



**ARLINGTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEARS ENDED JUNE 30, 2024-2023

**ARLINGTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY
JUNE 30, 2024 AND 2023**

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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 Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Arlington Local School District, Hancock County, Ohio (District), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Arlington Local School District, Hancock County, Ohio as of June 30, 2024 and 2023, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2025, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

April 24, 2025

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Arlington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
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, 2024. 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 2024 are as follows:

In total, net position increased \$6,008,831.

General revenues were almost 89 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, Bond Retirement debt service fund and the Building and the Classroom Facilities capital projects funds were the most significant funds.

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 2024. 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, 2024
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 major funds are the General Fund, the Bond Retirement debt service fund and the Building and the Classroom Facilities capital projects funds.

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 2024 and fiscal year 2023:

Table 1
Net Position

	Governmental Activities		
	2024	2023	Change
<u>Assets:</u>			
Current and Other Assets	\$44,015,000	\$39,745,955	\$4,269,045
Net OPEB Asset	466,623	640,015	(173,392)
Capital Assets, Net	5,998,278	4,562,852	1,435,426
Total Assets	50,479,901	44,948,822	5,531,079
			(continued)

Arlington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
Unaudited

Table 1
Net Position
(continued)

	Governmental Activities		
	2024	2023	Change
<u>Deferred Outflows of Resources:</u>			
Pension	\$1,342,160	\$1,711,658	(\$369,498)
OPEB	255,409	164,965	90,444
Total Deferred Outflows of Resources	1,597,569	1,876,623	(279,054)
<u>Liabilities:</u>			
Current and Other Liabilities	1,233,264	1,059,463	(173,801)
Long-Term Liabilities			
Pension	6,458,956	6,794,350	335,394
OPEB	392,818	342,568	(50,250)
Other Amounts	29,326,319	29,921,515	595,196
Total Liabilities	37,411,357	38,117,896	706,539
<u>Deferred Inflows of Resources:</u>			
Pension	657,437	783,954	126,517
OPEB	772,480	989,750	217,270
Other Amounts	3,124,196	2,830,676	(293,520)
Total Deferred Inflows of Resources	4,554,113	4,604,380	50,267
<u>Net Position:</u>			
Net Investment in Capital Assets	5,337,919	4,477,852	860,067
Restricted	4,607,454	1,096,571	3,510,883
Unrestricted (Deficit)	166,627	(1,471,254)	1,637,881
Total Net Position	<u>\$10,112,000</u>	<u>\$4,103,169</u>	<u>\$6,008,831</u>

The net pension liability and net OPEB liability (asset) reported by the School District at June 30, 2024, 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.

Arlington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
Unaudited

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.

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.

Arlington Local School District
Management's Discussion and Analysis
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Pension/OPEB related changes noted in the above table reflect an overall decrease in deferred outflows and deferred inflows. The increase in the net pension liability and the decrease in the net OPEB asset and 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 (asset).

Aside from pension/OPEB related changes, there were a few changes of note in the above table. The increase in current and other assets was primarily due to resources cash and cash equivalents (investment earnings and other interest and Ohio School Facilities Commission (OSFC) funding related to the new K-12 building and other facilities construction project). Capital assets, net increased due to construction starting on the new building project. The increase in current and other liabilities was due to contracts payable related to the new building construction project. The decrease in other long-term liabilities represents the schedule debt retirements. Net investments in capital assets increased due to the changes in capital asset, net and decrease in other long-term liabilities. Net position, restricted increased for resources received from the OSFC for the new K-12 building and other facilities project.

Table 2 reflects the change in net position for fiscal year 2024 and fiscal year 2023.

Table 1
Change in Net Position

	Governmental Activities		
	2024	2023	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$459,235	\$438,246	\$20,989
Operating Grants and Contributions	1,327,525	1,002,936	324,589
Capital Grants and Contributions	45,000	0	45,000
Total Program Revenues	1,831,760	1,441,182	390,578

(continued)

Arlington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
Unaudited

Table 1
Change in Net Position
(continued)

	Governmental Activities		
	2024	2023	Change
<u>Revenues</u>			
General Revenues			
Property Taxes	\$3,080,334	\$3,052,986	\$27,348
Income Taxes	2,188,061	1,902,977	285,084
Grants and Entitlements	7,209,752	3,949,022	3,260,730
Investment Earnings and Other Interest	1,896,364	432,356	1,464,008
Gifts and Donations	2,685	7,775	(5,090)
Miscellaneous	94,986	80,315	14,671
Total General Revenues	14,472,182	9,425,431	5,046,751
Total Revenues	16,303,942	10,866,613	5,437,329
<u>Expenses</u>			
Instruction:			
Regular	3,809,548	3,713,308	(96,240)
Special	1,015,668	1,061,377	45,709
Vocational	203,470	239,543	36,073
Support Services:			
Pupils	342,639	342,293	(346)
Instructional Staff	195,846	117,581	(78,265)
Board of Education	38,025	49,055	11,030
Administration	956,915	771,777	(185,138)
Fiscal	333,546	332,358	(1,188)
Business	30,578	26,222	(4,356)
Operation and Maintenance of Plant	775,340	1,511,550	736,210
Pupil Transportation	385,411	334,139	(51,272)
Non-Instructional Services	344,997	319,117	(25,880)
Extracurricular Activities	518,560	431,851	(86,709)
Interest	1,344,568	270,094	(1,074,474)
Total Expenses	10,295,111	9,520,265	(774,846)
Increase in Net Position	6,008,831	1,346,348	4,662,483
Net Position Beginning of Year	4,103,169	2,756,821	1,346,348
Net Position End of Year	<u>\$10,112,000</u>	<u>\$4,103,169</u>	<u>\$6,008,831</u>

Arlington Local School District
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For program revenues, the change in charges for services is insignificant. The increase in operating grants and contributions is the result of the Technology Safety grant resources spent in 2024 (shown as unearned revenue in the prior fiscal year) and additional resources received from the State for food service operations. The increase in capital grants and contributions was due to grant resources for purchase of a bus. The increase in general revenues is primarily due to intergovernmental revenues (resources received from the State foundation settlements) and investment earnings and other interest (change in market value).

The change in expenses from the prior fiscal year increased with the overall increase wages and benefits and interest expenses paid on the School District's debt.

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		Net Cost of	
	2024	2023	2024	2023
Instruction:				
Regular	\$3,809,548	\$3,713,308	\$3,557,248	\$3,545,515
Special	1,015,668	1,061,377	352,490	479,939
Vocational	203,470	239,543	174,227	214,108
Support Services:				
Pupils	342,639	342,293	133,199	177,600
Instructional Staff	195,846	117,581	148,229	117,581
Board of Education	38,025	49,055	38,025	49,055
Administration	956,915	771,777	956,915	771,777
Fiscal	333,546	332,358	333,546	332,358
Business	30,578	26,222	30,578	26,222
Operation and Maintenance of Plant	775,340	1,511,550	775,340	1,511,550
Pupil Transportation	385,411	334,139	283,571	283,476
Non-Instructional Services	344,997	319,117	(23,777)	38,166
Extracurricular Activities	518,560	431,851	359,192	261,642
Interest	1,344,568	270,094	1,344,568	270,094
Total Expenses	<u>\$10,295,111</u>	<u>\$9,520,265</u>	<u>\$8,463,351</u>	<u>\$8,079,083</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, 2024
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 a little over 30 percent in the General Fund. Revenues increased over 16 percent largely due to an increase in income tax revenue (the School District received a full year collection of the additional .5% of the continuous income tax levy that began collection in January of 2023), and intergovernmental revenue (more State funding received for special education). The increase in expenditures was due to increase in interest payments and salaries and benefits

The decrease in fund balance for the Bond Retirement debt service fund is due to required debt retirements exceeding property tax revenue.

The increase in fund balance for the Building capital projects fund is due to investment earnings and other interest exceeding expenditures for the new K-12 building and other facilities construction project.

Similar to the Building capital projects fund, the increase in the Classroom Facilities capital projects fund is due to OSFC funding and investment earnings and other interest revenue exceeding expenditures for the new K-12 building and other facilities construction project.

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 2024, 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. The changes from the final budget to actual revenues were due to under estimating property taxes, income taxes and intergovernmental revenue. 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 2024, the School District had \$5,998,278 invested in capital assets (net of accumulated depreciation). Additions consisted mainly of ongoing construction of a new K-12 building and other facilities project and buses. Disposals were two buses. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

At June 30, 2024, the School District had outstanding energy conservation bonds, general obligation bonds, and certificates of participation, in the amount of \$28,848,620. 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.

Arlington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
Unaudited

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 expired on June 30, 2024. Per the agreement, all certified staff received a 2 percent wage increase in fiscal years 2022, 2023, and 2024. Certified staff also received a longevity increase each year of service ranging from \$800 to \$1,600.

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.

In October 2021, the Board approved to move inside millage, the unvoted portion of property taxes, to a Permanent Improvement (PI) Fund. The Board agreed to move .47 of the existing 5.4 mills to the new PI fund beginning in January 2023. In March of 2023, the district passed a resolution to transfer \$48,555 to the Classroom Facilities Maintenance Fund annually for the next 23 years, which began in December of 2023.

In November of 2022, the voters approved a bond levy of 9.9 mills for the construction and renovation of the School District buildings. The levy is for a thirty-five year period to collect \$19,150,000. The voters also approved a .5% continuing income tax to be used to repay a COPS (Certificates of Participation) borrowing of \$9,400,000 over a thirty year period. These funds will be used to build a new K-12 school building and other facilities. These new buildings will open approximately for the 2025-2026 school year.

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 Roy Swartz, Treasurer, Arlington Local School District, 336 South Main Street, Arlington, Ohio 45814.

