,434	0	671,434
Unassigned (Deficit)	2,920,998	(18,881)	2,902,117
Total Fund Balances	<u>3,994,689</u>	<u>371,354</u>	<u>4,366,043</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$6,431,398</u>	<u>\$537,749</u>	<u>\$6,969,147</u>

See Accompanying Notes to the Basic Financial Statements

Arlington Local School District
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2021

Total Governmental Fund Balances \$4,366,043

Amounts reported for governmental activities on the statement of net position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 4,452,178

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

Accounts Receivable	4,855	
Intergovernmental Receivable	100,370	
Income Taxes Receivable	72,331	
Delinquent Property Taxes Receivable	10,882	
		188,438

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued Interest Payable	(201)	
Energy Conservation Bonds Payable	(165,000)	
Compensated Absences Payable	(430,818)	
		(596,019)

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

Net OPEB Asset		447,739
Deferred Outflows - Pension		1,493,871
Deferred Inflows - Pension		(218,861)
Net Pension Liability		(7,684,499)
Deferred Outflows - OPEB		203,615
Deferred Inflows - OPEB		(908,923)
Net OPEB Liability		(509,760)

Net Position of Governmental Activities \$1,233,822

See Accompanying Notes to the Basic Financial Statements

Arlington Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2021

	General	Other Governmental	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$1,765,139	\$0	\$1,765,139
Income Taxes	1,483,148	0	1,483,148
Intergovernmental	3,691,783	829,223	4,521,006
Interest	9,178	124	9,302
Tuition and Fees	541,602	0	541,602
Extracurricular Activities	0	67,790	67,790
Charges for Services	0	19,281	19,281
Gifts and Donations	3,868	18,977	22,845
Miscellaneous	97,477	40,793	138,270
Total Revenues	<u>7,592,195</u>	<u>976,188</u>	<u>8,568,383</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	3,775,931	126,531	3,902,462
Special	741,130	215,398	956,528
Vocational	175,261	0	175,261
Support Services:			
Pupils	281,471	30,158	311,629
Instructional Staff	131,402	1,000	132,402
Board of Education	20,212	0	20,212
Administration	672,277	17,655	689,932
Fiscal	281,648	0	281,648
Operation and Maintenance of Plant	507,413	14,192	521,605
Pupil Transportation	228,589	3,037	231,626
Non-Instructional Services	2,500	289,308	291,808
Extracurricular Activities	187,789	117,236	305,025
Debt Service:			
Principal Retirement	40,000	0	40,000
Interest and Fiscal Charges	2,701	0	2,701
Total Expenditures	<u>7,048,324</u>	<u>814,515</u>	<u>7,862,839</u>
Excess of Revenues Over Expenditures	<u>543,871</u>	<u>161,673</u>	<u>705,544</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	0	1,087	1,087
Transfers Out	(1,087)	0	(1,087)
Total Other Financing Sources (Uses)	<u>(1,087)</u>	<u>1,087</u>	<u>0</u>
Changes in Fund Balances	542,784	162,760	705,544
Fund Balances at Beginning of Year	3,451,905	208,594	3,660,499
Fund Balances at End of Year	<u>\$3,994,689</u>	<u>\$371,354</u>	<u>\$4,366,043</u>

See Accompanying Notes to the Basic Financial Statements

Arlington Local School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2021

Changes in Fund Balances - Total Governmental Funds \$705,544

Amounts reported for governmental activities on the statement of activities are different because of the following:

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

Capital Outlay - Depreciable Capital Assets	26,260	
Depreciation	<u>(142,129)</u>	(115,869)

The book value of capital assets is removed from the capital asset account on the statement of net position when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (17,436)

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

Delinquent Property Taxes	1,431	
Income Taxes	(59,382)	
Intergovernmental	35,126	
Tuition and Fees	(1,389)	
Miscellaneous	<u>(2,883)</u>	(27,097)

Repayment of principal is an expenditure in governmental funds but the repayment reduces long-term liabilities on the statement of net position. 40,000

Interest is reported as an expenditure when due in governmental funds but is accrued on outstanding debt on the statement of net position. 49

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (2,279)

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

Pension	(932,754)	
OPEB	<u>35,424</u>	(897,330)

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

Pension	528,640	
OPEB	<u>13,579</u>	542,219

Change in Net Position of Governmental Activities \$227,801

See Accompanying Notes to the Basic Financial Statements

Arlington Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
<u>Revenues:</u>				
Property Taxes	\$1,751,950	\$1,755,358	\$1,752,542	(\$2,816)
Income Taxes	1,288,356	1,290,863	1,288,791	(2,072)
Intergovernmental	3,690,590	3,697,772	3,691,832	(5,940)
Interest	10,382	10,402	10,385	(17)
Tuition and Fees	541,043	542,096	541,219	(877)
Gifts and Donations	3,624	3,624	3,868	244
Miscellaneous	59,688	59,760	52,424	(7,336)
Total Revenues	<u>7,345,633</u>	<u>7,359,875</u>	<u>7,341,061</u>	<u>(18,814)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	3,878,268	3,928,243	3,842,902	85,341
Special	807,736	806,729	758,386	48,343
Vocational	253,039	202,112	200,298	1,814
Support Services:				
Pupils	292,802	296,433	289,019	7,414
Instructional Staff	189,408	146,906	142,411	4,495
Board of Education	25,069	23,466	20,971	2,495
Administration	738,893	728,936	685,876	43,060
Fiscal	262,485	282,764	275,015	7,749
Operation and Maintenance of Plant	822,212	847,916	657,953	189,963
Pupil Transportation	332,989	334,514	305,090	29,424
Non-Instructional Services	3,000	3,000	2,500	500
Extracurricular Activities	195,174	200,053	187,622	12,431
Debt Service:				
Principal Retirement	40,000	40,000	40,000	0
Interest and Fiscal Charges	2,701	2,701	2,701	0
Total Expenditures	<u>7,843,776</u>	<u>7,843,773</u>	<u>7,410,744</u>	<u>433,029</u>
Excess of Revenues				
Under Expenditures	<u>(498,143)</u>	<u>(483,898)</u>	<u>(69,683)</u>	<u>414,215</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	41,291	41,305	41,305	0
Transfers Out	<u>(68,888)</u>	<u>(68,888)</u>	<u>(1,087)</u>	<u>67,801</u>
Total Other Financing Sources (Uses)	<u>(27,597)</u>	<u>(27,583)</u>	<u>40,218</u>	<u>67,801</u>
Changes in Fund Balance	(525,740)	(511,481)	(29,465)	482,016
Fund Balance at Beginning of Year	3,434,833	3,434,833	3,434,833	0
Prior Year Encumbrances Appropriated	184,838	184,838	184,838	0
Fund Balance at End of Year	<u>\$3,093,931</u>	<u>\$3,108,190</u>	<u>\$3,590,206</u>	<u>\$482,016</u>

See Accompanying Notes to the Basic Financial Statements

Arlington Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

	Private Purpose Trust	Custodial
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$500	\$125
<u>Liabilities:</u>		
Accounts Payable	0	125
<u>Net Position:</u>		
Held in Trust for Scholarships	500	0
Restricted for Individuals, Organizations, and Other Governments	0	0
Total Net Position	\$500	\$0

See Accompanying Notes to the Basic Financial Statements

Arlington Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2021

	Private Purpose Trust	Custodial
<u>Additions:</u>		
Charges Received for OHSAA	\$0	\$3,475
<u>Deductions:</u>		
Distributions on Behalf of OHSAA	0	3,475
Changes in Net Position	0	0
Net Position at Beginning of Year	500	0
Net Position at End of Year	\$500	\$0

See Accompanying Notes to the Basic Financial Statements

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 1 - Description of the School District and Reporting Entity

Arlington Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government 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 1923. The School District serves an area of approximately seventy-six square miles. It is located in Hancock County, and includes all of the Village of Arlington and portions of Eagle, Jackson, Madison, and Van Buren Townships. The School District is staffed by twenty-two classified employees, forty-seven certified teaching personnel, and four administrative employees who provide services to five hundred forty-two students and other community members. The School District currently operates one facility which includes the elementary, middle, and high schools.

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 Arlington Local 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 Arlington Local School District.

The School District participates in two jointly governed organizations and three insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Hancock County Local Professional Development Committee, Schools of Ohio Risk Sharing Authority, Hancock County Schools Health Benefit Fund, and the Ohio School Boards Association Workers’ Compensation Group Rating Plan. Information about these organizations is presented in Notes 21 and 22 to the basic financial statements.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of Arlington Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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

Fund Financial Statements

During the 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.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Governmental Funds

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

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 Funds

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 private purpose trust fund accounts for college scholarships for students after graduation. The School District's custodial fund is used to account for resources held on behalf of the Ohio High School Athletic Association.

C. Measurement Focus

Government-Wide Financial Statements

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

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Financial Statements

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

Like the government-wide financial statements, fiduciary funds are accounted for using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from fiduciary funds.

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and charges for services.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB and explained in Note 14 and Note 15 to the basic financial statements.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources consists of property taxes, unavailable revenue, pension, and OPEB. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2021, but which were levied to finance fiscal year 2022 operations. This amount has been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes intergovernmental revenue including grants, income taxes, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities on page 17. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position and explained in Note 14 and Note 15 to the basic financial statements.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

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

E. Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds are made by the School District 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 amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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.

F. 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 2021, investments consisted of nonnegotiable certificates of deposit, which are recorded at cost, and 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 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 that approximates fair value.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

For fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million requiring the excess amount to be transacted the following business day(s) but only to the \$250 million limit. All accounts of the participant will be combined for this purpose.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2021 was \$9,178, which includes \$1,319 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.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the General Fund represent unexpended revenues restricted for capital improvements and unclaimed monies that have a legal restriction on their use.

J. Capital Assets

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

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their acquisition value on the date donated. The School District maintains a capitalization threshold of one thousand dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Useful Lives
Land Improvements	10 - 100 years
Buildings and Building Improvements	10 - 100 years
Furniture, Fixtures, and Equipment	5 - 75 years
Vehicles	10 - 15 years
Infrastructure	50 years

K. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or unpaid amounts for interfund services provided are classified as “Interfund Receivables/Payables”. Interfund balances within governmental activities are eliminated on the statement of net position.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees’ wage rates at fiscal year end, taking into consideration any limits specified in the School District’s termination policy. The School District records a liability for accumulated unused sick leave for all employees after eight years of service.

The entire compensated absences liability is reported on the government-wide financial statements.

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

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

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

N. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations, music and athletic programs, 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.

O. 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:

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

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by 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. Fund balance policy of the Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated. The Board of Education has also assigned fund balance to cover a gap between estimated resources and appropriations in the fiscal year 2022 budget. Certain resources have also been assigned for other educational 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.

P. Pension/Other Postemployment Benefits

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

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

Q. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

R. Estimates

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

Note 3 - Change in Accounting Principles

For fiscal year 2021, the School District implemented GASB Implementation Guide No. 2019-1. These changes were incorporated in the School District's fiscal year 2021 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 - Accountability

At June 30, 2021, the ESSER, Title I, Title II-A, and Miscellaneous Federal Grants special revenue funds had deficit fund balances in the amount of \$9,326, \$3,810, \$958, and \$4,787, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

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

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 5 - Budgetary Basis of Accounting (continued)

The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

	Changes in Fund Balance
GAAP Basis	\$542,784
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2020, Received in Cash FY 2021	495,702
Accrued FY 2021, Not Yet Received in Cash	(705,531)
Expenditure Accruals:	
Accrued FY 2020, Paid in Cash FY 2021	(674,583)
Accrued FY 2021, Not Yet Paid in Cash	726,553
Prepaid Items	682
Materials and Supplies Inventory	(92)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(414,980)
Budget Basis	<u>(\$29,465)</u>

Note 6 - 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 of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 6 - Deposits and Investments (continued)

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.

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, 2021, the net asset value of funds on deposit with STAR Ohio was \$1,653,945. The School District's investment in STAR Ohio had an average maturity of 54.4 days. STAR Ohio carries a rating of AAA 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 standard rating service.