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Arlington Local School District
Statement of Net Position
June 30, 2024

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$39,518,689
Accounts Receivable	7,405
Accrued Interest Receivable	10,457
Intergovernmental Receivable	24,123
Prepaid Items	33,254
Inventory Held for Resale	30,681
Materials and Supplies Inventory	15,429
Income Taxes Receivable	997,064
Property Taxes Receivable	3,377,898
Net OPEB Asset	466,623
Nondepreciable Capital Assets	2,637,335
Depreciable Capital Assets, Net	3,360,943
Total Assets	<u>50,479,901</u>
<u>Deferred Outflows of Resources:</u>	
Pension	1,342,160
OPEB	255,409
Total Deferred Outflows of Resources	<u>1,597,569</u>
<u>Liabilities:</u>	
Accounts Payable	23,508
Contracts Payable	297,396
Accrued Wages and Benefits Payable	647,528
Matured Compensated Absences Payable	27,544
Intergovernmental Payable	124,624
Accrued Interest Payable	112,664
Long-Term Liabilities:	
Due Within One Year	388,389
Due in More Than One Year	
Net Pension Liability	6,458,956
Net OPEB Liability	392,818
Other Amounts	28,937,930
Total Liabilities	<u>37,411,357</u>
<u>Deferred Inflows of Resources:</u>	
Property Taxes Receivable	3,124,196
Pension	657,437
OPEB	772,480
Total Deferred Inflows of Resources	<u>4,554,113</u>
<u>Net Position:</u>	
Net Investment in Capital Assets	5,337,919
Restricted For:	
Debt Service	256,618
Capital Projects	3,462,339
OPEB Plans	466,623
Other Purposes	421,874
Unrestricted	166,627
Total Net Position	<u>\$10,112,000</u>

See Accompanying Notes to the Basic Financial Statements

Arlington Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2024

		Program Revenues		
		Charges for	Operating Grants,	Capital Grants
Expenses	Services	Contributions,	and Interest	and Contributions
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$3,809,548	\$48,258	\$204,042	\$0
Special	1,015,668	144,500	518,678	0
Vocational	203,470	0	29,243	0
Support Services:				
Pupils	342,639	0	209,440	0
Instructional Staff	195,846	0	47,617	0
Board of Education	38,025	0	0	0
Administration	956,915	0	0	0
Fiscal	333,546	0	0	0
Business	30,578	0	0	0
Operation and Maintenance of Plant	775,340	0	0	0
Pupil Transportation	385,411	0	56,840	45,000
Non-Instructional Services	344,997	118,354	250,420	0
Extracurricular Activities	518,560	148,123	11,245	0
Interest	1,344,568	0	0	0
Total Governmental Activities	<u>\$10,295,111</u>	<u>\$459,235</u>	<u>\$1,327,525</u>	<u>\$45,000</u>

General Revenues:

Property Taxes Levied for General Purposes
Property Taxes Levied for Debt Service Purposes
Property Taxes Levied for Permanent Improvements
Income Taxes Levied for General Purposes
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings and Other 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
(\$3,557,248)
(352,490)
(174,227)
(133,199)
(148,229)
(38,025)
(956,915)
(333,546)
(30,578)
(775,340)
(283,571)
23,777
(359,192)
(1,344,568)
(8,463,351)
1,961,797
1,073,486
45,051
2,188,061
7,209,752
1,896,364
2,685
94,986
14,472,182
6,008,831
4,103,169
\$10,112,000

Arlington Local School District
Balance Sheet
Governmental Funds
June 30, 2024

	General	Bond Retirement	Building Fund	Classroom Facilities
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$7,262,126	\$497,853	\$5,519,928	\$25,702,368
Accounts Receivable	7,185	0	0	0
Accrued Interest Receivable	10,457	0	0	0
Interfund Receivable	12,035	0	0	0
Intergovernmental Receivable	3,474	0	0	0
Prepaid Items	28,181	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	9,461	0	0	0
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	825	0	0	0
Income Taxes Receivable	997,064	0	0	0
Property Taxes Receivable	2,161,206	1,167,126	0	0
Total Assets	<u>\$10,492,014</u>	<u>\$1,664,979</u>	<u>\$5,519,928</u>	<u>\$25,702,368</u>
<u>Liabilities:</u>				
Accounts Payable	\$12,304	\$0	\$0	\$0
Contracts Payable	0	0	22,086	275,310
Accrued Wages and Benefits Payable	622,262	0	0	0
Matured Compensated Absences Payable	27,544	0	0	0
Interfund Payable	0	0	0	0
Intergovernmental Payable	111,121	0	173	4,646
Total Liabilities	<u>773,231</u>	<u>0</u>	<u>22,259</u>	<u>279,956</u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes Receivable	1,992,447	1,086,137	0	0
Unavailable Revenue	144,306	5,461	0	0
Total Deferred Inflows of Resources	<u>2,136,753</u>	<u>1,091,598</u>	<u>0</u>	<u>0</u>
<u>Fund Balances:</u>				
Nonspendable	38,467	0	0	0
Restricted	0	573,381	5,497,669	25,422,412
Committed	203,721	0	0	0
Assigned	565,031	0	0	0
Unassigned (Deficit)	6,774,811	0	0	0
Total Fund Balances	<u>7,582,030</u>	<u>573,381</u>	<u>5,497,669</u>	<u>25,422,412</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$10,492,014</u>	<u>\$1,664,979</u>	<u>\$5,519,928</u>	<u>\$25,702,368</u>

See Accompanying Notes to the Basic Financial Statements

Other Governmental	Total Governmental Funds
\$535,589	\$39,517,864
220	7,405
0	10,457
0	12,035
20,649	24,123
5,073	33,254
30,681	30,681
5,968	15,429
0	825
0	997,064
49,566	3,377,898
<u>\$647,746</u>	<u>\$44,027,035</u>

\$11,204	\$23,508
0	297,396
25,266	647,528
0	27,544
12,035	12,035
8,684	124,624
<u>57,189</u>	<u>1,132,635</u>

45,612	3,124,196
<u>2,573</u>	<u>152,340</u>
<u>48,185</u>	<u>3,276,536</u>

11,041	49,508
533,536	32,026,998
0	203,721
0	565,031
(2,205)	6,772,606
<u>542,372</u>	<u>39,617,864</u>

<u>\$647,746</u>	<u>\$44,027,035</u>
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Arlington Local School District
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2024

Total Governmental Fund Balances	\$39,617,864
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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.	5,998,278
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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	5,228	
Intergovernmental Receivable	2,205	
Income Taxes Receivable	123,156	
Delinquent Property Taxes Receivable	21,751	
		152,340

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

Accrued Interest Payable	(112,664)	
Energy Conservation Bonds Payable	(45,000)	
General Obligation Bonds Payable	(19,247,065)	
Certificates of Participation Payable	(9,556,555)	
Compensated Absences Payable	(477,699)	
		(29,438,983)

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	466,623	
Deferred Outflows - Pension	1,342,160	
Deferred Inflows - Pension	(657,437)	
Net Pension Liability	(6,458,956)	
Deferred Outflows - OPEB	255,409	
Deferred Inflows - OPEB	(772,480)	
Net OPEB Liability	(392,818)	

Net Position of Governmental Activities	\$10,112,000
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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, 2024

	General	Bond Retirement	Building Fund	Classroom Facilities
<u>Revenues:</u>				
Property Taxes	\$1,956,242	\$1,071,042	\$0	\$0
Income Taxes	2,323,217	0	0	0
Intergovernmental	5,284,561	15,106	0	2,485,790
Investment Earnings and Other Interest	274,056	0	304,097	1,297,373
Tuition and Fees	199,474	0	0	0
Extracurricular Activities	0	0	0	0
Charges for Services	0	0	0	0
Gifts and Donations	2,685	0	0	0
Miscellaneous	75,394	0	0	0
Total Revenues	10,115,629	1,086,148	304,097	3,783,163
<u>Expenditures:</u>				
<u>Current:</u>				
<u>Instruction:</u>				
Regular	3,694,492	0	0	0
Special	819,088	0	0	0
Vocational	201,565	0	0	0
<u>Support Services:</u>				
Pupils	345,588	0	0	0
Instructional Staff	152,100	0	0	0
Board of Education	38,025	0	0	0
Administration	826,694	0	0	0
Fiscal	322,051	12,866	0	0
Business	30,578	0	0	0
Operation and Maintenance of Plant	686,789	0	0	0
Pupil Transportation	498,694	0	0	0
Non-Instructional Services	2,000	0	0	0
Extracurricular Activities	241,341	0	0	0
Capital Outlay	0	0	113,465	1,520,222
<u>Debt Service:</u>				
Principal Retirement	40,000	505,000	0	0
Interest	450,337	914,544	0	0
Total Expenditures	8,349,342	1,432,410	113,465	1,520,222
Excess of Revenues Over (Under) Expenditures	1,766,287	(346,262)	190,632	2,262,941
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	0	0	0	0
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Changes in Fund Balances	1,766,287	(346,262)	190,632	2,262,941
Fund Balances at Beginning of Year	5,815,743	919,643	5,307,037	23,159,471
Fund Balances at End of Year	<u>\$7,582,030</u>	<u>\$573,381</u>	<u>\$5,497,669</u>	<u>\$25,422,412</u>

See Accompanying Notes to the Basic Financial Statements

Other Governmental	Total Governmental Funds
\$44,920	\$3,072,204
0	2,323,217
803,950	8,589,407
45,603	1,921,129
0	199,474
148,123	148,123
118,354	118,354
12,245	14,930
17,592	92,986
<u>1,190,787</u>	<u>16,479,824</u>
81,905	3,776,397
205,856	1,024,944
0	201,565
0	345,588
49,463	201,563
0	38,025
173,138	999,832
597	335,514
0	30,578
0	686,789
45,875	544,569
330,561	332,561
201,536	442,877
0	1,633,687
0	545,000
0	1,364,881
<u>1,088,931</u>	<u>12,504,370</u>
<u>101,856</u>	<u>3,975,454</u>
2,000	2,000
48,555	48,555
<u>(48,555)</u>	<u>(48,555)</u>
<u>2,000</u>	<u>2,000</u>
103,856	3,977,454
438,516	35,640,410
<u>\$542,372</u>	<u>\$39,617,864</u>

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, 2024

Changes in Fund Balances - Total Governmental Funds \$3,977,454

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 capital outlay exceeded depreciation in the current fiscal year.

Capital Outlay - Non Depreciable Capital Assets	1,628,868	
Capital Outlay - Depreciable Capital Assets	197,370	
Depreciation	<u>(135,175)</u>	
		1,691,063

The proceeds from the sale of capital assets are reported as other
financing sources in the governmental funds. However, the cost
of 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 or loss on disposal of
capital assets on the statement of activities

Proceeds from Sale of Capital Assets	(2,000)	
Gain on Disposal of Capital Assets	2,000	
Loss on Disposal of Capital Assets	<u>(255,637)</u>	
		(255,637)

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

Delinquent Property Taxes	8,130	
Income Taxes	(135,156)	
Intergovernmental	(44,140)	
Tuition and Fees	<u>(6,716)</u>	
		(177,882)

Repayment of principal is an expenditure in governmental funds but the
repayment reduces long-term liabilities on the statement of net position. 545,000

Interest is reported as an expenditure when due in governmental funds
but is accrued on outstanding debt on the statement of net position.
Premiums are reported as revenue when the debt is first issued; however,
this amount is deferred and amortized over the life of the debt on the
statement of activities.

Accrued Interest Payable	2,152	
Unamortized Premium	<u>18,161</u>	
		20,313

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. 32,035

(continued)

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, 2024
(continued)

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	(505,855)	
OPEB	<u>67,959</u>	
		(437,896)

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

Pension	598,268	
OPEB	<u>16,113</u>	
		<u>614,381</u>

Change in Net Position of Governmental Activities		<u><u>\$6,008,831</u></u>
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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, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<u>Revenues:</u>				
Property Taxes	\$1,781,290	\$1,781,535	\$2,133,378	\$351,843
Income Taxes	1,776,234	1,776,379	2,127,233	350,854
Intergovernmental	4,403,511	4,416,757	5,285,631	868,874
Interest	224,978	224,763	269,156	44,393
Tuition and Fees	166,925	166,774	199,511	32,737
Gifts and Donations	1,648	2,248	2,685	437
Miscellaneous	80,939	80,299	84,625	4,326
Total Revenues	<u>8,435,525</u>	<u>8,448,755</u>	<u>10,102,219</u>	<u>1,653,464</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	3,804,031	3,835,568	3,738,562	97,006
Special	975,264	890,452	832,574	57,878
Vocational	224,111	235,891	228,597	7,294
Support Services:				
Pupils	359,274	432,294	386,233	46,061
Instructional Staff	141,521	170,739	153,454	17,285
Board of Education	59,874	77,621	47,389	30,232
Administration	849,791	941,049	830,493	110,556
Fiscal	351,582	332,280	318,390	13,890
Business	27,697	35,008	32,751	2,257
Operation and Maintenance of Plant	1,785,921	1,619,963	768,763	851,200
Pupil Transportation	429,123	541,537	514,922	26,615
Non-Instructional Services	3,000	3,000	2,000	1,000
Extracurricular Activities	237,671	251,327	241,119	10,208
Debt Service:				
Principal Retirement	40,000	40,000	40,000	0
Interest	450,337	450,337	450,337	0
Total Expenditures	<u>9,739,197</u>	<u>9,857,066</u>	<u>8,585,584</u>	<u>1,271,482</u>
Changes in Fund Balance	(1,303,672)	(1,408,311)	1,516,635	2,924,946
Fund Balance at Beginning of Year	5,229,246	5,229,246	5,229,246	0
Prior Year Encumbrances Appropriated	302,777	302,777	302,777	0
Fund Balance at End of Year	<u>\$4,228,351</u>	<u>\$4,123,712</u>	<u>\$7,048,658</u>	<u>\$2,924,946</u>

See Accompanying Notes to the Basic Financial Statements

Arlington Local School District
Statement of Changes in Fiduciary Net Position
Custodial Fund
For the Fiscal Year Ended June 30, 2024

	<u>Custodial</u>
<u>Additions:</u>	
Charges Received for OHSAA	\$2,848
<u>Deductions:</u>	
Distributions on Behalf of OHSAA	<u>2,848</u>
Changes in Net Position	0
Net Position at Beginning of Year	<u>0</u>
Net Position at End of Year	<u><u>\$0</u></u>

See Accompanying Notes to the Basic Financial Statements

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

Note 1 - Description of the School District and Reporting Entity

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 thirty-two classified employees, forty-five certified teaching personnel, and four administrative employees who provide services to five hundred ninety-nine 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, 2024

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, 2024

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 major fund are the General Fund, Bond Retirement debt service fund, and the Building and Classroom Facilities capital projects funds.

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

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

Building Fund - The Building Fund is used to accounts for bond proceeds restricted to acquire, construct, or improve capital facilities.

Classroom Facilities Fund - The Classroom Facilities Fund is used to account for resources received from the Ohio Facilities Construction Commission and restricted for the building and equipping of classroom facilities.

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 custodial fund accounts for resources held on behalf of the Ohio High School Athletic Association.

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

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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.

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

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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, investment earnings and other interest, tuition, student fees, and charges for services.

Deferred Outflows/Inflows of Resources

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as a deferred inflow of resources (revenue) 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, 2024, but which were levied to finance fiscal year 2025 operations. These amounts have 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 19. 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.

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 alternate tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternate 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 requested by the School District prior to year end.

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

Note 2 - Summary of Significant Accounting Policies (continued)

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 2024, the School District invested in mutual funds and STAR Ohio. Investments are reported at fair value. STAR Ohio (State Treasury Asset Reserve of Ohio) is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but has adopted Governmental Accounting Standards Board 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.

STAR Ohio reserves the right to limit participant transactions to \$250 million per day. Transactions in all of a participant’s accounts will be combined for this purpose. Twenty-four hours advance notice to STAR Ohio is appreciated for purchases or redemptions of \$100 million or more. For fiscal 2024, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings and other interest. Investment earnings and other interest revenue credited to the General Fund during fiscal year 2024 was \$274,056, which includes (\$5,753) 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, 2024, 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.

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

Note 2 - Summary of Significant Accounting Policies (continued)

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 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 ten 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.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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. General obligation bonds and certificates of participation are reported on the fund financial statements when due.

N. Unamortized Premiums

On government-wide financial statements, premiums are deferred and amortized over the term of the bonds using the bond-outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable.

On the government fund financial statements, bond premiums are recognized in the period when debt is issued.

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

Note 2 - Summary of Significant Accounting Policies (continued)

Under Ohio law, premiums on the original issue of debt are to be deposited in the Bond Retirement Fund. Ohio law does not allow premiums on refunding debt to be used as part of the payment to a bond escrow agent.

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, federal and state grants, and permanent improvements. 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. Restricted net position for OPEB plans represent the corresponding restricted asset amounts held in trust by the OPEB plans for future benefits.

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.

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

Note 2 - Summary of Significant Accounting Policies (continued)

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 2025 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.

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.

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

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Note 3 - Change in Accounting Principles

For fiscal year 2024, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*, and related guidance from GASB Implementation Guide No. 2023-1, *Implementation Guidance Update - 2023*. The School District also implemented Question 5.1 from GASB Implementation Guide No. 2021-1, *Implementation Guidance Update - 2021*.

GASB 100 will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision-useful, understandable, and comprehensive information for users about accounting changes and error corrections.

Question 5.1 from Implementation Guide 2021-1 addresses the collective significance of applying the capitalization threshold to individual items in a group of assets. The School District reviewed its capital asset groupings and determined there were no asset groups where individually the assets were under the capitalization threshold yet were significant collectively.

The implementation of GASB Statement No. 100 and GASB Implementation Guides 2021-1 and 2023-1 did not have any effect on beginning net position/fund balance.

In an effort to promote comparability with other governments, the School District updated its calculation of net position restricted for OPEB plans for fiscal year 2024. This change had no impact on beginning net position, but rather reclassified the amounts presented as net position restricted for OPEB plans and unrestricted net position.

For fiscal year 2024, the School District changed their capitalization threshold from \$1,000 to \$10,000 dollars.

Note 4 - Accountability

At June 30, 2024, the Early Childhood Special Education and Title II-A special revenue funds had deficit fund balances in the amount of \$878, and \$1,327, respectively, resulting from recognition of payables in accordance with generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed.

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

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:

Change in Fund Balance	
GAAP Basis	\$1,766,287
<u>Increase (Decrease) Due to:</u>	
Revenue Accruals:	
Accrued FY 2023, Received in Cash FY 2024	1,029,223
Accrued FY 2024, Not Yet Received in Cash	(1,042,633)
Expenditure Accruals:	
Accrued FY 2023, Paid in Cash FY 2024	(756,670)
Accrued FY 2024, Not Yet Paid in Cash	773,231
Prepaid Items	(24,829)
Materials and Supplies Inventory	(1,646)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(226,328)
Budget Basis	<u>\$1,516,635</u>

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

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) 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, 2024

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, 2024, the School District had the following investments.

<u>Measurement/Investment</u>	<u>Amount</u>
Fair Value - Level One Inputs	
Mutual Funds	\$1,573
Net Value Per Share	
STAR Ohio	34,345,811
Total Investments	<u>\$34,347,384</u>

The School District has categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2024. The mutual funds are measured at fair value using quoted market prices (Level 1 inputs).

The School District's investment in STAR Ohio had an average maturity of 46.5 days. The mutual funds carry a rating of Aaa-mf by Moody's. 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 mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized statistical rating organization and STAR Ohio maintain the highest rating provided by at least one nationally recognized statistical rating organization.

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

Note 6 - Deposits and Investments (continued)

The School District places no limit on the amount it may invest in a particular security.

Note 7 - Receivables

Receivables at June 30, 2024, 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:

	<u>Amount</u>
Governmental Activities	
General Fund	
School Employees Retirement System	\$2,280
Springfield Local School District	287
State of Ohio - Medicaid	907
Total General Fund	<u>3,474</u>
Other Governmental Funds	
ESSER	9,866
Title I	843
Title IV-A	6,477
Early Childhood Special Education	878
Title II-A	2,385
Miscellaneous Federal Funds	200
Total Other Governmental Funds	<u>20,649</u>
Total Governmental Activities	<u><u>\$24,123</u></u>

Note 8 - Income Taxes

The School District levies a voted tax of 1.75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2023, 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.

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

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.

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

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

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

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2024, 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, 2024, was \$152,837 in the General Fund, \$75,528 in the Bond Retirement debt service fund, and \$3,586 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2023, was \$329,973 in the General Fund, \$160,478 in the Bond Retirement debt service fund, and \$7,619 in the Permanent Improvement capital projects 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.