Note 7 - Receivables

Receivables at June 30, 2021, consisted of accounts (student fees and billings for user charged services), accrued interest, interfund, intergovernmental, income taxes, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except income taxes and property taxes, are expected to be collected within one year. Income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 7 - Receivables (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
School Employees Retirement System	\$20,599
Bureau of Workers' Compensation	8,110
State of Ohio - Medicaid	436
Total General Fund	29,145
Other Governmental Funds	
Food Service	7,467
ESSER	67,880
Idea Part B	24,113
Title I	16,481
Early Childhood Special Education	836
Title II-A	5,440
Miscellaneous Federal Grants	7,261
Total Other Governmental Funds	129,478
Total Governmental Activities	\$158,623

Note 8 - Income Taxes

The School District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1996, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 9 - 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.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 9 - Property Taxes (continued)

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 2021 represent the collection of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed values as of January 1, 2020, 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 2021 represent the collection of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien on December 31, 2019, were levied after April 1, 2020, 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 Hancock County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2021 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2021, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources - property taxes.

The amount available as an advance at June 30, 2021, was \$167,347 in the General Fund. The amount available as an advance at June 30, 2020, was \$154,750 in the General Fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue. On a modified accrual basis, the revenue has been recorded as deferred inflows of resources - unavailable revenue.

The assessed values upon which fiscal year 2021 taxes were collected are:

	2020 Second- Half Collections		2021 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$86,509,960	91.74%	\$87,417,100	91.52%
Industrial/Commercial	4,089,970	4.34	4,112,330	4.31
Public Utility	3,702,570	3.92	3,985,080	4.17
Total Assessed Value	<u>\$94,302,500</u>	<u>100.00%</u>	<u>\$95,514,510</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$31.40		\$31.40	

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance at 6/30/20	Additions	Reductions	Balance at 6/30/21
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$1,008,467	\$0	\$0	\$1,008,467
Depreciable Capital Assets				
Land Improvements	224,320	0	0	224,320
Buildings and Building Improvements	4,877,083	0	(88,557)	4,788,526
Furniture, Fixtures, and Equipment	943,676	26,260	(35,826)	934,110
Vehicles	650,304	0	(78,115)	572,189
Infrastructure	11,856	0	0	11,856
Total Depreciable Capital Assets	6,707,239	26,260	(202,498)	6,531,001
Less Accumulated Depreciation				
Land Improvements	(118,678)	(5,287)	0	(123,965)
Buildings and Building Improvements	(1,975,774)	(74,712)	88,557	(1,961,929)
Furniture, Fixtures, and Equipment	(581,698)	(36,529)	31,951	(586,276)
Vehicles	(449,548)	(25,364)	64,554	(410,358)
Infrastructure	(4,525)	(237)	0	(4,762)
Total Accumulated Depreciation	(3,130,223)	(142,129)	185,062	(3,087,290)
Depreciable Capital Assets, Net	3,577,016	(115,869)	(17,436)	3,443,711
Governmental Activities Capital Assets, Net	<u>\$4,585,483</u>	<u>(\$115,869)</u>	<u>(\$17,436)</u>	<u>\$4,452,178</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$31,422
Special	339
Vocational	1,860
Support Services:	
Pupils	201
Instructional Staff	761
Administration	872
Fiscal	271
Operation and Maintenance of Plant	51,589
Pupil Transportation	25,581
Non-Instructional Services	5,328
Extracurricular Activities	23,905
Total Depreciation Expense	<u>\$142,129</u>

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 11 - Interfund Receivables/Payables

At June 30, 2021, the General Fund had an interfund receivable, in the amount of \$50,660, from other governmental funds to provide cash flow resources until the receipt of grant monies. Other governmental funds had an interfund receivable, in the amount of \$745; \$489 from the General Fund and \$256 from other governmental funds for services provided. These amounts are expected to be repaid within one year.

Note 12 - Contractual Commitments

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2022 are as follows:

General Fund	\$414,980
Other Governmental Funds	58,455

Note 13 - 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 2021, the School District contracted for the following insurance coverage.

Coverage provided by United Insurance Service is as follows:

Building and Contents	\$27,135,642
General School District Liability	15,000,000
Automobile Liability	15,000,000
Uninsured Motorists	1,000,000

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.

For fiscal year 2021, the School District participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with the SORSA for insurance coverage and pays annual premiums to the SORSA based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in the Hancock County Schools Health Benefit Fund (Fund), a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Developmental Disabilities. The School District pays monthly premiums to the Fund for employee medical, dental, and life insurance benefits. The Fund is responsible for the management and operations of the program. Upon withdrawal from the Fund, a participant is responsible for the payment of all Fund liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

Note 13 - Risk Management (continued)

For fiscal year 2021, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Note 14 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions/OPEB are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that have already occurred.

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

The Ohio Revised Code limits the School District's obligation for these liabilities 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.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 14 - Defined Benefit Pension Plans (continued)

GASB Statements No. 68 and No. 75 assume the liability is solely the obligation of the employer because (1) they benefit from employee services and (2) State statute requires all funding to come from the employers. All pension contributions to date have come solely from the employer (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contribution to provide for OPEB benefits. In addition, health care plan enrollees pay a portion of the health care cost in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within thirty years. If the amortization period exceeds thirty 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 health care to eligible benefit recipients.

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

Plan Description - School Employees Retirement System (SERS)

Plan Description - School District nonteaching 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. The 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; 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; 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.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 14 - Defined Benefit Pension Plans (continued)

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 thirty years. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three year COLA suspension is in effect for all benefit recipients for 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W not to exceed 2.5 percent and with a floor of 0 percent. In 2020, the Board of Trustees approved a .5 percent cost of living adjustment for eligible retirees and beneficiaries in 2021.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14 percent. For fiscal year 2021, the Retirement Board did not allocate any employer contributions to the Health Care Fund.

The School District's contractually required contribution to SERS was \$117,810 for fiscal year 2021. Of this amount, \$23,276 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 14 - Defined Benefit Pension Plans (continued)

The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients base benefit and past cost of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age sixty-five or thirty-five years of service credit and at least age sixty. Eligibility changes for DBP 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 sixty or thirty years of service credit at any age.

The DCP allows members to place all of their member contributions and 9.53 percent of the 14 percent employer contribution into an investment account. Investment allocation decisions are determined by the member among the various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer contribution rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The CP offers features of both the DBP and the DCP. In the CP, 12 percent of the 14 percent member rate is deposited into the member's DCP account and the remaining 2 percent is applied to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty 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 DCP or CP 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 CP 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 Statement No. 68 reporting purposes.

A DBP or CP member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DCP 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 DCP 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. For the fiscal year ended June 30, 2021, the employer and employee rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 14 - Defined Benefit Pension Plans (continued)

The School District's contractually required contribution to STRS was \$410,830 for fiscal year 2021. Of this amount, \$77,124 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2020, 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.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.02667050%	0.02426527%	
Current Measurement Date	<u>0.02298430%</u>	<u>0.02547593%</u>	
Change in Proportionate Share	<u>0.00368620%</u>	<u>0.00121066%</u>	
Proportionate Share of the Net Pension Liability	\$1,520,230	\$6,164,269	\$7,684,499
Pension Expense	\$128,623	\$804,131	\$932,754

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences Between Expected and Actual Experience	\$2,953	\$13,831	\$16,784
Changes of Assumptions	0	330,902	330,902
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	96,504	299,769	396,273
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	17,201	204,071	221,272
School District Contributions Subsequent to the Measurement Date	<u>117,810</u>	<u>410,830</u>	<u>528,640</u>
Total Deferred Outflows of Resources	<u>\$234,468</u>	<u>\$1,259,403</u>	<u>\$1,493,871</u>
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	\$0	\$39,416	\$39,416
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	<u>133,399</u>	<u>46,046</u>	<u>179,445</u>
Total Deferred Inflows of Resources	<u>\$133,399</u>	<u>\$85,462</u>	<u>\$218,861</u>

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 14 - Defined Benefit Pension Plans (continued)

\$528,640 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

Fiscal Year Ended June 30,	SERS	STRS	Total
2022	(\$66,801)	\$232,851	\$166,050
2023	(20,379)	139,956	119,577
2024	40,225	206,313	246,538
2025	30,214	183,991	214,205
Total	(\$16,741)	\$763,111	\$746,370

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of the 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 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 pension liability in the latest actuarial valuation prepared as of June 30, 2020, are presented below.

Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal (level percent of payroll)

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 14 - Defined Benefit Pension Plans (continued)

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

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the pension plan investments has been determined using a building-block approach and assumes a time horizon as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating 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 rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00%	1.85%
U.S. Stocks	22.50	5.75
Non-U.S. Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	100.00%	

Discount Rate - The total pension liability was calculated using the discount rate of 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.5 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.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 14 - Defined Benefit Pension Plans (continued)

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 7.5 percent as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's Proportionate Share of the Net Pension Liability	\$2,082,530	\$1,520,230	\$1,048,450

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation reflecting experience study results used in the July 1, 2020, actuarial valuation are presented below.

Inflation	2.5 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7.45 percent net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017

Postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table, projected forward generationally using Mortality Improvement Scale MP-2016.

Actuarial assumptions used in the July 1, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 14 - 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	28.00%	7.35%
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
	<u>100.00%</u>	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a thirty 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 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes 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, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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 7.45 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 (6.45 percent) or one percentage point higher (8.45 percent) than the current rate.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	\$8,776,845	\$6,164,269	\$3,950,327

Note 14 - Defined Benefit Pension Plans (continued)

Social Security

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, 2021, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 15 - Defined Benefit OPEB Plans

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

School Employees Retirement System (SERS)

Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for nonteaching retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. The SERS Health Care Plan provides health care benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need ten years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of sixty-five 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 State statute. The financial report of the Plan is included in the SERS Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). The 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 establishes 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.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 15 - 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 2021, 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, prorated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. State statute provides 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 2021, the School District's surcharge obligation was \$13,579.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, is the amount assigned to the Health Care Fund. The School District's contribution to SERS for health care was \$13,579 for fiscal year 2021. Of this amount, \$13,579 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care 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 postemployment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to postemployment health care.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 15 - Defined Benefit OPEB Plans (continued)

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

The net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.02679630%	0.02426527%	
Current Measurement Date	<u>0.02345530%</u>	<u>0.02547593%</u>	
Change in Proportionate Share	<u>0.00334100%</u>	<u>0.00121066%</u>	
Proportionate Share of the			
Net OPEB Liability	\$509,760	\$0	\$509,760
Net OPEB Asset	\$0	\$447,739	\$447,739
OPEB Expense	(\$8,431)	(\$26,993)	(\$35,424)

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences Between Expected and Actual			
Experience	\$6,696	\$28,689	\$35,385
Changes of Assumptions	86,896	7,391	94,287
Net Difference Between Projected and Actual			
Earnings on OPEB Plan Investments	5,744	15,691	21,435
Changes in Proportionate Share and Difference			
Between School District Contributions			
and Proportionate Share of Contributions	33,424	5,505	38,929
School District Contributions Subsequent to the			
Measurement Date	<u>13,579</u>	<u>0</u>	<u>13,579</u>
Total Deferred Outflows of Resources	<u>\$146,339</u>	<u>\$57,276</u>	<u>\$203,615</u>
Deferred Inflows of Resources			
Differences Between Expected and Actual			
Experience	\$259,248	\$89,183	\$348,431
Changes of Assumptions	12,840	425,277	438,117
Net Difference Between Projected and Actual			
Earnings on OPEB Plan Investments	0	0	0
Changes in Proportionate Share and Difference			
Between School District Contributions			
and Proportionate Share of Contributions	<u>116,980</u>	<u>5,395</u>	<u>122,375</u>
Total Deferred Inflows of Resources	<u>\$389,068</u>	<u>\$519,855</u>	<u>\$908,923</u>

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 15 - Defined Benefit OPEB Plans (continued)

\$13,579 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or increase in the net OPEB asset in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows.

Fiscal Year Ended June 30,	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2022	(\$51,694)	(\$115,991)	(\$167,685)
2023	(51,279)	(105,370)	(156,649)
2024	(51,346)	(101,646)	(152,992)
2025	(45,972)	(97,878)	(143,850)
2026	(38,677)	(20,340)	(59,017)
Thereafter	<u>(17,340)</u>	<u>(21,354)</u>	<u>(38,694)</u>
Total	<u>(\$256,308)</u>	<u>(\$462,579)</u>	<u>(\$718,887)</u>

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 modification 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.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 15 - Defined Benefit OPEB Plans (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2020, are presented below.

Inflation	3 percent
Wage Increases	3.5 percent to 18.2 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Municipal Bond Index Rate	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including inflation	
Measurement Date	2.63 percent
Prior Measurement Date	3.22 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7 to 4.75 percent

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

The most recent experience study was completed for the five year period ended June 30, 2015.

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 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.5 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a ten year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 15 - Defined Benefit OPEB Plans (continued)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2020, was 2.63 percent. The discount rate used to measure the total OPEB liability prior to June 30, 2020, was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the retirement system at the State statute contribution rate of 2 percent of projected covered employee payroll each year which includes a 1.5 percent payroll surcharge and .5 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation Twenty-Year Municipal Bond Index Rate of 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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 rates. The following table presents the net OPEB liability of SERS and what SERS' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.63 percent) or one percentage point higher (3.63 percent) than the current discount rate (2.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6 percent decreasing to 3.75 percent) and one percentage point higher (8 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63)
School District's Proportionate Share of the Net OPEB Liability	\$623,934	\$509,760	\$418,993
	1% Decrease (6% Decreasing to 3.75%)	Current Trend Rate (7% Decreasing to 4.75%)	1% Increase (8% Decreasing to 5.75%)
School District's Proportionate Share of the Net OPEB Liability	\$401,398	\$509,760	\$654,669

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 15 - Defined Benefit OPEB Plans (continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation reflecting experience study results used in the June 30, 2020, actuarial valuation are presented below.

Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7.45 percent net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5 percent initial, 4 percent ultimate
Medicare	-6.69 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	6.5 percent initial, 4 percent ultimate
Medicare	11.87 percent initial, 4 percent ultimate

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

For healthy retirees, the mortality rates were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016.

Actuarial assumptions used in the June 30, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

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

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

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 15 - Defined Benefit OPEB Plans (continued)

Discount Rate - The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the Health Care Fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2020.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and the Health Care Cost Trend Rates - The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 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 (6.45 percent) or one percentage point higher (8.45 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 (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net OPEB Asset	(\$389,562)	(\$447,739)	(\$497,100)
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Asset	(\$494,036)	(\$447,739)	(\$391,342)

Note 16 - 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 five to twenty-five days of vacation per fiscal year, depending upon length of service. 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 up to a maximum of two hundred five days for all school personnel. Upon retirement, payment is made for 27 percent of accrued but unused sick leave credit to a maximum of fifty-five days.

B. Health Care Benefits

The School District provides medical, dental, and vision insurance to all employees through the Hancock County Schools Health Benefit Fund. The School District offers life insurance to all employees through the Ohio Schools Council. Depending upon the plan chosen, the employees share the cost of monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 17 - Long-Term Obligations

Changes in the School District’s long-term obligations during fiscal year 2021 were as follows:

	<u>Balance at 6/30/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/21</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Obligation Bonds					
FY10 Energy Conservation Bonds					
1.46%	\$205,000	\$0	\$40,000	\$165,000	\$40,000
Net Pension Liability					
SERS	1,595,742	0	75,512	1,520,230	0
STRS	5,366,118	798,151	0	6,164,269	0
Total Net Pension Liability	6,961,860	798,151	75,512	7,684,499	0
Net OPEB Liability					
SERS	673,871	0	164,111	509,760	0
Compensated Absences Payable	428,539	2,279	0	430,818	11,345
Total Governmental Activities Long -Term Obligations	<u>\$8,269,270</u>	<u>\$800,430</u>	<u>\$279,623</u>	<u>\$8,790,077</u>	<u>\$51,345</u>

FY 2010 Energy Conservation Bonds - On March 30, 2010, the School District issued bonds, in the amount of \$570,000, to pay costs of energy conservation improvements to buildings. The bonds were issued for a fifteen year period, with final maturity during fiscal year 2025.

The bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2022	\$40,000
2023	40,000
2024	40,000
2025	45,000

There is no repayment schedule for the net pension/OPEB liability; however, employer pension contributions are made from the General Fund and the Food Service, ESSER, and Title I special revenue funds.

Compensated absences will be paid from the General Fund and the Food Service and Title I special revenue funds.

The School District’s overall debt margin was \$8,596,306 with an unvoted debt margin of \$95,515 at June 30, 2021.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 17 - Long-Term Obligations (continued)

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2021, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		
	Term	Interest	Total
2022	\$40,000	\$2,116	\$42,116
2023	40,000	1,532	41,532
2024	40,000	949	40,949
2025	45,000	329	45,329
	\$165,000	\$4,926	\$169,926

Note 18 - 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:

Fund Balance	General	Other Governmental	Total Governmental Funds
Nonspendable for:			
Materials and Supplies Inventory	\$6,585	\$1,317	\$7,902
Prepaid Items	3,940	124	4,064
Unclaimed Monies	369	0	369
Total Nonspendable	10,894	1,441	12,335
Restricted for:			
Capital Improvements	81,269	0	81,269
Extracurricular Activities	0	46,107	46,107
Food Service Operations	0	102,879	102,879
Permanent Improvements	0	15,884	15,884
Regular Instruction	0	29,082	29,082
Student Activities	0	35,887	35,887
Student Wellness and Success	0	158,955	158,955
Total Restricted	81,269	388,794	470,063

(continued)

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 18 - Fund Balance (continued)

Fund Balance	General	Other Governmental	Total Governmental Funds
Committed for:			
Future Severance Payments	\$310,094	\$0	\$310,094
Assigned for:			
Educational Activities	17,606	0	17,606
Projected Budget Shortage	302,896	0	302,896
Scholarships	2,938	0	2,938
Unpaid Obligations	347,994	0	347,994
Total Assigned	671,434	0	671,434
Unassigned (Deficit)	2,920,998	(18,881)	2,902,117
Total Fund Balance	\$3,994,689	\$371,354	\$4,366,043

Note 19 - 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 set aside for capital improvements during fiscal year 2021.

Balance June 30, 2020	\$1,908
Current Year Set Aside Requirement	99,543
Qualifying Expenditures	(20,182)
Balance June 30, 2021	\$81,269

Note 20 - Interfund Transfers

During fiscal year 2021, the General Fund made transfers to the other governmental funds, in the amount of \$1,087 to subsidize operations of other governmental funds.

Note 21 - 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 2021, the School District paid \$24,649 to NOACSC for various services. Financial information can be obtained from NOACSC, 4277 East Road, Elida, Ohio 45807.

B. Hancock County Local Professional Development Committee

The Hancock County Local Professional Development Committee (HCLPDC) was established in 1999 to plan, promote, and facilitate effective and efficient professional educator license renewal standards and staff development activities. The HCLPDC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its members. The HCLPDC is governed by a thirteen member Executive Board. Financial information can be obtained from the Hancock County Educational Service Center, who serves as fiscal agent, 7746 County Road 140, Findlay, Ohio 45840.

Note 22 - Insurance Pools

A. Schools of Ohio Risk Sharing Authority

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SORSA's business and affairs are conducted by a board consisting of nine superintendents and treasurers, as well as an attorney, accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and establishing agreements between SORSA and its members. Financial information can be obtained from Willis Pooling, 775 Yard Street, Suite 200, Grandview Heights, Ohio 43212.

B. Hancock County Schools Health Benefit Fund

The Hancock County Schools Health Benefit Fund is a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Developmental Disabilities. The Fund is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision benefits to the employees of the participants. Each participants' superintendent is appointed to the Health Benefit Fund Board who works with a consultant in managing the operation of the fund.

Note 22 - Insurance Pools (continued)

C. Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 23 - 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, 2021.

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE adjustments for fiscal year 2021 have been finalized and resulted in a payable to the School District totaling \$1,901. This amount was not reported on the financial statements.

C. Litigation

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

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 24 - Subsequent Event

For fiscal year 2022, School District foundation funding received from the State will be funded using a direct funding model. Under this new model, community school, STEM school, scholarship, and open enrollment funding will be directly funded by the State of Ohio to the respective educating schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the respective educating school. For fiscal year 2021, the School District reported \$114,177 in revenues and expenditures/expenses related to these programs.

This new funding system calculates a unique base cost and a unique “per pupil local capacity amount” for each School District. The School District’s State core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

Note 25 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June 2021 while the national state of emergency continues. During fiscal year 2021, the School District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020, and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

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

	2021	2020	2019	2018
School District's Proportion of the Net Pension Liability	0.02298430%	0.02667050%	0.02506820%	0.02606020%
School District's Proportionate Share of the Net Pension Liability	\$1,520,230	\$1,595,742	\$1,435,702	\$1,557,039
School District's Employee Payroll	\$810,529	\$919,570	\$845,363	\$843,936
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	187.56%	173.53%	169.83%	184.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	71.36%	69.50%

(1) Information prior to 2014 is not available.

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

See Accompanying Notes to the Required Supplementary Information

2017	2016	2015	2014
0.02504030%	0.26282600%	0.02600300%	0.02600300%
\$1,832,719	\$1,499,711	\$1,315,997	\$1,546,315
\$781,871	\$795,334	\$705,725	\$728,672
234.40%	188.56%	186.47%	212.21%
62.98%	69.16%	71.70%	65.52%

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

	2021	2020	2019	2018
School District's Proportion of the Net OPEB Liability	0.02345530%	0.02679630%	0.02505740%	0.02652590%
School District's Proportionate Share of the Net OPEB Liability	\$509,760	\$673,871	\$695,160	\$711,885
School District's Employee Payroll	\$810,529	\$919,570	\$845,363	\$843,936
School District's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	62.89%	73.28%	82.23%	84.35%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	13.57%	12.46%

(1) Information prior to 2017 is not available.

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

See Accompanying Notes to the Required Supplementary Information

2017

0.02532780%

\$721,936

\$781,871

92.33%

11.49%

Arlington Local School District
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Eight Fiscal Years (1)

	2021	2020	2019	2018
School District's Proportion of the Net Pension Liability	0.02547593%	0.02426527%	0.02447627%	0.02431575%
School District's Proportionate Share of the Net Pension Liability	\$6,164,269	\$5,366,118	\$5,381,781	\$5,776,259
School District's Employee Payroll	\$3,093,886	\$2,810,514	\$2,843,329	\$2,613,929
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	199.24%	190.93%	189.28%	220.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	77.30%	75.30%

(1) Information prior to 2014 is not available.

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

See Accompanying Notes to the Required Supplementary Information

2017	2016	2015	2014
0.02450692%	0.24536330%	0.02572780%	0.02572780%
\$8,203,204	\$6,781,124	\$6,257,891	\$7,454,359
\$2,594,807	\$2,525,529	\$2,616,954	\$2,606,800
316.14%	268.50%	239.13%	285.96%
66.80%	72.10%	74.70%	69.30%

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

	2021	2020	2019	2018
School District's Proportion of the Net OPEB Liability	0.02547593%	0.02426527%	0.02447627%	0.02431575%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$447,739)	(\$401,891)	(\$393,308)	\$948,711
School District's Employee Payroll	\$3,093,886	\$2,810,514	\$2,843,329	\$2,613,929
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Employee Payroll	-14.47%	-14.30%	-13.83%	36.29%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	182.10%	174.70%	176.00%	47.10%

(1) Information prior to 2017 is not available.