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

Note 9 - Property Taxes (continued)

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

	2023 Second Half Collections		2024 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$108,828,340	92.40%	\$109,547,630	92.16%
Industrial/Commercial	4,366,450	3.71%	4,384,600	3.69%
Public Utility	4,579,170	3.89%	4,940,990	4.15%
Total Assessed Value	<u>\$117,773,960</u>	<u>100.00%</u>	<u>\$118,873,220</u>	<u>100.00%</u>

Tax Rate per \$1,000 of assessed valuation	\$41.30	\$41.30
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Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2024, was as follows:

	Balance 6/30/2023	Additions	Reductions	Balance 6/30/2024
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$1,008,467	\$0	\$0	\$1,008,467
Construction in Progress	0	1,628,868	0	1,628,868
Total Nondepreciable Capital Assets	<u>1,008,467</u>	<u>1,628,868</u>	<u>0</u>	<u>2,637,335</u>
Depreciable Capital Assets				
Land Improvements	204,493	0	(38,064)	166,429
Buildings and Improvements	4,964,387	0	(159,183)	4,805,204
Furniture, Fixtures, and Equipment	960,337	0	(609,059)	351,278
Vehicles	587,709	197,370	(152,565)	632,514
Infrastructure	<u>11,856</u>	<u>0</u>	<u>0</u>	<u>11,856</u>
Total Depreciable Capital Assets	<u>6,728,782</u>	<u>197,370</u>	<u>(958,871)</u>	<u>5,967,281</u>

(continued)

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

Note 10 - Capital Assets (continued)

	Balance 6/30/2023	Additions	Reductions	Balance 6/30/2024
Governmental Activities				
Less Accumulated Depreciation				
Land Improvements	(\$123,286)	(\$4,662)	\$29,960	(\$97,988)
Buildings and Improvements	(2,070,580)	(75,952)	127,354	(2,019,178)
Furniture, Fixtures, and Equipment	(584,317)	(11,715)	397,384	(198,648)
Vehicles	(390,978)	(42,609)	148,536	(285,051)
Infrastructure	(5,236)	(237)	0	(5,473)
Total Accumulated Depreciation	(3,174,397)	(135,175)	703,234	(2,606,338)
Total Depreciable Capital Assets, Net	3,554,385	62,195	(255,637)	3,360,943
Governmental Activities Capital Assets, Net	\$4,562,852	\$1,691,063	(\$255,637)	\$5,998,278

Depreciation expense was charged to governmental functions as follows:

	<u>Depreciation</u>
Instruction:	
Regular	\$21,259
Vocational	1,569
Support Services:	
Instructional Staff	214
Operation & Maintenance of Plant	52,825
Pupil Transportation	43,294
Non Instructional Services	3,056
Extracurricular Activities	12,958
Total Depreciation Expense	<u>\$135,175</u>

Note 11 - Interfund Receivables/Payables

At June 30, 2024, the General Fund had an interfund receivable, in the amount of \$12,035, from other governmental funds for short-term loans made to those funds to provide cash flow resources until the receipt of grant monies. These amounts are expected to be repaid within one year.

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

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 2025 are as follows:

General Fund	\$226,328
Building Fund	113,045
Classroom Facilities	1,656,701
Other Governmental Funds	10,969
Total	<u>\$2,007,043</u>

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 2024 the School District contracted for the following insurance coverage.

Coverage provided by The Schools of Ohio Risk Sharing Authority is as follows:

Building and Contents	\$31,502,700
General School District Liability	
Per Occurrence	15,000,000
Aggregate	17,000,000
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 2024, 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.

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

Note 13 - Risk Management (continued)

For fiscal year 2024, 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 already have occurred.

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

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

Note 14 - Defined Benefit Pension Plans (continued)

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5 percent COLA for calendar year 2023.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2024, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2024, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$146,377 for fiscal year 2024. Of this amount \$11,512 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

Note 14 - Defined Benefit Pension Plans (continued)

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of-living increases are not affected by this change. Effective July 1, 2022, a one-time ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Effective July 1, 2023, a one-time ad-hoc COLA of 1 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2024 as long as they retired prior to July 1, 2019. Pursuant to Ohio Revised Code 3307.67(E) the STRS Ohio Retirement Board may adjust the COLA upon a determination by the board's actuary that a change will not materially impair the fiscal integrity of the system or is necessary to preserve the fiscal integrity of the system. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 34 years of service credit at any age.

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

The DC Plan allows members to place all their member contributions and 11.09 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 2.91 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after termination of employment.

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

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

Note 14 - Defined Benefit Pension Plans (continued)

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The 2024 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2024, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$451,891 for fiscal year 2024. Of this amount \$66,754 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.02338510%	0.02399268%	
Prior Measurement Date	<u>0.02402830%</u>	<u>0.02471741%</u>	
Change in Proportionate Share	<u>-0.00064320%</u>	<u>-0.00072473%</u>	
Proportionate Share of the Net			
Pension Liability	\$1,292,147	\$5,166,809	\$6,458,956
Pension Expense	\$121,745	\$384,110	\$505,855

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

Note 14 - Defined Benefit Pension Plans (continued)

At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$55,539	\$188,371	\$243,910
Changes of assumptions	9,153	425,515	434,668
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	0	65,314	65,314
School District contributions subsequent to the measurement date	146,377	451,891	598,268
Total Deferred Outflows of Resources	<u>\$211,069</u>	<u>\$1,131,091</u>	<u>\$1,342,160</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$11,466	\$11,466
Changes of assumptions	0	320,290	320,290
Net difference between projected and actual earnings on pension plan investments	18,162	15,485	33,647
Changes in proportionate share and Difference between School District contributions and proportionate share of contributions	33,881	258,153	292,034
Total Deferred Inflows of Resources	<u>\$52,043</u>	<u>\$605,394</u>	<u>\$657,437</u>

\$598,268 reported as deferred outflows of resources related to pension resulting from the 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2025	(\$8,279)	(\$83,889)	(\$92,168)
2026	(57,534)	(259,949)	(317,483)
2027	77,499	479,279	556,778
2028	963	(61,635)	(60,672)
Total	<u>\$12,649</u>	<u>\$73,806</u>	<u>\$86,455</u>

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

Note 14 - Defined Benefit Pension Plans (continued)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

Note 14 - Defined Benefit Pension Plans (continued)

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. As of June 30, 2023:

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

Discount Rate - The total pension liability for 2023 was calculated using the discount rate of 7.00 percent. The discount rate determination did not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 21-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate for fiscal year 2023 was 14 percent. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability. The annual money weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2023 was 6.90 percent.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$1,907,143	\$1,292,147	\$774,130

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

Note 14 - Defined Benefit Pension Plans (continued)

Actuarial Assumptions - STRS

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

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

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

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

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

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

* Final target weights reflected at October 1, 2022.

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

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

Note 14 - Defined Benefit Pension Plans (continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2023. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2023.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$7,945,408	\$5,166,809	\$2,816,874

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, 2024, 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).

Note 15 - Defined Benefit OPEB Plans (continued)

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981, do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2024, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2024, this amount was \$30,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2024, the School District's surcharge obligation was \$16,113.

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

Note 15 - Defined Benefit OPEB Plans (continued)

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$16,113 for fiscal year 2024. Of this amount \$16,113 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2024, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an independent 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 (Asset):			
Current Measurement Date	0.02384400%	0.02399268%	
Prior Measurement Date	<u>0.02439920%</u>	<u>0.02471741%</u>	
Change in Proportionate Share	<u>-0.00055520%</u>	<u>-0.00072473%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$392,818	\$0	\$392,818
Net OPEB Asset	\$0	\$466,623	\$466,623
OPEB Expense	(\$43,999)	(\$23,960)	(\$67,959)

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

Note 15 - Defined Benefit OPEB Plans (continued)

At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$818	\$728	\$1,546
Changes of assumptions	132,823	68,741	201,564
Net difference between projected and actual earnings on OPEB plan investments	3,045	833	3,878
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	26,179	6,129	32,308
School District contributions subsequent to the measurement date	16,113	0	16,113
Total Deferred Outflows of Resources	<u>\$178,978</u>	<u>\$76,431</u>	<u>\$255,409</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$202,590	\$71,172	\$273,762
Changes of assumptions	111,563	307,872	419,435
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	78,880	403	79,283
Total Deferred Inflows of Resources	<u>\$393,033</u>	<u>\$379,447</u>	<u>\$772,480</u>

\$16,113 reported as deferred outflows of resources related to OPEB resulting from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2025	(\$72,682)	(\$135,110)	(\$207,792)
2026	(65,257)	(62,143)	(127,400)
2027	(40,057)	(23,034)	(63,091)
2028	(21,460)	(31,878)	(53,338)
2029	(17,772)	(29,167)	(46,939)
Thereafter	(12,940)	(21,684)	(34,624)
Total	<u>(\$230,168)</u>	<u>(\$303,016)</u>	<u>(\$533,184)</u>

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

Note 15 - Defined Benefit OPEB Plans (continued)

Actuarial Assumptions - SERS

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

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

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

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

	<u>June 30, 2023</u>
Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Fiduciary Net Position is Projected to be Depleted	2048
Municipal Bond Index Rate:	
Measurement Date	3.86 percent
Prior Measurement Date	3.69 percent
Single Equivalent Interest Rate,	
Measurement Date	4.27 percent
Prior Measurement Date	4.08 percent
Health Care Cost Trend Rate	
Medical Trend Assumption	
Measurement Date	6.75 to 4.40 percent
Prior Measurement Date	7.00 to 4.40 percent

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

Note 15 - Defined Benefit OPEB Plans (continued)

Mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table. Mortality rates are projected using a fully generational projection with Scale MP-2020.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board on April 15, 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2023, was 4.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2023, was 4.08 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2048 by SERS'actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination of the single equivalent interest rate for both the June 30, 2022, and the June 30, 2023, total OPEB liability. The Municipal Bond Index Rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate was 3.86 percent at June 30, 2023, and 3.69 percent at June 30, 2022.

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

Note 15 - Defined Benefit OPEB Plans (continued)

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

	1% Decrease (3.27%)	Current Discount Rate (4.27%)	1% Increase (5.27%)
School District's proportionate share of the net OPEB liability	\$502,132	\$392,818	\$306,617

	1% Decrease (5.75% decreasing to 3.40%)	Current Trend Rate (6.75% decreasing to 4.40%)	1% Increase (7.75% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$288,589	\$392,818	\$530,933

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

Note 15 - Defined Benefit OPEB Plans (continued)

Actuarial Assumptions - STRS

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

	June 30, 2023	June 30, 2022
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by service from 2.5 percent to 8.5 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 4.14 percent ultimate	7.50 percent initial 3.94 percent ultimate
Medicare	-10.94 percent initial 4.14 percent ultimate	-68.78 percent initial 3.94 percent ultimate
Prescription Drug		
Pre-Medicare	-11.95 percent initial 4.14 percent ultimate	9.00 percent initial 3.94 percent ultimate
Medicare	1.33 percent initial 4.14 percent ultimate	-5.47 percent initial 3.94 percent ultimate

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

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

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

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

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

Note 15 - Defined Benefit OPEB Plans (continued)

Discount Rate - The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2023.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2023, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net OPEB asset	\$394,937	\$466,623	\$529,057

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	\$531,954	\$466,623	\$387,936

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.

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

Note 16 - Other Employee Benefits (continued)

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.

Note 17 - Long-Term Obligations

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

	Balance at 6/30/2023	Additions	Reductions	Balance at 6/30/2024	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
Energy Conservation Bonds	\$85,000	\$0	\$40,000	\$45,000	\$45,000
General Obligation Debt from Direct Placement					
2023 School Facilities Construction and Improvement Bonds					
Serial Bonds 5%	2,040,000	0	505,000	1,535,000	225,000
Term Bonds 4.375-5.50%	17,110,000	0	0	17,110,000	0
Premium	618,372	0	16,307	602,065	0
Total General Obligation Bonds	19,768,372	0	521,307	19,247,065	225,000
Certificates of Participation					
2023 Certificates of Participation					
Serial Certificates 5.00%	1,735,000	0	0	1,735,000	110,000
Term Certificates 4.125-5.550%	7,665,000	0	0	7,665,000	0
Premium	158,409	0	1,854	156,555	0
Total Certificates of Participation	9,558,409	0	1,854	9,556,555	110,000

(continued)

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

Note 17 - Long-Term Obligations (continued)

	Balance at 6/30/2023	Additions	Reductions	Balance at 6/30/2024	Amounts Due Within One Year
Governmental Activities (continued)					
Net Pension Liability					
SERS	\$1,299,638	\$0	\$7,491	\$1,292,147	\$0
STRS	5,494,712	0	327,903	5,166,809	0
Total Net Pension Liability	6,794,350	0	335,394	6,458,956	0
Net OPEB Liability					
SERS	342,568	50,250	0	392,818	0
Compensated Absences	509,734	23,053	55,088	477,699	8,389
Total Governmental Activities Long Term Obligations	<u>\$37,058,433</u>	<u>\$73,303</u>	<u>\$953,643</u>	<u>\$36,178,093</u>	<u>\$388,389</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:

Year	Amount
2025	\$45,000

2023 School Facilities Construction and Improvement Bonds - On March 30, 2023, the School District issued general obligation bonds through a direct placement, in the amount of \$19,150,000 for the purpose of constructing, improving, and furnishing and equipping school facilities. The bonds issue included serial and term bonds, in the original amount of \$2,040,000 and \$17,110,000, respectively. The bonds were issued for a thirty-five fiscal year period, with final maturity during fiscal year 2058. The bonds are being retired through the Bond Retirement debt service fund.

The bonds maturing on or after December 1, 2031, are subject to mandatory sinking fund redemption, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amount as follows:

Year	Amount
2030	\$300,000

The remaining principal, in the amount of \$315,000, will be paid at stated maturity on December 1, 2031.

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

Note 17 - Long-Term Obligations (continued)

The bonds maturing on December 1, 2034, are subject to mandatory sinking fund redemption, at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2032	\$335,000
2033	350,000

The remaining principal, in the amount of \$365,000, will be paid at stated maturity on December 1, 2034.

The bonds maturing on December 1, 2037, are subject to mandatory sinking fund redemption, at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2035	\$385,000
2036	405,000

The remaining principal, in the amount of \$420,000, will be paid at stated maturity on December 1, 2037.

The bonds maturing on December 1, 2043, are subject to mandatory sinking fund redemption, at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2038	\$440,000
2039	460,000
2040	480,000
2041	500,000
2042	525,000

The remaining principal, in the amount of \$550,000, will be paid at stated maturity on December 1, 2043.

The bonds maturing on December 1, 2048, are subject to mandatory sinking fund redemption, at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2044	\$575,000
2045	605,000
2046	635,000
2047	675,000

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

Note 17 - Long-Term Obligations (continued)

The remaining principal, in the amount of \$710,000, will be paid at stated maturity on December 1, 2048.

The bonds maturing on December 1, 2053, are subject to mandatory sinking fund redemption, at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2049	\$750,000
2050	780,000
2051	815,000
2052	850,000

The remaining principal, in the amount of \$890,000, will be paid at stated maturity on December 1, 2053.

The bonds maturing on December 1, 2057, with an interest rate of 5.50% are subject to mandatory sinking fund redemption, at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2054	\$465,000
2055	490,000
2056	510,000

The remaining principal, in the amount of \$535,000, will be paid at stated maturity on December 1, 2057.

The bonds maturing on December 1, 2057, with an interest rate of 4.50% are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2054	\$460,000
2055	485,000
2056	510,000

The remaining principal, in the amount of \$540,000, will be paid at stated maturity on December 1, 2057.

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

As of June 30, 2024, \$19,150,000 of the bond proceeds had not been spent.

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

Note 17 - Long-Term Obligations (continued)

2023 Certificate of Participation - On March 30, 2023, the School District issued certificates of participation through a direct placement, in the amount of \$9,400,000, for the purpose of constructing, improving, furnishing, and equipping school facilities. The certificate issue includes serial and term certificates, in the original amount of \$1,735,000 and \$7,665,000, respectively. The certificates were issued for a thirty fiscal year period, with final maturity during fiscal year 2053. The certificates will be retired through the General Fund.

The certificates maturing on December 1, 2039, are subject to mandatory sinking fund redemption, at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2035	\$240,000
2036	260,000
2037	275,000
2038	295,000

The remaining principal, in the amount of \$310,000, will be paid at stated maturity on December 1, 2039.

The certificates maturing on December 1, 2043, are subject to mandatory sinking fund redemption, at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2040	\$330,000
2041	350,000
2042	375,000

The remaining principal, in the amount of \$395,000, will be paid at stated maturity on December 1, 2043.

The certificates maturing on December 1, 2048, are subject to mandatory sinking fund redemption, at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2044	\$420,000
2045	445,000
2046	470,000
2047	500,000

The remaining principal, in the amount of \$530,000, will be paid at stated maturity on December 1, 2048.

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

Note 17 - Long-Term Obligations (continued)

The certificates maturing on December 1, 2052, are subject to mandatory sinking fund redemption, at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2049	\$560,000
2050	595,000
2051	635,000

The remaining principal, in the amount of \$680,000, will be paid at stated maturity on December 1, 2052.

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

At June 30, 2024, \$8,177,037 of the certificates of participation had not been spent and \$400,000 was spent on items which were not capitalized.

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, Title I, and Title II-A special revenue funds.

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

The School District's overall debt margin was (\$7,373,029) with an unvoted debt margin of \$118,873 at June 30, 2024. The School District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated as a "special needs" school district.

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

<u>General Obligation Bonds</u>			
<u>Fiscal Year</u>	<u>Term</u>	<u>Interest</u>	<u>Total</u>
<u>Ending June 30,</u>			
2025	<u>\$45,000</u>	<u>\$329</u>	<u>\$45,329</u>

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

Note 17 - Long-Term Obligations (continued)

Fiscal Year End June 30,	General Obligation Bonds from Direct Placement				
	Serial Principal	Term Principal	Total Principal	Interest	Total
2025	\$225,000	\$0	\$225,000	\$896,293	\$1,121,293
2026	235,000	0	235,000	884,793	1,119,793
2027	250,000	0	250,000	872,668	1,122,668
2028	260,000	0	260,000	859,918	1,119,918
2029	275,000	0	275,000	846,543	1,121,543
2030-2034	290,000	1,300,000	1,590,000	4,007,340	5,597,340
2035-2039	0	2,015,000	2,015,000	3,574,266	5,589,266
2040-2044	0	2,515,000	2,515,000	3,065,529	5,580,529
2045-2049	0	3,200,000	3,200,000	2,351,170	5,551,170
2050-2054	0	4,085,000	4,085,000	1,460,990	5,545,990
2055-2058	0	3,995,000	3,995,000	411,844	4,406,844
	<u>\$1,535,000</u>	<u>\$17,110,000</u>	<u>\$18,645,000</u>	<u>\$19,231,354</u>	<u>\$37,876,354</u>

Fiscal Year End June 30,	Certificates of Participation from Direct Placement				
	Serial Principal	Term Principal	Total Principal	Interest	Total
2025	\$110,000	\$0	\$110,000	\$446,637	\$556,637
2026	115,000	0	115,000	441,012	556,012
2027	120,000	0	120,000	435,137	555,137
2028	125,000	0	125,000	429,012	554,012
2029	140,000	0	140,000	422,387	562,387
2030-2034	900,000	1,070,000	1,970,000	1,989,438	3,959,438
2035-2039	225,000	1,760,000	1,985,000	1,734,250	3,719,250
2040-2044	0	2,365,000	2,365,000	1,412,894	3,777,894
2045-2049	0	2,470,000	2,470,000	957,689	3,427,689
2050-2053	0	0	0	282,701	282,701
	<u>\$1,735,000</u>	<u>\$7,665,000</u>	<u>\$9,400,000</u>	<u>\$8,551,157</u>	<u>\$17,951,157</u>

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:

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

Note 18 - Fund Balance (continued)

Fund Balance	General	Bond Retirement	Building Fund	School Facilities	Other Governmental
Nonspendable for:					
Prepaid Items	\$28,181	\$0	\$0	\$0	\$5,073
Materials and Supplies					
Inventory	9,461	0	0	0	5,968
Unclaimed Monies	825	0	0	0	0
Total Nonspendable	38,467	0	0	0	11,041
Restricted for:					
Athletics and Music	0	0	0	0	30,466
Building Construction	0	0	5,497,669	25,422,412	0
Classroom Facilities	0	0	0	0	48,555
Debt Retirement	0	573,381	0	0	0
Food Service Operations	0	0	0	0	230,819
Network Connectivity	0	0	0	0	303
Permanent Improvements	0	0	0	0	120,591
Regular Instruction	0	0	0	0	17,236
School Safety	0	0	0	0	30,000
Student Managed Activities	0	0	0	0	55,566
Total Restricted	0	573,381	5,497,669	25,422,412	533,536
Committed For:					
Future Severance Payments	203,721	0	0	0	0
Assigned For:					
Educational Activities	6,567	0	0	0	0
Scholarships	3,778	0	0	0	0
Projected Budget Shortage	335,254	0	0	0	0
Unpaid Obligations	219,432	0	0	0	0
Total Assigned	565,031	0	0	0	0
Unassigned (Deficit)	6,774,811	0	0	0	(2,205)
Total Fund Balance	\$7,582,030	\$573,381	\$5,497,669	\$25,422,412	\$542,372

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, 2024

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 2024.