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

See Accompanying Notes to the Required Supplementary Information

2017

0.02450692%

\$1,310,636

\$2,954,807

44.36%

37.30%

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net Pension Liability				
Contractually Required Contribution	\$117,810	\$113,474	\$124,142	\$114,124
Contributions in Relation to the Contractually Required Contribution	<u>(117,810)</u>	<u>(113,474)</u>	<u>(124,142)</u>	<u>(114,124)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll (1)	\$841,500	\$810,529	\$919,570	\$845,363
Pension Contributions as a Percentage of Employee Payroll	14.00%	14.00%	13.50%	13.50%
Net OPEB Liability				
Contractually Required Contribution (2)	\$13,579	\$13,198	\$18,443	\$16,101
Contributions in Relation to the Contractually Required Contribution	<u>(13,579)</u>	<u>(13,198)</u>	<u>(18,443)</u>	<u>(16,101)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Employee Payroll	<u>1.61%</u>	<u>1.63%</u>	<u>2.01%</u>	<u>1.90%</u>
Total Contributions as a Percentage of Employee Payroll (2)	<u>15.61%</u>	<u>15.63%</u>	<u>15.51%</u>	<u>15.40%</u>

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

(2) Includes Surcharge

See Accompanying Notes to the Required Supplementary Information

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$118,151	\$109,462	\$104,825	\$97,814	\$100,848	\$93,823
<u>(118,151)</u>	<u>(109,462)</u>	<u>(104,825)</u>	<u>(97,814)</u>	<u>(100,848)</u>	<u>(93,823)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$843,936	\$781,871	\$795,334	\$705,725	\$728,672	\$697,567
14.00%	14.00%	13.18%	13.86%	13.84%	13.45%
\$14,831	\$12,611	\$19,936	\$14,044	\$14,298	\$15,277
<u>(14,831)</u>	<u>(12,611)</u>	<u>(19,936)</u>	<u>(14,044)</u>	<u>(14,298)</u>	<u>(15,277)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.76%</u>	<u>1.61%</u>	<u>2.51%</u>	<u>1.99%</u>	<u>1.96%</u>	<u>2.19%</u>
<u>15.76%</u>	<u>15.61%</u>	<u>15.69%</u>	<u>15.85%</u>	<u>15.80%</u>	<u>15.64%</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net Pension Liability				
Contractually Required Contribution	\$410,830	\$433,144	\$393,472	\$398,066
Contributions in Relation to the Contractually Required Contribution	<u>(410,830)</u>	<u>(433,144)</u>	<u>(393,472)</u>	<u>(398,066)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$2,934,500	\$3,093,886	\$2,810,514	\$2,843,329
Pension Contributions as a Percentage of Employee Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Employee Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Employee Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See Accompanying Notes to the Required Supplementary Information

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$365,950	\$363,273	\$353,574	\$340,204	\$338,884	\$357,445
<u>(365,950)</u>	<u>(363,273)</u>	<u>(353,574)</u>	<u>(340,204)</u>	<u>(338,884)</u>	<u>(357,445)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,613,929	\$2,594,807	\$2,525,529	\$2,616,954	\$2,606,800	\$2,749,577
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$0	\$0	\$0	\$26,170	\$26,068	\$27,496
<u>0</u>	<u>0</u>	<u>0</u>	<u>(26,170)</u>	<u>(26,068)</u>	<u>(27,496)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
0.00%	0.00%	0.00%	1.00%	1.00%	1.00%
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Arlington Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

Net Pension Liability

Changes in Assumptions - SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented below.

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3 percent	3.25 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent	4 percent to 22 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Amounts reported for fiscal year 2016 and prior use mortality assumptions that were based on the 1994 Group Annuity Mortality Table set back one year for both males and females. Special mortality tables were used the period after disability retirement.

Changes in Assumptions - STRS

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2017 and prior are presented below.

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.5 percent	2.75 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date

Arlington Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

Beginning with fiscal year 2018, postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table, projected forward generationally using Mortality Improvement Scale MP-2016.

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

Net OPEB Liability

Changes in Assumptions - SERS

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

Municipal Bond Index Rate	
Fiscal Year 2021	2.45 percent
Fiscal Year 2020	3.13 percent
Fiscal Year 2019	3.62 percent
Fiscal Year 2018	3.56 percent
Fiscal Year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense including inflation	
Fiscal Year 2021	2.63 percent
Fiscal Year 2020	3.22 percent
Fiscal Year 2019	3.7 percent
Fiscal Year 2018	3.63 percent
Fiscal Year 2017	2.98 percent

Changes in Assumptions - STRS

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

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

Arlington Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

Changes in Benefit Terms - STRS

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B reimbursements will be discontinued beginning January 1, 2020.

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

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

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

Arlington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

The discussion and analysis of Arlington Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2020 are as follows:

In total, net position decreased \$207,507 (17 percent) primarily due to pension/OPEB expense.

General revenues were 81 percent of total revenues and represent the School District's significant dependence on taxes and unrestricted State entitlements.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Arlington Local School District as a financial whole, or as an entire operating entity.

The statement of net position and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other non-major funds presented in total in a single column. For Arlington Local School District, the General Fund is the most significant fund.

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2020. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

Arlington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

In the statement of net position and the statement of activities, all of the School District's activities are presented as governmental activities which include instruction, support services, non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's only major fund is the General Fund.

Governmental Funds - All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2020 and fiscal year 2019:

Table 1
Net Position

	Governmental Activities		Change
	2020	2019	
<u>Assets</u>			
Current and Other Assets	\$6,173,613	\$6,042,447	\$131,166
Net OPEB Asset	401,891	393,308	8,583
Capital Assets, Net	4,585,483	4,631,988	(46,505)
Total Assets	11,160,987	11,067,743	93,244
<u>Deferred Outflows of Resources</u>			
Pension	1,345,208	1,762,261	(417,053)
OPEB	170,876	96,304	74,572
Total Deferred Outflows of Resources	1,516,084	1,858,565	(342,481)

(continued)

Arlington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Table 1
Net Position
(continued)

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2020</u>	<u>2019</u>	
<u>Liabilities</u>			
Current and Other Liabilities	\$716,709	\$694,766	(\$21,943)
Long-Term Liabilities			
Pension	6,961,860	6,817,483	(144,377)
OPEB	673,871	695,160	21,289
Other Amounts	633,539	623,964	(9,575)
Total Liabilities	<u>8,985,979</u>	<u>8,831,373</u>	<u>(154,606)</u>
<u>Deferred Inflows of Resources</u>			
Pension	388,723	559,300	170,577
OPEB	715,228	718,783	3,555
Other Amounts	1,581,120	1,603,324	22,204
Total Deferred Inflows of Resources	<u>2,685,071</u>	<u>2,881,407</u>	<u>196,336</u>
<u>Net Position</u>			
Net Investment in Capital Assets	4,380,483	4,386,988	(6,505)
Restricted	256,128	222,469	33,659
Unrestricted (Deficit)	<u>(3,630,590)</u>	<u>(3,395,929)</u>	<u>(234,661)</u>
Total Net Position	<u>\$1,006,021</u>	<u>\$1,213,528</u>	<u>(\$207,507)</u>

The net pension liability and net OPEB liability (asset) reported by the School District at June 30, 2020, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", respectively. For reasons discussed below, end users of these financial statements will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability (asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension or net OPEB liability. GASB Statements No. 68 and No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statements No. 68 and No. 75 require the net pension liability and the net OPEB liability (asset) to equal the School District's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Arlington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB Statements No. 68 and No. 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in the net pension liability and the net OPEB liability (asset), respectively, not accounted for as deferred outflows/inflows.

Pension/OPEB related changes noted in the above table reflect an overall decrease in deferred outflows and in deferred inflows. The increase in the net pension liability and decrease in the net OPEB liability represents the School District's proportionate share of the unfunded benefits. As indicated previously, changes in pension benefits, contribution rates, return on investments, and actuarial assumptions all affect the balance of the net pension/OPEB liability.

Aside from pension/OPEB related changes, there were no significant changes noted in the above table.

Arlington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Table 2 reflects the change in net position for fiscal year 2020 and fiscal year 2019.

Table 2
Change in Net Position

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2020</u>	<u>2019</u>	
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$751,606	\$758,373	(\$6,767)
Operating Grants, Contributions, and Interest	760,943	627,776	133,167
Capital Grants and Contributions	2,000	25	1,975
Total Program Revenues	<u>1,514,549</u>	<u>1,386,174</u>	<u>128,375</u>
General Revenues			
Property Taxes Levied for General Purposes	1,763,029	1,741,960	21,069
Income Taxes Levied for General Purposes	1,189,793	1,197,794	(8,001)
Grants and Entitlements not Restricted to Specific Programs	3,402,963	3,570,487	(167,524)
Interest	37,463	50,026	(12,563)
Gifts and Donations	6,622	5,227	1,395
Miscellaneous	103,338	79,742	23,596
Total General Revenues	<u>6,503,208</u>	<u>6,645,236</u>	<u>(142,028)</u>
Total Revenues	<u>8,017,757</u>	<u>8,031,410</u>	<u>(13,653)</u>
<u>Expenses</u>			
Instruction:			
Regular	3,815,748	2,864,427	(951,321)
Special	913,623	791,478	(122,145)
Vocational	222,053	214,109	(7,944)
Support Services:			
Pupils	344,686	314,183	(30,503)
Instructional Staff	189,055	185,865	(3,190)
Board of Education	16,061	18,659	2,598
Administration	719,974	571,474	(148,500)
Fiscal	294,493	248,222	(46,271)
Operation and Maintenance of Plant	759,002	636,286	(122,716)
Pupil Transportation	321,226	293,166	(28,060)
Non-Instructional Services	251,556	262,252	10,696
Extracurricular Activities	374,550	433,933	59,383
Interest and Fiscal Charges	3,237	3,820	583
Total Expenses	<u>8,225,264</u>	<u>6,837,874</u>	<u>(1,387,390)</u>
Increase (Decrease) in Net Position	(207,507)	1,193,536	(1,401,043)
Net Position (Deficit) at Beginning of Year	1,213,528	19,992	1,193,536
Net Position at End of Year	<u>\$1,006,021</u>	<u>\$1,213,528</u>	<u>(\$207,507)</u>

Arlington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

For program revenues, the increase in operating grants and contributions is the result of additional grants for student wellness and agricultural education. The decrease in general revenues is primarily based on State foundation funding.

The increase in expenses is primarily due to pension/OPEB expense as well as salary and benefit cost increases.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction:				
Regular	\$3,815,748	\$2,864,427	\$3,278,730	\$2,437,536
Special	913,623	791,478	561,974	451,529
Vocational	222,053	214,109	190,171	188,074
Support Services:				
Pupils	344,686	314,183	120,546	191,950
Instructional Staff	189,055	185,865	189,055	185,865
Board of Education	16,061	18,659	16,061	18,659
Administration	719,974	571,474	719,974	571,474
Fiscal	294,493	248,222	294,493	248,222
Operation and Maintenance of Plant	759,002	636,286	759,002	636,286
Pupil Transportation	321,226	293,166	321,226	293,166
Non-Instructional Services	251,556	262,252	31,595	33,559
Extracurricular Activities	374,550	433,933	224,651	191,560
Interest and Fiscal Charges	3,237	3,820	3,237	3,820
Total Expenses	<u>\$8,225,264</u>	<u>\$6,837,874</u>	<u>\$6,710,715</u>	<u>\$5,451,700</u>

With the substantial contribution of general revenues for funding the School District's activities, only a limited number of activities are affected by program revenues. Instruction costs are partially offset by tuition and fees and grants restricted for various instruction purposes. Non-instructional services costs are supported by cafeteria sales, state and federal subsidies, and donated commodities for food service operations and extracurricular activities costs are supported by music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

Arlington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. There was very little change in fund balance for the General Fund, the School District's only major fund.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During fiscal year 2020, the School District amended its General Fund budget as needed. For revenues, there was very little change from the original budget to the final budget and changes from the final budget to actual revenues were not significant. For expenditures, changes from the original budget to the final budget were not significant; changes from the final budget to actual expenditures were generally due to conservative budgeting.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2020, the School District had \$4,585,483 invested in capital assets (net of accumulated depreciation). Additions and disposals were not significant. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

At June 30, 2020, the School District had outstanding energy conservation bonds, in the amount of \$205,000, for an energy conservation project. The School District's long-term obligations also included the net pension and net OPEB liabilities and compensated absences. For further information regarding the School District's long-term obligations, refer to Note 17 to the basic financial statements.

Current Issues

The Arlington Local School District is a rural, agricultural community with very little industry; it is also the focal point of the community providing weekend sporting events and musical productions. A high percentage of people live and work here long-term and the community supports the School District throughout its many endeavors. A high percentage of the students participate in athletics and the arts.