Balance June 30, 2023	\$0
Current Year Set Aside Requirement	125,827
Qualifying Expenditures	(125,827)
Balance June 30, 2024	<u><u>\$0</u></u>

Note 20 - Transfers

During fiscal year 2024, other governmental funds made transfers to other governmental funds, in the amount of \$48,555, to earmark dollars to the classroom facilities maintenance special revenue fund per the agreement with the Ohio Facilities Construction Commission.

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 2024, the School District paid \$30,229 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.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Fund is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Hancock County Educational Service Center, 7745 County Road 140, Findlay, Ohio 45840.

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.

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

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, 2024.

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education and Workforce (DEW) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, DEW adjustments for fiscal year 2024 have been finalized and resulted in a receivable to the School District totaling \$4,864. The 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 of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During fiscal year 2024, the School District received COVID-19 funding. The School District will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

Note 25 - Subsequent Event

On March 26, 2025, the School District approved a lease in the amount of \$9,000,000 to renovate and build new athletic facilities.

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 Ten Fiscal Years

	2024	2023	2022	2021
School District's Proportion of the Net Pension Liability	0.02338510%	0.02402830%	0.02428460%	0.02298430%
School District's Proportionate Share of the Net Pension Liability	\$1,292,147	\$1,299,638	\$896,032	\$1,520,230
School District's Employee Payroll	\$937,814	\$794,071	\$841,500	\$810,529
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	137.78%	163.67%	106.48%	187.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.06%	75.82%	82.86%	68.55%

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

2020	2019	2018	2017	2016	2015
0.02667050%	0.02506820%	0.02606020%	0.02504030%	0.26282600%	0.02600300%
\$1,595,742	\$1,435,702	\$1,557,039	\$1,832,719	\$1,499,711	\$1,315,997
\$919,570	\$845,363	\$843,936	\$781,871	\$795,334	\$705,725
173.53%	169.83%	184.50%	234.40%	188.56%	186.47%
70.85%	71.36%	69.50%	62.98%	69.16%	71.70%

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 Ten Fiscal Years

	2024	2023	2022	2021
School District's Proportion of the Net Pension Liability	0.02399268%	0.02471741%	0.025757672%	0.02547593%
School District's Proportionate Share of the Net Pension Liability	\$5,166,809	\$5,494,712	\$3,293,351	\$6,164,269
School District's Employee Payroll	\$3,253,757	\$3,103,021	\$2,934,500	\$3,093,886
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	158.80%	177.08%	112.23%	199.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.00%	78.90%	87.80%	75.50%

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

2020	2019	2018	2017	2016	2015
0.02426527%	0.02447627%	0.02431575%	0.02450692%	0.24536330%	0.02572780%
\$5,366,118	\$5,381,781	\$5,776,259	\$8,203,204	\$6,781,124	\$6,257,891
\$2,810,514	\$2,843,329	\$2,613,929	\$2,594,807	\$2,525,529	\$2,616,954
190.93%	189.28%	220.98%	316.14%	268.50%	239.13%
77.40%	77.30%	75.30%	66.80%	72.10%	74.70%

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 Eight Fiscal Years (1)

	2024	2023	2022	2021
School District's Proportion of the Net OPEB Liability	0.02384400%	0.02439920%	0.02456390%	0.02345530%
School District's Proportionate Share of the Net OPEB Liability	\$392,818	\$342,568	\$464,892	\$509,760
School District's Employee Payroll	\$937,814	\$794,071	\$841,500	\$810,529
School District's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	41.89%	43.14%	55.25%	62.89%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	30.02%	30.34%	24.08%	18.17%

(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

2020	2019	2018	2017
0.02679630%	0.02505740%	0.02652590%	0.02532780%
\$673,871	\$695,160	\$711,885	\$721,936
\$919,570	\$845,363	\$843,936	\$781,871
73.28%	82.23%	84.35%	92.33%
15.57%	13.57%	12.46%	11.49%

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 Eight Fiscal Years (1)

	2024	2023	2022	2021
School District's Proportion of the Net OPEB Liability (Asset)	0.02399268%	0.02471741%	0.025757672%	0.02547593%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$466,623)	(\$640,015)	(\$543,080)	(\$447,739)
School District's Employee Payroll	\$3,253,757	\$3,103,021	\$2,934,500	\$3,093,886
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Employee Payroll	-14.34%	-20.63%	-18.51%	-14.47%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	168.50%	230.70%	174.70%	182.10%

(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

2020	2019	2018	2017
0.02426527%	0.02447627%	0.02431575%	0.02450692%
(\$401,891)	(\$393,308)	\$948,711	\$1,310,636
\$2,810,514	\$2,843,329	\$2,613,929	\$2,954,807
-14.30%	-13.83%	36.29%	44.36%
174.70%	176.00%	47.10%	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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Net Pension Liability				
Contractually Required Contribution	\$146,377	\$131,294	\$111,170	\$117,810
Contributions in Relation to the Contractually Required Contribution	<u>(146,377)</u>	<u>(131,294)</u>	<u>(111,170)</u>	<u>(117,810)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll (1)	\$1,045,550	\$937,814	\$794,071	\$841,500
Pension Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution (2)	\$16,113	\$16,247	\$15,065	\$13,579
Contributions in Relation to the Contractually Required Contribution	<u>(16,113)</u>	<u>(16,247)</u>	<u>(15,065)</u>	<u>(13,579)</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>1.54%</u>	<u>1.73%</u>	<u>1.90%</u>	<u>1.61%</u>
Total Contributions as a Percentage of Employee Payroll (2)	<u>15.54%</u>	<u>15.73%</u>	<u>15.90%</u>	<u>15.61%</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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$113,474	\$124,142	\$114,124	\$118,151	\$109,462	\$104,825
<u>(113,474)</u>	<u>(124,142)</u>	<u>(114,124)</u>	<u>(118,151)</u>	<u>(109,462)</u>	<u>(104,825)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$810,529	\$919,570	\$845,363	\$843,936	\$781,871	\$795,334
14.00%	13.50%	13.50%	14.00%	14.00%	13.18%
\$13,198	\$18,443	\$16,101	\$14,831	\$12,611	\$19,936
<u>(13,198)</u>	<u>(18,443)</u>	<u>(16,101)</u>	<u>(14,831)</u>	<u>(12,611)</u>	<u>(19,936)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.63%</u>	<u>2.01%</u>	<u>1.90%</u>	<u>1.76%</u>	<u>1.61%</u>	<u>2.51%</u>
<u>15.63%</u>	<u>15.51%</u>	<u>15.40%</u>	<u>15.76%</u>	<u>15.61%</u>	<u>15.69%</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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Net Pension Liability				
Contractually Required Contribution	\$451,891	\$455,526	\$434,423	\$410,830
Contributions in Relation to the Contractually Required Contribution	<u>(451,891)</u>	<u>(455,526)</u>	<u>(434,423)</u>	<u>(410,830)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$3,227,793	\$3,253,757	\$3,103,021	\$2,934,500
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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$433,144	\$393,472	\$398,066	\$365,950	\$363,273	\$353,574
<u>(433,144)</u>	<u>(393,472)</u>	<u>(398,066)</u>	<u>(365,950)</u>	<u>(363,273)</u>	<u>(353,574)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,093,886	\$2,810,514	\$2,843,329	\$2,613,929	\$2,594,807	\$2,525,529
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
\$0	\$0	\$0	\$0	\$0	\$0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</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%	0.00%	0.00%	0.00%
<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, 2024

Net Pension Liability

Changes in Benefit Terms/Assumptions - SERS

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

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

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

Beginning in 2022, amounts reported use mortality rates based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Amounts report for 2017 through 2021 use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Arlington Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2024

Changes in Assumptions - STRS

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

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

Investment rate of return:

Fiscal Years 2022 through 2024	7.00 percent, net of investment expenses, including inflation
Fiscal Years 2018 through 2021	7.45 percent, net of investment expenses, including inflation
Fiscal Year 2017 and prior	7.75 percent, net of investment expenses, including inflation

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

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Arlington Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2024

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

Changes in Benefit Term - STRS Pension

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

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

Net OPEB Liability

Changes in Assumptions - SERS

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

	<u>2022</u>	<u>2021 and Prior</u>
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation

Arlington Local School District
Notes to the Required Supplementary Information
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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 2024	3.86 percent
Fiscal year 2023	3.69 percent
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2024	4.27 percent
Fiscal year 2023	4.08 percent
Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions - STRS

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

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

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

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

Changes in Benefit Terms - STRS OPEB

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

Arlington Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2024

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

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

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

For fiscal year 2022, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2022, premium based on June 30, 2021, enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2022, from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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

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

Arlington Local School District
Management's Discussion and Analysis
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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, 2023. 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 2023 are as follows:

In total, net position increased \$1,346,348.

General revenues were 87 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, Bond Retirement debt service fund and the Building and the Classroom Facilities capital projects funds were the most significant funds.

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 2023. 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.

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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 major funds are the General Fund, the Bond Retirement debt service fund and the Building and the Classroom Facilities capital projects funds.

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 2023 and fiscal year 2022:

Table 1
Net Position

	Governmental Activities		
	2023	2022	Change
<u>Assets:</u>			
Current and Other Assets	\$39,745,955	\$7,806,593	\$31,939,362
Net OPEB Asset	640,015	543,080	96,935
Capital Assets, Net	4,562,852	4,494,664	68,188
Total Assets	44,948,822	12,844,337	32,104,485
			(continued)

Arlington Local School District
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Unaudited

Table 1
Net Position
(continued)

	Governmental Activities		
	2023	2022	Change
<u>Deferred Outflows of</u>			
<u>Resources:</u>			
Pension	\$1,711,658	\$1,814,268	(\$102,610)
OPEB	164,965	201,043	(36,078)
Total Deferred Outflows of Resources	<u>1,876,623</u>	<u>2,015,311</u>	<u>(138,688)</u>
<u>Liabilities:</u>			
Current and Other Liabilities	1,059,463	790,236	(269,227)
Long-Term Liabilities			
Pension	6,794,350	4,189,383	(2,604,967)
OPEB	342,568	464,892	122,324
Other Amounts	29,921,515	594,056	(29,327,459)
Total Liabilities	<u>38,117,896</u>	<u>6,038,567</u>	<u>(32,079,329)</u>
<u>Deferred Inflows of</u>			
<u>Resources:</u>			
Pension	783,954	3,415,245	2,631,291
OPEB	989,750	975,658	(14,092)
Other Amounts	2,830,676	1,673,357	(1,157,319)
Total Deferred Inflows of Resources	<u>4,604,380</u>	<u>6,064,260</u>	<u>1,459,880</u>
<u>Net Position:</u>			
Net Investment in Capital Assets	4,477,852	4,369,664	108,188
Restricted	1,096,571	473,110	623,461
Unrestricted (Deficit)	(1,471,254)	(2,085,953)	614,699
Total Net Position	<u>\$4,103,169</u>	<u>\$2,756,821</u>	<u>\$1,346,348</u>

Arlington Local School District
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The net pension liability and net OPEB liability (asset) reported by the School District at June 30, 2023, 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.

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.

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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 deferred inflows. The increase in the net OPEB asset and 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 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 a few changes of note in the above table. The increase in current and other assets was primarily due to resources cash and cash equivalents (not being spent for debt issued for building construction), property taxes receivable (collection started on new 9.9 mills tax levy approved by voters at the November 2022 election), and income taxes receivable (voters approved .5% continuous income tax levy beginning in January 2023). The increase in current and other liabilities result from modest increases in intergovernmental payable as well as accrued wages liability. The increase in other long-term liabilities represents the new debt issued by the School District during the fiscal year.

Table 2 reflects the change in net position for fiscal year 2023 and fiscal year 2022.

Table 2
Change in Net Position

	Governmental Activities		
	2023	2022	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$438,246	\$426,775	\$11,471
Operating Grants and Contributions	1,002,936	1,465,476	(462,540)
Capital Grants and Contributions	0	37,385	(37,385)
Total Program Revenues	1,441,182	1,929,636	(488,454)
			(continued)

Arlington Local School District
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Unaudited

Table 2
Change in Net Position
(continued)

	Governmental Activities		
	2023	2022	Change
<u>Revenues</u>			
General Revenues			
Property Taxes	\$3,052,986	\$1,796,001	\$1,256,985
Income Taxes	1,902,977	1,567,962	335,015
Grants and Entitlements	3,949,022	3,591,223	357,799
Investment Earnings and Other Interest	432,356	8,076	424,280
Gifts and Donations	7,775	6,585	1,190
Miscellaneous	80,315	210,545	(130,230)
Total General Revenues	9,425,431	7,180,392	2,245,039
Total Revenues	10,866,613	9,110,028	1,756,585
<u>Expenses</u>			
Instruction:			
Regular	\$3,713,308	\$3,215,766	(\$497,542)
Special	1,061,377	984,287	(77,090)
Vocational	239,543	97,449	(142,094)
Support Services:			
Pupils	342,293	316,209	(26,084)
Instructional Staff	117,581	219,286	101,705
Board of Education	49,055	17,934	(31,121)
Administration	771,777	735,972	(35,805)
Fiscal	332,358	336,749	4,391
Business	26,222	674	(25,548)
Operation and Maintenance of Plant	1,511,550	686,698	(824,852)
Pupil Transportation	334,139	260,556	(73,583)
Non-Instructional Services	319,117	294,443	(24,674)
Extracurricular Activities	431,851	418,938	(12,913)
Interest	270,094	2,068	(268,026)
Total Expenses	9,520,265	7,587,029	(1,933,236)
Increase in Net Position	1,346,348	1,522,999	(176,651)
Net Position Beginning of Year	2,756,821	1,233,822	1,522,999
Net Position End of Year	\$4,103,169	\$2,756,821	\$1,346,348

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For program revenues, the change in charges for services is insignificant. The decrease in operating grants and contributions is the result of less COVID relief funding (particularly ESSER funding) with the pandemic coming to an end in 2023. The increase in general revenues is primarily due to the increase in property taxes revenue (collection began of new 9.9 mill tax levy approved by the voters in November of 2022 and based on assessed valuation of property), income tax revenue (collection began on .5% income tax levy), and investment earnings and other interest (more resources invested with unspent debt issued for building construction project).

The change in expenses from the prior fiscal year increased with the overall increase in the pension/OPEB expense as well as wages and benefits and debt issuance costs.

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		Net Cost of	
	2023	2022	2023	2022
Instruction:				
Regular	\$3,713,308	\$3,215,766	\$3,545,515	\$2,979,318
Special	1,061,377	984,287	479,939	358,463
Vocational	239,543	97,449	214,108	73,767
Support Services:				
Pupils	342,293	316,209	177,600	160,326
Instructional Staff	117,581	219,286	117,581	71,687
Board of Education	49,055	17,934	49,055	17,934
Administration	771,777	735,972	771,777	735,972
Fiscal	332,358	336,749	332,358	336,749
Business	26,222	674	26,222	674
Operation and Maintenance of Plant	1,511,550	686,698	1,511,550	686,698
Pupil Transportation	334,139	260,556	283,476	175,347
Non-Instructional Services	319,117	294,443	38,166	(231,327)
Extracurricular Activities	431,851	418,938	261,642	289,717
Interest	270,094	2,068	270,094	2,068
Total Expenses	<u>\$9,520,265</u>	<u>\$7,587,029</u>	<u>\$8,079,083</u>	<u>\$5,657,393</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.

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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 23 percent in the General Fund. Revenues increased over 11 percent largely due to an increase in property tax revenue (as previously mentioned above), income tax revenue (as previously mentioned above), and intergovernmental revenue (more State funding received for special education). The increase in expenditures was over 11 percent (increase in wages and benefits).

The change in fund balance for the Bond Retirement debt service fund was 100 percent due to property tax revenue (as previously mentioned above).

The increase in the Building and Classroom Facilities capital projects funds were due to debt issued in 2023 that were unspent for a construction project (as previously mentioned above).

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 2023, 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. The changes from the final budget to actual revenues were due to under estimating property taxes and intergovernmental revenue (as previously mentioned above). 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 2023, the School District had \$4,562,852 invested in capital assets (net of accumulated depreciation). Additions consisted mainly of a completed stadium lighting project and miscellaneous equipment. Disposals included miscellaneous equipment. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

At June 30, 2023, the School District had outstanding energy conservation bonds, general obligation bonds, and certificates of participation, in the amount of \$29,411,781. 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.

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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 also receive a longevity increase each year of service ranging from \$800 to \$1,600.

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.

In October 2021, the Board approved to move inside millage, the unvoted portion of property taxes, to a Permanent Improvement (PI) Fund. The Board agreed to move .47 of the existing 5.4 mills to the new PI fund beginning in January 2023. In March of 2023, the district passed a resolution to transfer \$48,555 to the District Maintenance Fund annually for the next 23 years, beginning in December 2023.

In November of 2022, the voters approved a bond levy of 9.9 mills for the construction and renovation of the School District buildings. The levy is for a thirty-five year period to collect \$19,150,000. The voters also approved a .5% continuing income tax to be used to repay a COPS (Certificates of Participation) borrowing of \$9,400,000 over a thirty year period. These funds will be used to build a new K-12 school building and other facilities. These new buildings will open approximately for the 2025-2026 school year.

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 Roy Swartz, Treasurer, Arlington Local School District, 336 South Main Street, Arlington, Ohio 45814.

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Arlington Local School District
Statement of Net Position
June 30, 2023

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$35,342,524
Accounts Receivable	12,743
Accrued Interest Receivable	5,557
Intergovernmental Receivable	61,315
Prepaid Items	3,456
Inventory Held for Resale	30,422
Materials and Supplies Inventory	11,335
Income Taxes Receivable	936,236
Property Taxes Receivable	3,342,367
Net OPEB Asset	640,015
Nondepreciable Capital Assets	1,008,467
Depreciable Capital Assets, Net	<u>3,554,385</u>
Total Assets	<u>44,948,822</u>
<u>Deferred Outflows of Resources:</u>	
Pension	1,711,658
OPEB	<u>164,965</u>
Total Deferred Outflows of Resources	<u>1,876,623</u>
<u>Liabilities:</u>	
Accounts Payable	30,663
Accrued Wages and Benefits Payable	633,544
Matured Compensated Absences Payable	27,544
Intergovernmental Payable	118,336
Accrued Interest Payable	114,816
Unearned Revenue	134,560
Long-Term Liabilities:	
Due Within One Year	573,618
Due in More Than One Year	
Net Pension Liability	6,794,350
Net OPEB Liability	342,568
Other Amounts	<u>29,347,897</u>
Total Liabilities	<u>38,117,896</u>
<u>Deferred Inflows of Resources:</u>	
Property Taxes Receivable	2,830,676
Pension	783,954
OPEB	<u>989,750</u>
Total Deferred Inflows of Resources	<u>4,604,380</u>
<u>Net Position:</u>	
Net Investment in Capital Assets	4,477,852
Restricted For:	
Debt Service	581,977
OPEB Plans	139,647
Other Purposes	374,947
Unrestricted (Deficit)	<u>(1,471,254)</u>
Total Net Position	<u><u>\$4,103,169</u></u>

See Accompanying Notes to the Basic Financial Statements

Arlington Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2023

		Program Revenues	
		Charges for	Operating Grants, Contributions, and Interest
	Expenses	Services	
<u>Governmental Activities:</u>			
Instruction:			
Regular	\$3,713,308	\$48,738	\$119,055
Special	1,061,377	123,871	457,567
Vocational	239,543	0	25,435
Support Services:			
Pupils	342,293	0	164,693
Instructional Staff	117,581	0	0
Board of Education	49,055	0	0
Administration	771,777	0	0
Fiscal	332,358	0	0
Business	26,222	0	0
Operation and Maintenance of Plant	1,511,550	0	0
Pupil Transportation	334,139	0	50,663
Non-Instructional Services	319,117	124,124	156,827
Extracurricular Activities	431,851	141,513	28,696
Interest	270,094	0	0
Total Governmental Activities	<u>\$9,520,265</u>	<u>\$438,246</u>	<u>\$1,002,936</u>