The School District entered into a three-year negotiated agreement with the Arlington Teachers Association that began on July 1, 2018, and expires on June 30, 2021. Per the agreement, all certified staff receive a 3 percent wage increase in fiscal years 2019, 2020, and 2021. Certified staff also receive a performance incentive each of these three years depending upon a performance rubric that has a strong emphasis on their performance evaluation as follows: Accomplished \$1,500; Skilled \$1,200; Developing \$800; Ineffective \$0.

Arlington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

There is a Staff Handbook for classified staff which also provides the classified staff with 3 percent wage increases in fiscal years 2019, 2020, and 2021.

The School District is currently in the process of planning the construction of a new bus garage facility. The estimated cost of this building is expected to be \$450,000 and anticipated to be complete sometime in 2021.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kendra Chapman, Treasurer, Arlington Local School District, 336 South Main Street, Arlington, Ohio 45814.

Arlington Local School District
Statement of Net Position
June 30, 2020

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$3,818,672
Accounts Receivable	22,388
Accrued Interest Receivable	1,974
Intergovernmental Receivable	57,126
Prepaid Items	4,767
Inventory Held for Resale	45,601
Materials and Supplies Inventory	7,719
Income Taxes Receivable	470,045
Property Taxes Receivable	1,745,321
Net OPEB Asset	401,891
Nondepreciable Capital Assets	1,008,467
Depreciable Capital Assets, Net	3,577,016
Total Assets	11,160,987
<u>Deferred Outflows of Resources:</u>	
Pension	1,345,208
OPEB	170,876
Total Deferred Outflows of Resources	1,516,084
<u>Liabilities:</u>	
Accounts Payable	17,542
Accrued Wages and Benefits Payable	578,527
Intergovernmental Payable	120,390
Accrued Interest Payable	250
Long-Term Liabilities:	
Due Within One Year	50,217
Due in More Than One Year	
Net Pension Liability	6,961,860
Net OPEB Liability	673,871
Other Amounts	583,322
Total Liabilities	8,985,979
<u>Deferred Inflows of Resources:</u>	
Property Taxes Receivable	1,581,120
Pension	388,723
OPEB	715,228
Total Deferred Inflows of Resources	2,685,071
<u>Net Position:</u>	
Net Investment in Capital Assets	4,380,483
Restricted For:	
Set Asides	1,908
Capital Projects	15,884
Other Purposes	238,336
Unrestricted (Deficit)	(3,630,590)
Total Net Position	\$1,006,021

See Accompanying Notes to the Basic Financial Statements

Arlington Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2020

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$3,815,748	\$435,288	\$99,730	\$2,000
Special	913,623	73,507	278,142	0
Vocational	222,053	0	31,882	0
Support Services:				
Pupils	344,686	0	224,140	0
Instructional Staff	189,055	0	0	0
Board of Education	16,061	0	0	0
Administration	719,974	0	0	0
Fiscal	294,493	0	0	0
Operation and Maintenance of Plan	759,002	0	0	0
Pupil Transportation	321,226	0	0	0
Non-Instructional Services	251,556	113,998	105,963	0
Extracurricular Activities	374,550	128,813	21,086	0
Interest and Fiscal Charges	3,237	0	0	0
Total Governmental Activities	<u>\$8,225,264</u>	<u>\$751,606</u>	<u>\$760,943</u>	<u>\$2,000</u>

General Revenues:

Property Taxes Levied for General Purposes
Income Taxes Levied for General Purposes
Grants and Entitlements not Restricted to Specific Programs
Interest
Gifts and Donations
Miscellaneous
Total General Revenues

Change in Net Position

Net Position at Beginning of Year - Restated (Note 3)
Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Position

Governmental
Activities

(\$3,278,730)
(561,974)
(190,171)

(120,546)
(189,055)
(16,061)
(719,974)
(294,493)
(759,002)
(321,226)
(31,595)
(224,651)
(3,237)

(6,710,715)

1,763,029
1,189,793
3,402,963
37,463
6,622
103,338

6,503,208

(207,507)

1,213,528
\$1,006,021

Arlington Local School District
Balance Sheet
Governmental Funds
June 30, 2020

	General	Other Governmental	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,612,569	\$203,826	\$3,816,395
Accounts Receivable	6,405	15,983	22,388
Accrued Interest Receivable	1,974	0	1,974
Interfund Receivable	4,825	0	4,825
Intergovernmental Receivable	20,591	36,535	57,126
Prepaid Items	4,622	145	4,767
Inventory Held for Resale	0	45,601	45,601
Materials and Supplies Inventory	6,493	1,226	7,719
<u>Restricted Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	2,277	0	2,277
Income Taxes Receivable	470,045	0	470,045
Property Taxes Receivable	1,745,321	0	1,745,321
Total Assets	\$5,875,122	\$303,316	\$6,178,438
<u>Liabilities:</u>			
Accounts Payable	\$16,478	\$1,064	\$17,542
Accrued Wages and Benefits Payable	543,397	35,130	578,527
Interfund Payable	0	4,825	4,825
Intergovernmental Payable	114,708	5,682	120,390
Total Liabilities	674,583	46,701	721,284
<u>Deferred Inflows of Resources:</u>			
Property Taxes Receivable	1,581,120	0	1,581,120
Unavailable Revenue	167,514	48,021	215,535
Total Deferred Inflows of Resources	1,748,634	48,021	1,796,655
<u>Fund Balances:</u>			
Nonspendable	11,484	1,371	12,855
Restricted	1,908	221,807	223,715
Committed	234,141	0	234,141
Assigned	593,343	0	593,343
Unassigned (Deficit)	2,611,029	(14,584)	2,596,445
Total Fund Balances	3,451,905	208,594	3,660,499
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$5,875,122	\$303,316	\$6,178,438

See Accompanying Notes to the Basic Financial Statements

Arlington Local School District
 Reconciliation of Total Governmental Fund Balances
 to Net Position of Governmental Activities
 June 30, 2020

Total Governmental Fund Balances \$3,660,499

Amounts reported for governmental activities on the statement of net position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 4,585,483

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

Accounts Receivable	17,730	
Intergovernmental Receivable	56,641	
Income Taxes Receivable	131,713	
Delinquent Property Taxes Receivable	9,451	
		215,535

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued Interest Payable	(250)	
Energy Conservation Bonds Payable	(205,000)	
Compensated Absences Payable	(428,539)	
		(633,789)

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

Net OPEB Asset		401,891
Deferred Outflows - Pension		1,345,208
Deferred Inflows - Pension		(388,723)
Net Pension Liability		(6,961,860)
Deferred Outflows - OPEB		170,876
Deferred Inflows - OPEB		(715,228)
Net OPEB Liability		(673,871)

Net Position of Governmental Activities \$1,006,021

See Accompanying Notes to the Basic Financial Statements

Arlington Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General	Other Governmental	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$1,761,381	\$0	\$1,761,381
Income Taxes	1,131,959	0	1,131,959
Intergovernmental	3,654,670	461,448	4,116,118
Interest	37,071	833	37,904
Tuition and Fees	508,807	0	508,807
Extracurricular Activities	0	128,813	128,813
Charges for Services	0	113,998	113,998
Gifts and Donations	6,622	38,631	45,253
Miscellaneous	64,951	4,795	69,746
Total Revenues	<u>7,165,461</u>	<u>748,518</u>	<u>7,913,979</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	3,569,156	92,551	3,661,707
Special	704,615	180,864	885,479
Vocational	215,707	2,553	218,260
Support Services:			
Pupils	272,512	66,058	338,570
Instructional Staff	172,599	0	172,599
Board of Education	15,379	0	15,379
Administration	676,912	8,118	685,030
Fiscal	268,543	0	268,543
Operation and Maintenance of Plant	675,157	29,130	704,287
Pupil Transportation	324,904	0	324,904
Non-Instructional Services	1,500	221,183	222,683
Extracurricular Activities	194,269	149,383	343,652
Debt Service:			
Principal Retirement	40,000	0	40,000
Interest and Fiscal Charges	3,285	0	3,285
Total Expenditures	<u>7,134,538</u>	<u>749,840</u>	<u>7,884,378</u>
Excess of Revenues Over (Under) Expenditures	<u>30,923</u>	<u>(1,322)</u>	<u>29,601</u>
<u>Other Financing Sources (Uses)</u>			
Sale of Capital Assets	0	2,000	2,000
Transfers In	1,468	23,312	24,780
Transfers Out	<u>(23,312)</u>	<u>(1,468)</u>	<u>(24,780)</u>
Total Other Financing Sources (Uses)	<u>(21,844)</u>	<u>23,844</u>	<u>2,000</u>
Changes in Fund Balances	9,079	22,522	31,601
Fund Balances at Beginning of Year - Restated (Not	3,442,826	186,072	3,628,898
Fund Balances at End of Year	<u>\$3,451,905</u>	<u>\$208,594</u>	<u>\$3,660,499</u>

See Accompanying Notes to the Basic Financial Statements

Arlington Local School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2020

Changes in Fund Balances - Total Governmental Funds \$31,601

Amounts reported for governmental activities on the statement of activities are different because of the following:

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

Capital Outlay - Depreciable Capital Assets	125,004	
Capital Contribution	2,000	
Depreciation	<u>(173,509)</u>	(46,505)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net position and is offset against the proceeds from the sale of capital assets resulting in a gain on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(2,000)	
Gain on Disposal of Capital Assets	<u>2,000</u>	0

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

Delinquent Property Taxes	1,648	
Income Taxes	57,834	
Intergovernmental	8,716	
Tuition and Fees	(12)	
Miscellaneous	<u>31,592</u>	99,778

Repayment of principal is an expenditure in governmental funds but the repayment reduces long-term liabilities on the statement of net position. 40,000

Interest is reported as an expenditure when due in governmental funds but is accrued on outstanding debt on the statement of net position. 48

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (49,575)

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

Pension	(937,471)	
OPEB	<u>94,801</u>	(842,670)

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

Pension	546,618	
OPEB	<u>13,198</u>	559,816

Change in Net Position of Governmental Activities (\$207,507)

See Accompanying Notes to the Basic Financial Statements

Arlington Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over (Under)
Revenues:				
Property Taxes	\$1,724,630	\$1,725,432	\$1,734,815	\$9,383
Income Taxes	1,255,208	1,255,792	1,262,620	6,828
Intergovernmental	3,762,700	3,764,386	3,655,466	(108,920)
Interest	37,759	37,776	37,876	100
Tuition and Fees	515,769	516,004	508,660	(7,344)
Gifts and Donations	7,032	7,045	6,622	(423)
Miscellaneous	20,504	20,540	19,480	(1,060)
Total Revenues	7,323,602	7,326,975	7,225,539	(101,436)
Expenditures:				
Current:				
Instruction:				
Regular	3,673,257	3,681,239	3,576,999	104,240
Special	677,612	730,540	695,493	35,047
Vocational	229,683	234,949	215,184	19,765
Support Services:				
Pupils	352,223	295,803	284,294	11,509
Instructional Staff	201,607	181,063	170,299	10,764
Board of Education	26,716	26,671	17,604	9,067
Administration	696,978	703,779	684,290	19,489
Fiscal	272,198	280,580	274,016	6,564
Operation and Maintenance of Plant	1,410,282	1,427,815	778,355	649,460
Pupil Transportation	357,270	387,151	350,233	36,918
Non-Instructional Services	2,000	2,000	2,000	0
Extracurricular Activities	200,861	202,436	194,613	7,823
Debt Service:				
Principal Retirement	40,000	40,000	40,000	0
Interest and Fiscal Charges	3,285	3,285	3,285	0
Total Expenditures	8,143,972	8,197,311	7,286,665	910,646
Excess of Revenues				
Under Expenditures	(820,370)	(870,336)	(61,126)	809,210
Other Financing Sources (Uses):				
Sale of Capital Assets	2,365	2,365	0	(2,365)
Refund of Prior Year Expenditures	47,782	48,062	48,062	0
Other Financing Sources	3,167	3,167	0	(3,167)
Transfers In	1,468	1,468	1,468	0
Transfers Out	(23,312)	(23,312)	(23,312)	0
Total Other Financing Sources (Uses)	31,470	31,750	26,218	(5,532)
Changes in Fund Balance	(788,900)	(838,586)	(34,908)	803,678
Fund Balance at Beginning of Year	3,280,152	3,280,152	3,280,152	0
Prior Year Encumbrances Appropriated	189,589	189,589	189,589	0
Fund Balance at End of Year	\$2,680,841	\$2,631,155	\$3,434,833	\$803,678

See Accompanying Notes to the Basic Financial Statements

Arlington Local School District
Statement of Fiduciary Net Position
Private Purpose Trust Fund
June 30, 2020

	<u>Private Purpose Trust</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$500</u>
<u>Net Position:</u>	
Held in Trust for Scholarships	<u>\$500</u>
See Accompanying Notes to the Basic Financial Statements	

Arlington Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2020

	Private Purpose Trust	Custodial
<u>Additions:</u>		
Charges Received for OHSAA	\$0	\$704
<u>Deductions:</u>		
Distributions on Behalf of OHSAA	0	704
Changes in Net Position	0	0
Net Position at Beginning of Year - Restated (Note 3)	500	0
Net Position at End of Year	\$500	\$0

See Accompanying Notes to the Basic Financial Statements

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 1 - Description of the School District and Reporting Entity

Arlington Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government 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 1923. The School District serves an area of approximately seventy-six square miles. It is located in Hancock County, and includes all of the Village of Arlington and portions of Eagle, Jackson, Madison, and Van Buren Townships. The School District is staffed by twenty-eight classified employees, forty-eight certified teaching personnel, and four administrative employees who provide services to five hundred sixty-eight students and other community members. The School District currently operates one facility which includes the elementary, middle, and high schools.

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 Arlington Local 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 Arlington Local School District.

The School District participates in two jointly governed organizations and three insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Hancock County Local Professional Development Committee, Schools of Ohio Risk Sharing Authority, Hancock County Schools Health Benefit Fund, and the Ohio School Boards Association Workers’ Compensation Group Rating Plan. Information about these organizations is presented in Notes 21 and 22 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of Arlington Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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

Fund Financial Statements

During the 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.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Governmental Funds

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

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 Funds

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 private purpose trust fund accounts for college scholarships for students after graduation. The School District's custodial fund is use to account for resources held on behalf of the Ohio High School Athletic Association.

C. Measurement Focus

Government-Wide Financial Statements

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

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Financial Statements

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

Like the government-wide financial statements, fiduciary funds are accounted for using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from fiduciary funds.

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and charges for services.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB and explained in Note 14 and Note 15 to the basic financial statements.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources consists of property taxes, unavailable revenue, pension, and OPEB. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. This amount has been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes intergovernmental revenue including grants, income taxes, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities on page 17. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position and explained in Note 14 and Note 15 to the basic financial statements.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

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

E. Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds are made by the School District 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 amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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.

F. 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 2020, investments consisted of nonnegotiable certificates of deposit, which are recorded at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2020 was \$37,071, which includes \$4,278 assigned from other School District funds.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

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.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the General Fund represent unexpended revenues restricted for capital improvements and unclaimed monies that have a legal restriction on their use.

J. Capital Assets

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

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their acquisition value on the date donated. The School District maintains a capitalization threshold of one thousand dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Useful Lives
Land Improvements	10 - 100 years
Buildings and Building Improvements	10 - 100 years
Furniture, Fixtures, and Equipment	5 - 75 years
Vehicles	10 - 15 years
Infrastructure	50 years

K. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or unpaid amounts for interfund services provided are classified as “Interfund Receivables/Payables”. Interfund balances within governmental activities are eliminated on the statement of net position.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees’ wage rates at fiscal year end, taking into consideration any limits specified in the School District’s termination policy. The School District records a liability for accumulated unused sick leave for all employees after eight years of service.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. The net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan’s fiduciary net position is not sufficient to pay those benefits. Bonds are recognized as a liability on the fund financial statements when due.

Note 2 - Summary of Significant Accounting Policies (continued)

N. Capital Contributions

Capital contributions arise from contributions of capital assets from outside sources.

O. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations, music and athletic programs, 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.

P. 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:

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 reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or are 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. Fund balance policy of the Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated. The Board of Education has also assigned fund balance to cover a gap between estimated resources and appropriations in the fiscal year 2021 budget. Certain resources have also been assigned for other educational activities.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Q. Pension/Other Postemployment Benefits

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

R. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

S. Estimates

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

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 3 - Change in Accounting Principles and Restatement of Fund Balance/Net Position

A. Change in Accounting Principles

For fiscal year 2020, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 84, “Fiduciary Activities”, Statement No. 90, “Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61”, and related guidance from GASB Implementation Guide 2019-2, “Fiduciary Activities”.

For fiscal year 2020, the School District also implemented GASB Implementation Guide No. 2018-1. These changes were incorporated in the School District’s fiscal year 2020 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds. The School District reviewed its agency funds and certain funds will be reported in the new fiduciary fund classification of custodial funds while other funds have been reclassified as governmental funds. These reclassifications resulted in a restatement of the School District’s financial statements.

GASB Statement No. 90 defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if the government’s holding of the equity interest meets the definition of an investment. These changes were incorporated in the School District’s fiscal year 2020 financial statements; however, there was no effect on beginning net position/fund balance.

B. Restatement of Fund Balance/Net Position

The restatement due to the implementation of GASB Statement No. 84 had the following effect on fund balance as previously reported at June 30, 2019.

	General	Other Governmental	Total Governmental Funds
Fund Balance at June 30, 2019	\$3,439,353	\$153,677	\$3,593,030
GASB Statement No. 84	3,473	32,395	35,868
Adjusted Fund Balance at June 30, 2019	\$3,442,826	\$186,072	\$3,628,898

The restatement had the following effect on net position as previously reported.

	Governmental Activities	Private Purpose Trust Fund
Net Position at June 30, 2019	\$1,177,660	\$3,604
GASB Statement No. 84	35,868	(3,104)
Adjusted Net Position at June 30, 2019	\$1,213,528	\$500

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 3 - Change in Accounting Principles and Restatement of Fund Balance/Net Position (continued)

Due to the implementation of GASB Statement No. 84, the new classification of custodial funds is reporting a beginning net position of \$0. Also related to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds; at June 30, 2019, agency funds reported assets and liabilities of \$32,764.

Note 4 - Accountability

At June 30, 2020, the Agricultural Education Grant, Title I, and Title II-A special revenue funds had deficit fund balances, in the amount of \$273, \$10,096, and \$4,215, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

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

The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	\$9,079
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2019, Received in Cash FY 2020	603,842
Accrued FY 2020, Not Yet Received in Cash	(495,702)

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 5 - Budgetary Basis of Accounting (continued)

Changes in Fund Balance (continued)	
Expenditure Accruals:	
Accrued FY 2019, Paid in Cash FY 2020	(\$654,155)
Accrued FY 2020, Not Yet Paid in Cash	674,583
Prepaid Items	528
Materials and Supplies Inventory	11,755
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(184,838)
Budget Basis	 (\$34,908)

Note 6 - 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 of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 6 - Deposits and Investments (continued)

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.

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.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 7 - Receivables

Receivables at June 30, 2020, consisted of accounts (student fees and billings for user charged services), accrued interest, interfund, intergovernmental, income taxes, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except income taxes and property taxes, are expected to be collected within one year. Income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
School Employees Retirement System	\$20,106
State of Ohio - Medicaid	485
Total General Fund	20,591
Other Governmental Funds	
Agricultural Education Grant	2,231
Idea Part B	24,865
Title I	437
Title II-A	4,215
Miscellaneous Federal Grants	4,787
Total Other Governmental Funds	36,535
Total Governmental Activities	\$57,126

Note 8 - Income Taxes

The School District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1996, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 9 - 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.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 9 - Property Taxes (continued)

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 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values as of January 1, 2019, 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 2020 represent the collection of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, 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 Hancock County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2020, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources - property taxes.

The amount available as an advance at June 30, 2020, was \$154,750 in the General Fund. The amount available as an advance at June 30, 2019, was \$128,184 in the General Fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue. On a modified accrual basis, the revenue has been recorded as deferred inflows of resources - unavailable revenue.

The assessed values upon which fiscal year 2020 taxes were collected are:

	2019 Second- Half Collections		2020 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$88,513,950	92.14%	\$86,509,960	91.74%
Industrial/Commercial	4,034,810	4.20	4,089,970	4.34
Public Utility	3,517,630	3.66	3,702,570	3.92
Total Assessed Value	<u>\$96,066,390</u>	<u>100.00%</u>	<u>\$94,302,500</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$31.40		\$31.40	

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance at 6/30/19	Additions	Reductions	Balance at 6/30/20
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$1,008,467	\$0	\$0	\$1,008,467
Depreciable Capital Assets				
Land Improvements	224,320	0	0	224,320
Buildings and Building Improvements	4,877,083	0	0	4,877,083
Furniture, Fixtures, and Equipment	900,290	44,764	(1,378)	943,676
Vehicles	619,398	82,240	(51,334)	650,304
Infrastructure	11,856	0	0	11,856
Total Depreciable Capital Assets	6,632,947	127,004	(52,712)	6,707,239
Less Accumulated Depreciation				
Land Improvements	(113,289)	(5,389)	0	(118,678)
Buildings and Building Improvements	(1,900,584)	(75,190)	0	(1,975,774)
Furniture, Fixtures, and Equipment	(545,203)	(37,873)	1,378	(581,698)
Vehicles	(446,063)	(54,819)	51,334	(449,548)
Infrastructure	(4,287)	(238)	0	(4,525)
Total Accumulated Depreciation	(3,009,426)	(173,509)	52,712	(3,130,223)
Depreciable Capital Assets, Net	3,623,521	(46,505)	0	3,577,016
Governmental Activities Capital Assets, Net	\$4,631,988	(\$46,505)	\$0	\$4,585,483

During fiscal year 2020, the School District accepted contributions of depreciable capital assets from outside sources with a fair value of \$2,000.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$32,740
Special	338
Vocational	1,973
Support Services:	
Pupils	202
Instructional Staff	809
Administration	872
Fiscal	271
Operation and Maintenance of Plant	50,946
Pupil Transportation	55,034
Non-Instructional Services	5,328
Extracurricular Activities	24,996
Total Depreciation Expense	<u>\$173,509</u>

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 11 - Interfund Receivables/Payables

At June 30, 2020, the General Fund had an interfund receivable, in the amount of \$4,825, from other governmental funds to provide cash flow resources until the receipt of grant monies. This amount is expected to be repaid within one year.

Note 12 - Contractual Commitments

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2021 are as follows:

General Fund	\$184,838
Other Governmental Funds	26,552

Note 13 - 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 2020, the School District contracted for the following insurance coverage.

Coverage provided by United Insurance Service is as follows:

Building and Contents	\$24,153,968
General School District Liability	15,000,000
Automobile Liability	15,000,000
Uninsured Motorists	1,000,000

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.

For fiscal year 2020, the School District participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with the SORSA for insurance coverage and pays annual premiums to the SORSA based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in the Hancock County Schools Health Benefit Fund (Fund), a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Developmental Disabilities. The School District pays monthly premiums to the Fund for employee medical, dental, and life insurance benefits. The Fund is responsible for the management and operations of the program. Upon withdrawal from the Fund, a participant is responsible for the payment of all Fund liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

Note 13 - Risk Management (continued)

For fiscal year 2020, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Note 14 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions/OPEB are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that have already occurred.

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

The Ohio Revised Code limits the School District's obligation for these liabilities 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.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 14 - Defined Benefit Pension Plans (continued)

GASB Statements No. 68 and No. 75 assume the liability is solely the obligation of the employer because (1) they benefit from employee services and (2) State statute requires all funding to come from the employers. All pension contributions to date have come solely from the employer (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contribution to provide for OPEB benefits. In addition, health care plan enrollees pay a portion of the health care cost in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within thirty years. If the amortization period exceeds thirty 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 health care to eligible benefit recipients.

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

Plan Description - School Employees Retirement System (SERS)

Plan Description - School District nonteaching 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. The 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; 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; 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 thirty years. Final average salary is the average of the highest three years of salary.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 14 - Defined Benefit Pension Plans (continued)

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three year COLA suspension is in effect for all benefit recipients for 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W not to exceed 2.5 percent and with a floor of 0 percent.

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, 2020, the allocation to pension, death benefits, and Medicare B was 14 percent. For fiscal year 2020, the Retirement Board did not allocate any employer contributions to the Health Care Fund.

The School District's contractually required contribution to SERS was \$113,474 for fiscal year 2020. Of this amount, \$22,820 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients base benefit and past cost of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age sixty-five or thirty-five years of service credit and at least age sixty. Eligibility changes for DBP 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 sixty or thirty years of service credit at any age.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 14 - Defined Benefit Pension Plans (continued)

The DCP allows members to place all of their member contributions and 9.53 percent of the 14 percent employer contribution into an investment account. Investment allocation decisions are determined by the member among the various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer contribution rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The CP offers features of both the DBP and the DCP. In the CP, 12 percent of the 14 percent member rate is deposited into the member's DCP account and the remaining 2 percent is applied to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty 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 DCP or CP 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 CP 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 Statement No. 68 reporting purposes.

A DBP or CP member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DCP 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 DCP 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. For the fiscal year ended June 30, 2020, the employer and employee rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$433,144 for fiscal year 2020. Of this amount, \$75,480 is reported as an intergovernmental payable.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 14 - Defined Benefit Pension Plans (continued)

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

The net pension liability was measured as of June 30, 2019, 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.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.02506820%	0.02447627%	
Current Measurement Date	<u>0.02667050%</u>	<u>0.02426527%</u>	
Change in Proportionate Share	<u>0.00160230%</u>	<u>0.00021100%</u>	
Proportionate Share of the Net Pension Liability	\$1,595,742	\$5,366,118	\$6,961,860
Pension Expense	\$265,631	\$671,840	\$937,471

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences Between Expected and Actual Experience	\$40,464	\$43,689	\$84,153
Changes of Assumptions	0	630,354	630,354
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	65,146	18,937	84,083
School District Contributions Subsequent to the Measurement Date	<u>113,474</u>	<u>433,144</u>	<u>546,618</u>
Total Deferred Outflows of Resources	<u>\$219,084</u>	<u>\$1,126,124</u>	<u>\$1,345,208</u>
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	\$0	\$23,229	\$23,229
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	20,484	262,267	282,751
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	<u>11,206</u>	<u>71,537</u>	<u>82,743</u>
Total Deferred Inflows of Resources	<u>\$31,690</u>	<u>\$357,033</u>	<u>\$388,723</u>

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 14 - Defined Benefit Pension Plans (continued)

\$546,618 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

Fiscal Year Ended June 30,	SERS	STRS	Total
2021	\$81,807	\$311,684	\$393,491
2022	(18,139)	45,701	27,562
2023	(1,364)	(42,171)	(43,535)
2024	11,616	20,733	32,349
Total	\$73,920	\$335,947	\$409,867

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of the 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 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 pension liability in the latest actuarial valuation prepared as of June 30, 2019, are presented below.

Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal (level percent of payroll)

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 14 - Defined Benefit Pension Plans (continued)

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

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the pension plan investments has been determined using a building-block approach and assumes a time horizon as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating 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 rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
U.S. Stocks	22.50	4.75
Non-U.S. Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00%	

Discount Rate - The total pension liability was calculated using the discount rate of 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.5 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.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 14 - Defined Benefit Pension Plans (continued)

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 7.5 percent as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's Proportionate Share of the Net Pension Liability	\$2,236,206	\$1,595,742	\$1,058,634

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below.

Inflation	2.5 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7.45 percent net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017

Postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table, projected forward generationally using Mortality Improvement Scale MP-2016.

Actuarial assumptions used in the July 1, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 14 - 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	28.00%	7.35%
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
	100.00%	

* Target weights will be phased in over a twenty-four month period concluding on July 1, 2019.

** 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a thirty 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 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes 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, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 14 - Defined Benefit Pension Plans (continued)

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 7.45 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 (6.45 percent) or one percentage point higher (8.45 percent) than the current rate.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	\$7,841,985	\$5,366,118	\$3,270,171

Social Security

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, 2020, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 15 - Defined Benefit OPEB Plans

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

School Employees Retirement System (SERS)

Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for nonteaching retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. The SERS Health Care Plan provides health care benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need ten years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of sixty-five 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 State statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Note 15 - Defined Benefit OPEB Plans (continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). The 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 establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, 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, prorated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. State statute provides 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 2020, the School District's surcharge obligation was \$13,198.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, is the amount assigned to the Health Care Fund. The School District's contribution to SERS for health care was \$13,198 for fiscal year 2020. Of this amount, \$13,198 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing health care plan for eligible retirees who participated in the defined benefit and combined pension plans offered by STRS. Ohio law authorizes STRS to offer the plan. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the STRS financial report which can be obtained by visiting the STRS website at www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care 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 postemployment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to postemployment health care.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 15 - Defined Benefit OPEB Plans (continued)

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

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	.02505740%	.02447627%	
Current Measurement Date	<u>.02679630%</u>	<u>.02426527%</u>	
Change in Proportionate Share	<u>.00173890%</u>	<u>.00021100%</u>	
Proportionate Share of the			
Net OPEB Liability	\$673,871	\$0	\$673,871
Net OPEB Asset	\$0	\$401,891	\$401,891
OPEB Expense	\$29,463	(\$124,264)	(\$94,801)

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences Between Expected and Actual			
Experience	\$9,892	\$36,434	\$46,326
Changes of Assumptions	49,219	8,448	57,667
Net Difference Between Projected and Actual			
Earnings on OPEB Plan Investments	1,618	0	1,618
Changes in Proportionate Share and Difference			
Between School District Contributions			
and Proportionate Share of Contributions	47,300	4,767	52,067
School District Contributions Subsequent to the			
Measurement Date	<u>13,198</u>	<u>0</u>	<u>13,198</u>
Total Deferred Outflows of Resources	<u>\$121,227</u>	<u>\$49,649</u>	<u>\$170,876</u>
Deferred Inflows of Resources			
Differences Between Expected and Actual			
Experience	\$148,045	\$20,447	\$168,492
Changes of Assumptions	37,762	440,626	478,388
Net Difference Between Projected and Actual			
Earnings on OPEB Plan Investments	0	25,242	25,242
Changes in Proportionate Share and Difference			
Between School District Contributions			
and Proportionate Share of Contributions	<u>36,048</u>	<u>7,058</u>	<u>43,106</u>
Total Deferred Inflows of Resources	<u>\$221,855</u>	<u>\$493,373</u>	<u>\$715,228</u>

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 15 - Defined Benefit OPEB Plans (continued)

\$13,198 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or increase in the net OPEB asset in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows.

Fiscal Year Ended June 30,	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2021	(\$32,995)	(\$97,156)	(\$130,151)
2022	(20,619)	(97,156)	(117,775)
2023	(20,144)	(87,040)	(107,184)
2024	(20,222)	(83,494)	(103,716)
2025	(14,769)	(79,835)	(94,604)
Thereafter	(5,077)	957	(4,120)
Total	<u>(\$113,826)</u>	<u>(\$443,724)</u>	<u>(\$557,550)</u>

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 modification 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.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 15 - Defined Benefit OPEB Plans (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below.

Inflation	3 percent
Wage Increases	3.5 percent to 18.2 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Municipal Bond Index Rate	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate, net of plan investment expense, including inflation	
Measurement Date	3.22 percent
Prior Measurement Date	3.7 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7 to 4.75 percent

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

The most recent experience study was completed for the five year period ended June 30, 2015.

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 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.5 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a ten year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 15 - Defined Benefit OPEB Plans (continued)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2019, was 3.22 percent. The discount rate used to measure the total OPEB liability prior to June 30, 2019, was 3.7 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the retirement system at the State statute contribution rate of 2 percent of projected covered employee payroll each year which includes a 1.5 percent payroll surcharge and .5 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation Twenty-Year Municipal Bond Index Rate of 3.13 percent, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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 Rate - 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 and what SERS' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22 percent) or one percentage point higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6 percent decreasing to 3.75 percent) and one percentage point higher (8 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22)
School District's Proportionate Share of the Net OPEB Liability	\$817,951	\$673,871	\$559,310
	1% Decrease (6% Decreasing to 3.75%)	Current Trend Rate (7% Decreasing to 4.75%)	1% Increase (8% Decreasing to 5.75%)
School District's Proportionate Share of the Net OPEB Liability	\$539,907	\$673,871	\$851,608

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 15 - Defined Benefit OPEB Plans (continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below.

Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7.45 percent net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 percent initial, 4 percent ultimate

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

For healthy retirees, the mortality rates were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016.

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

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

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

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 15 - Defined Benefit OPEB Plans (continued)

Discount Rate - The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the Health Care Fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and the Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 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 (6.45 percent) or one percentage point higher (8.45 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 (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)								
School District's Proportionate Share of the Net OPEB Asset	\$342,934	\$401,891	\$451,460								
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="text-align: center; border-bottom: 1px solid black;">1% Decrease</th> <th style="text-align: center; border-bottom: 1px solid black;">Current Trend Rate</th> <th style="text-align: center; border-bottom: 1px solid black;">1% Increase</th> </tr> </thead> <tbody> <tr> <td style="padding-top: 10px;">School District's Proportionate Share of the Net OPEB Asset</td> <td style="text-align: center; padding-top: 10px;">\$455,726</td> <td style="text-align: center; padding-top: 10px;">\$401,891</td> <td style="text-align: center; padding-top: 10px;">\$335,956</td> </tr> </tbody> </table>					1% Decrease	Current Trend Rate	1% Increase	School District's Proportionate Share of the Net OPEB Asset	\$455,726	\$401,891	\$335,956
	1% Decrease	Current Trend Rate	1% Increase								
School District's Proportionate Share of the Net OPEB Asset	\$455,726	\$401,891	\$335,956								

Note 16 - 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 five to twenty-five days of vacation per fiscal year, depending upon length of service. 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 up to a maximum of two hundred five days for all school personnel. Upon retirement, payment is made for 27 percent of accrued but unused sick leave credit to a maximum of fifty-five days.

B. Health Care Benefits

The School District provides medical, dental, and vision insurance to all employees through the Hancock County Schools Health Benefit Fund. The School District offers life insurance to all employees through the Ohio Schools Council. Depending upon the plan chosen, the employees share the cost of monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 17 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2020 were as follows:

	<u>Balance at 6/30/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/20</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Obligation Bonds					
FY10 Energy Conservation Bonds					
1.46%	\$245,000	\$0	\$40,000	\$205,000	\$40,000
Net Pension Liability					
SERS	1,435,702	160,040	0	1,595,742	0
STRS	5,381,781	0	15,663	5,366,118	0
Total Net Pension Liability	6,817,483	160,040	15,663	6,961,860	0
Net OPEB Liability					
SERS	695,160	0	21,289	673,871	0
Compensated Absences Payable	378,964	50,494	919	428,539	10,217
Total Governmental Activities Long -Term Obligations	<u>\$8,136,607</u>	<u>\$210,534</u>	<u>\$77,871</u>	<u>\$8,269,270</u>	<u>\$50,217</u>

FY 2010 Energy Conservation Bonds - On March 30, 2010, the School District issued bonds, in the amount of \$570,000, to pay costs of energy conservation improvements to buildings. The bonds were issued for a fifteen year period, with final maturity during fiscal year 2025.

The bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2020	\$40,000
2021	40,000
2022	40,000
2023	40,000

The remaining principal, in the amount of \$45,000, will be paid at stated maturity on December 1, 2024.

There is no repayment schedule for the net pension/OPEB liability; however, employer pension contributions are made from the General Fund, and the Food Service and Student Wellness and Success special revenue funds.

Compensated absences will be paid from the General Fund and the Food Service and Title I special revenue funds.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 17 - Long-Term Obligations (continued)

The School District's overall debt margin was \$8,487,225 with an unvoted debt margin of \$94,303 at June 30, 2020.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2019, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		
	Term	Interest	Total
2021	\$40,000	\$2,701	\$42,701
2022	40,000	2,116	42,116
2023	40,000	1,532	41,532
2024	40,000	949	40,949
2025	45,000	329	45,329
	\$205,000	\$7,627	\$212,627

Note 18 - 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:

Fund Balance	General	Other Governmental	Total Governmental Funds
Nonspendable for:			
Materials and Supplies Inventory	\$6,493	\$1,226	\$7,719
Prepaid Items	4,622	145	4,767
Unclaimed Monies	369	0	369
Total Nonspendable	11,484	1,371	12,855

(continued)

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 18 - Fund Balance (continued)

Fund Balance	General	Other Governmental	Total Governmental Funds
Restricted for:			
Capital Improvements	\$1,908	\$0	\$1,908
Extracurricular Activities	0	65,004	65,004
Food Service Operations	0	70,534	70,534
Permanent Improvements	0	15,884	15,884
Regular Instruction	0	29,194	29,194
Student Activities	0	26,986	26,986
Student Wellness and Success	0	14,205	14,205
Total Restricted	<u>1,908</u>	<u>221,807</u>	<u>223,715</u>
Committed for:			
Future Severance Payments	<u>234,141</u>	<u>0</u>	<u>234,141</u>
Assigned for:			
Educational Activities	14,692	0	14,692
Projected Budget Shortage	395,317	0	395,317
Scholarships	3,320	0	3,320
Unpaid Obligations	<u>180,014</u>	<u>0</u>	<u>180,014</u>
Total Assigned	<u>593,343</u>	<u>0</u>	<u>593,343</u>
Unassigned (Deficit)	<u>2,611,029</u>	<u>(14,584)</u>	<u>2,596,445</u>
Total Fund Balance	<u><u>\$3,451,905</u></u>	<u><u>\$208,594</u></u>	<u><u>\$3,660,499</u></u>

Note 19 - 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.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 19 - Set Asides (continued)

The following cash basis information identifies the change in the fund balance set aside for capital improvements during fiscal year 2020.

Balance June 30, 2019	\$10,134
Current Year Set Aside Requirement	98,584
Qualifying Expenditures	<u>(106,810)</u>
Balance June 30, 2020	<u><u>\$1,908</u></u>

Note 20 - Interfund Transfers

During fiscal year 2020, the General Fund made transfers to the other governmental funds, in the amount of \$23,312 to subsidize permanent improvements and operations of other governmental funds. Other governmental funds made transfers to the General Fund, in the amount of \$1,468, to close out a fund.

Note 21 - Jointly Governed Organizations

A. Northwest Ohio Area Computer Services Cooperative

The Educational Service Center 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 2020, the School District paid \$28,284 to NOACSC for various services. Financial information can be obtained from NOACSC, 4277 East Road, Elida, Ohio 45807.

B. Hancock County Local Professional Development Committee

The Hancock County Local Professional Development Committee (HCLPDC) was established in 1999 to plan, promote, and facilitate effective and efficient professional educator license renewal standards and staff development activities. The HCLPDC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its members. The HCLPDC is governed by a thirteen member Executive Board. Financial information can be obtained from the Hancock County Educational Service Center, who serves as fiscal agent, 7746 County Road 140, Findlay, Ohio 45840.

Note 22 - Insurance Pools

A. Schools of Ohio Risk Sharing Authority

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SORSA's business and affairs are conducted by a board consisting of nine superintendents and treasurers, as well as an attorney, accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and establishing agreements between SORSA and its members. Financial information can be obtained from Willis Pooling, 775 Yard Street, Suite 200, Grandview Heights, Ohio 43212.

B. Hancock County Schools Health Benefit Fund

The Hancock County Schools Health Benefit Fund is a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Developmental Disabilities. The Fund is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision benefits to the employees of the participants. Each participants' superintendent is appointed to the Health Benefit Fund Board who works with a consultant in managing the operation of the fund.

C. Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 23 - 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, 2020.

Note 23 - Contingencies (continued)

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE adjustments for fiscal year 2020 have been finalized and resulted in a receivable to the School District totaling \$375. This amount was not reported on the financial statements.

C. Litigation

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

Note 24 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods for the School District. The School District's investment portfolio and the investments of the pension and other employee benefit plans in which the School District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact of the School District's future operating costs, revenues, and the amount of any recovery from emergency funding, either federal or state, cannot be estimated.

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

	2020	2019	2018	2017
School District's Proportion of the Net Pension Liability	0.02667050%	0.02506820%	0.02606020%	0.02504030%
School District's Proportionate Share of the Net Pension Liability	\$1,595,742	\$1,435,702	\$1,557,039	\$1,832,719
School District's Employee Payroll	\$919,570	\$845,363	\$843,936	\$781,871
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	173.53%	169.83%	184.50%	234.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%	62.98%

(1) Information prior to 2014 is not available.

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

See Accompanying Notes to the Required Supplementary Information

2016	2015	2014
0.26282600%	0.02600300%	0.02600300%
\$1,499,711	\$1,315,997	\$1,546,315
\$795,334	\$705,725	\$728,672
188.56%	186.47%	212.21%
69.16%	71.70%	65.52%

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

	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.02679630%	0.02505740%	0.02652590%	0.02532780%
School District's Proportionate Share of the Net OPEB Liability	\$673,871	\$695,160	\$711,885	\$721,936
School District's Employee Payroll	\$919,570	\$845,363	\$843,936	\$781,871
School District's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	73.28%	82.23%	84.35%	92.33%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See Accompanying Notes to the Required Supplementary Information

Arlington Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Seven Fiscal Years (1)

	2020	2019	2018	2017
School District's Proportion of the Net Pension Liability	0.02426527%	0.02447627%	0.02431575%	0.02450692%
School District's Proportionate Share of the Net Pension Liability	\$5,366,118	\$5,381,781	\$5,776,259	\$8,203,204
School District's Employee Payroll	\$2,810,514	\$2,843,329	\$2,613,929	\$2,594,807
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	190.93%	189.28%	220.98%	316.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.30%	75.30%	66.80%

(1) Information prior to 2014 is not available.

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

See Accompanying Notes to the Required Supplementary Information

2016	2015	2014
0.24536330%	0.02572780%	0.02572780%
\$6,781,124	\$6,257,891	\$7,454,359
\$2,525,529	\$2,616,954	\$2,606,800
268.50%	239.13%	285.96%
72.10%	74.70%	69.30%

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

	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.02426527%	0.02447627%	0.02431575%	0.02450692%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$401,891)	(\$393,308)	\$948,711	\$1,310,636
School District's Employee Payroll	\$2,810,514	\$2,843,329	\$2,613,929	\$2,954,807
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Employee Payroll	-14.30%	-13.83%	36.29%	44.36%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See Accompanying Notes to the Required Supplementary Information

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net Pension Liability				
Contractually Required Contribution	\$113,474	\$124,142	\$114,124	\$118,151
Contributions in Relation to the Contractually Required Contribution	<u>(113,474)</u>	<u>(124,142)</u>	<u>(114,124)</u>	<u>(118,151)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll (1)	\$810,529	\$919,570	\$845,363	\$843,936
Pension Contributions as a Percentage of Employee Payroll	14.00%	13.50%	13.50%	14.00%
Net OPEB Liability				
Contractually Required Contribution (2)	\$13,198	\$18,443	\$16,101	\$14,831
Contributions in Relation to the Contractually Required Contribution	<u>(13,198)</u>	<u>(18,443)</u>	<u>(16,101)</u>	<u>(14,831)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Employee Payroll	<u>1.63%</u>	<u>2.01%</u>	<u>1.90%</u>	<u>1.76%</u>
Total Contributions as a Percentage of Employee Payroll (2)	<u>15.63%</u>	<u>15.51%</u>	<u>15.40%</u>	<u>15.76%</u>

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

(2) Includes Surcharge

See Accompanying Notes to the Required Supplementary Information

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$109,462	\$104,825	\$97,814	\$100,848	\$93,823	\$95,478
<u>(109,462)</u>	<u>(104,825)</u>	<u>(97,814)</u>	<u>(100,848)</u>	<u>(93,823)</u>	<u>(95,478)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$781,871	\$795,334	\$705,725	\$728,672	\$697,567	\$759,568
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%
\$12,611	\$19,936	\$14,044	\$14,298	\$15,277	\$22,951
<u>(12,611)</u>	<u>(19,936)</u>	<u>(14,044)</u>	<u>(14,298)</u>	<u>(15,277)</u>	<u>(22,951)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.61%</u>	<u>2.51%</u>	<u>1.99%</u>	<u>1.96%</u>	<u>2.19%</u>	<u>3.02%</u>
<u>15.61%</u>	<u>15.69%</u>	<u>15.85%</u>	<u>15.80%</u>	<u>15.64%</u>	<u>15.59%</u>

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net Pension Liability				
Contractually Required Contribution	\$433,144	\$393,472	\$398,066	\$365,950
Contributions in Relation to the Contractually Required Contribution	<u>(433,144)</u>	<u>(393,472)</u>	<u>(398,066)</u>	<u>(365,950)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$3,093,886	\$2,810,514	\$2,843,329	\$2,613,929
Pension Contributions as a Percentage of Employee Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Employee Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Employee Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See Accompanying Notes to the Required Supplementary Information

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$363,273	\$353,574	\$340,204	\$338,884	\$357,445	\$310,159
<u>(363,273)</u>	<u>(353,574)</u>	<u>(340,204)</u>	<u>(338,884)</u>	<u>(357,445)</u>	<u>(310,159)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,594,807	\$2,525,529	\$2,616,954	\$2,606,800	\$2,749,577	\$2,385,838
<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$0	\$0	\$26,170	\$26,068	\$27,496	\$23,858
<u>0</u>	<u>0</u>	<u>(26,170)</u>	<u>(26,068)</u>	<u>(27,496)</u>	<u>(23,858)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Arlington Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Net Pension Liability

Changes in Assumptions - SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented below.

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016 and Prior</u>
Wage Inflation	3 percent	3.25 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent	4 percent to 22 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Amounts reported for fiscal year 2016 and prior use mortality assumptions that were based on the 1994 Group Annuity Mortality Table set back one year for both males and females. Special mortality tables were used the period after disability retirement.

Changes in Assumptions - STRS

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2017 and prior are presented below.

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017 and Prior</u>
Inflation	2.5 percent	2.75 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date

Arlington Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Beginning with fiscal year 2018, postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table, projected forward generationally using Mortality Improvement Scale MP-2016.

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

Net OPEB Liability

Changes in Assumptions - SERS

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

Municipal Bond Index Rate	
Fiscal Year 2020	3.13 percent
Fiscal Year 2019	3.62 percent
Fiscal Year 2018	3.56 percent
Fiscal Year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense including inflation	
Fiscal Year 2020	3.22 percent
Fiscal Year 2019	3.7 percent
Fiscal Year 2018	3.63 percent
Fiscal Year 2017	2.98 percent

Changes in Assumptions - STRS

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

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

Arlington Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Changes in Benefit Terms - STRS

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

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

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



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

Arlington Local School District
Hancock County
336 South Main Street
Arlington, Ohio 45814

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States’ *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Arlington Local School District, Hancock County, Ohio (the District) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated April 21, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District. We also noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District’s internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District’s internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District’s financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2021-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

April 21, 2022

ARLINGTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2021 AND 2020

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

FINDING NUMBER 2021-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

In 2021, the District incorrectly overstated Inventory Held for Resale by \$48,073 in the Other Governmental Funds (Food Service Fund).

This error was the result of inadequate policies and procedures in reviewing the financial statements. Failure to complete accurate financial statements could lead to the Board making misinformed decisions. The accompanying financial statements and notes to the financial statements have been adjusted to correct this error. In addition to the adjustment noted above, we also identified an additional error in the amount of \$17,999 that we have brought to the District's attention.

To help ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Treasurer and the Board to identify and correct errors and omissions.

Officials Response:

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

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OHIO AUDITOR OF STATE KEITH FABER



ARLINGTON LOCAL SCHOOL DISTRICT

HANCOCK 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 5/5/2022

88 East Broad Street, Columbus, Ohio 43215
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This report is a matter of public record and is available online at
www.ohioauditor.gov