General Revenues:

Property Taxes Levied for General Purposes
Property Taxes Levied for Debt Service Purposes
Property Taxes Levied for Permanent Improvements
Income Taxes Levied for General Purposes
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings and Other 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

(\$3,545,515)
(479,939)
(214,108)
(177,600)
(117,581)
(49,055)
(771,777)
(332,358)
(26,222)
(1,511,550)
(283,476)
(38,166)
(261,642)
(270,094)
<hr/> (8,079,083) <hr/>

2,150,347
853,346
49,293
1,902,977
3,949,022
432,356
7,775
80,315
<hr/> 9,425,431 <hr/>

1,346,348
2,756,821
<hr/> \$4,103,169 <hr/>

Arlington Local School District
Balance Sheet
Governmental Funds
June 30, 2023

	General	Bond Retirement	Building Fund	Classroom Facilities
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$5,507,938	\$759,165	\$5,307,037	\$23,159,471
Accounts Receivable	12,743	0	0	0
Accrued Interest Receivable	5,557	0	0	0
Interfund Receivable	23,260	0	0	0
Intergovernmental Receivable	14,970	0	0	0
Prepaid Items	3,352	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	7,815	0	0	0
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	825	0	0	0
Income Taxes Receivable	936,236	0	0	0
Property Taxes Receivable	2,136,458	1,156,849	0	0
Total Assets	<u>\$8,649,154</u>	<u>\$1,916,014</u>	<u>\$5,307,037</u>	<u>\$23,159,471</u>
<u>Liabilities:</u>				
Accounts Payable	\$24,301	\$0	\$0	\$0
Accrued Wages and Benefits Payable	596,445	0	0	0
Matured Compensated Absences Payable	27,544	0	0	0
Interfund Payable	0	0	0	0
Intergovernmental Payable	108,380	0	0	0
Unearned Revenue	0	0	0	0
Total Liabilities	<u>756,670</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes Receivable	1,796,118	993,354	0	0
Unavailable Revenue	<u>280,623</u>	<u>3,017</u>	<u>0</u>	<u>0</u>
Total Deferred Inflows of Resources	<u>2,076,741</u>	<u>996,371</u>	<u>0</u>	<u>0</u>
<u>Fund Balances:</u>				
Nonspendable	11,992	0	0	0
Restricted	0	919,643	5,307,037	23,159,471
Committed	281,265	0	0	0
Assigned	1,163,529	0	0	0
Unassigned (Deficit)	<u>4,358,957</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>5,815,743</u>	<u>919,643</u>	<u>5,307,037</u>	<u>23,159,471</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$8,649,154</u>	<u>\$1,916,014</u>	<u>\$5,307,037</u>	<u>\$23,159,471</u>

See Accompanying Notes to the Basic Financial Statements

Other Governmental	Total Governmental Funds
\$608,088	\$35,341,699
0	12,743
0	5,557
0	23,260
46,345	61,315
104	3,456
30,422	30,422
3,520	11,335
0	825
0	936,236
49,060	3,342,367
<u>\$737,539</u>	<u>\$39,769,215</u>

\$6,362	\$30,663
37,099	633,544
0	27,544
23,260	23,260
9,956	118,336
134,560	134,560
<u>211,237</u>	<u>967,907</u>

41,204	2,830,676
<u>46,582</u>	<u>330,222</u>
<u>87,786</u>	<u>3,160,898</u>

3,624	15,616
474,984	29,861,135
0	281,265
0	1,163,529
<u>(40,092)</u>	<u>4,318,865</u>
<u>438,516</u>	<u>35,640,410</u>

<u>\$737,539</u>	<u>\$39,769,215</u>
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Arlington Local School District
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2023

Total Governmental Fund Balances	\$35,640,410
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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.	4,562,852
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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	11,944	
Intergovernmental Receivable	46,345	
Income Taxes Receivable	258,312	
Delinquent Property Taxes Receivable	13,621	
		330,222

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

Accrued Interest Payable	(114,816)	
Energy Conservation Bonds Payable	(85,000)	
General Obligation Bonds Payable	(19,768,372)	
Certificates of Participation Payable	(9,558,409)	
Compensated Absences Payable	(509,734)	
		(30,036,331)

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		640,015
Deferred Outflows - Pension		1,711,658
Deferred Inflows - Pension		(783,954)
Net Pension Liability		(6,794,350)
Deferred Outflows - OPEB		164,965
Deferred Inflows - OPEB		(989,750)
Net OPEB Liability		(342,568)

Net Position of Governmental Activities	\$4,103,169
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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, 2023

	General	Bond Retirement	Building Fund	Classroom Facilities
<u>Revenues:</u>				
Property Taxes	\$2,157,460	\$850,329	\$0	\$0
Income Taxes	1,725,871	0	0	0
Intergovernmental	4,447,171	7,252	0	0
Investment Earnings and Other Interest	98,494	1,185	66,856	249,652
Tuition and Fees	165,741	0	0	0
Extracurricular Activities	0	0	0	0
Charges for Services	0	0	0	0
Gifts and Donations	7,775	0	0	0
Miscellaneous	81,965	0	0	0
Total Revenues	8,684,477	858,766	66,856	249,652
<u>Expenditures:</u>				
<u>Current:</u>				
<u>Instruction:</u>				
Regular	3,571,084	0	0	0
Special	879,720	0	0	0
Vocational	236,976	0	0	0
<u>Support Services:</u>				
Pupils	340,576	0	0	0
Instructional Staff	137,493	0	0	0
Board of Education	49,055	0	0	0
Administration	709,297	0	0	0
Fiscal	343,903	11,093	0	0
Business	26,222	0	0	0
Operation and Maintenance of Plant	949,518	0	645,488	0
Pupil Transportation	320,370	0	0	0
Non-Instructional Services	2,000	0	0	0
Extracurricular Activities	230,498	0	0	0
Capital Outlay	76,146	0	0	0
<u>Debt Service:</u>				
Principal Retirement	40,000	0	0	0
Interest	1,533	153,897	0	0
Total Expenditures	7,914,391	164,990	645,488	0
Excess of Revenues Over (Under) Expenditures	770,086	693,776	(578,632)	249,652
<u>Other Financing Sources (Uses)</u>				
Certificates of Participation Issued	305,426	0	5,334,755	3,759,819
General Obligation Bonds Issued	0	0	0	19,150,000
Premium on Certificates of Participation Issued	0	0	158,409	0
Premium on General Obligation Bonds Issued	0	225,867	392,505	0
Total Other Financing Sources (Uses)	305,426	225,867	5,885,669	22,909,819
Changes in Fund Balances	1,075,512	919,643	5,307,037	23,159,471
Fund Balances at Beginning of Year	4,740,231	0	0	0
Fund Balances at End of Year	\$5,815,743	\$919,643	\$5,307,037	\$23,159,471

See Accompanying Notes to the Basic Financial Statements

Other Governmental	Total Governmental Funds
\$49,459	\$3,057,248
0	1,725,871
414,334	4,868,757
30,333	446,520
0	165,741
141,513	141,513
124,124	124,124
41,719	49,494
14,732	96,697
816,214	10,675,965
77,591	3,648,675
158,976	1,038,696
0	236,976
	340,576
	137,493
0	49,055
45,920	755,217
527	355,523
0	26,222
2,740	1,597,746
0	320,370
354,548	356,548
200,743	431,241
0	76,146
0	40,000
0	155,430
841,045	9,565,914
(24,831)	1,110,051
0	9,400,000
0	19,150,000
0	158,409
0	618,372
0	29,326,781
(24,831)	30,436,832
463,347	5,203,578
\$438,516	\$35,640,410

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, 2023

Changes in Fund Balances - Total Governmental Funds \$30,436,832

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 capital outlay exceeded depreciation in the current fiscal year.

Capital Outlay - Non Depreciable Capital Assets	197,446	
Capital Outlay - Depreciable Capital Assets	49,485	
Depreciation	<u>(160,653)</u>	86,278

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. (18,090)

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

Delinquent Property Taxes	(4,262)	
Income Taxes	177,106	
Intergovernmental	27,318	
Tuition and Fees	6,868	
Miscellaneous	<u>(16,382)</u>	190,648

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

Debt proceeds are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net position

General Obligation Bonds	(19,150,000)	
Certificates of Participation	<u>(9,400,000)</u>	(28,550,000)

Interest is reported as an expenditure when due in governmental funds but is accrued on outstanding debt on the statement of net position. Premiums are reported as revenue when the debt is first issued; however, this amount is deferred and amortized over the life of the debt on the statement of activities.

Accrued Interest Payable	(114,664)	
Unamortized Premium	<u>(776,781)</u>	(891,445)

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. (40,678)

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	(663,106)	
OPEB	<u>152,842</u>	(510,264)

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

Pension	586,820	
OPEB	<u>16,247</u>	603,067

Change in Net Position of Governmental Activities \$1,346,348

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, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<u>Revenues:</u>				
Property Taxes	\$1,824,695	\$1,778,902	\$1,970,181	\$191,279
Income Taxes	1,529,036	1,501,463	1,664,059	162,596
Intergovernmental	4,379,045	4,087,591	4,445,736	358,145
Interest	12,008	87,047	94,038	6,991
Tuition and Fees	239,663	188,489	204,090	15,601
Gifts and Donations	8,580	11,225	7,775	(3,450)
Miscellaneous	18,704	63,344	64,746	1,402
Total Revenues	8,011,731	7,718,061	8,450,625	732,564
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	4,479,015	4,021,054	3,574,343	446,711
Special	1,000,800	1,008,320	892,490	115,830
Vocational	113,196	256,061	252,391	3,670
Support Services:				
Pupils	359,485	371,870	335,221	36,649
Instructional Staff	147,390	153,292	138,170	15,122
Board of Education	22,245	65,742	65,387	355
Administration	776,793	1,003,682	715,686	287,996
Fiscal	351,929	386,089	340,707	45,382
Business	33,500	32,064	28,992	3,072
Operation and Maintenance of Plant	1,133,177	1,157,395	1,053,839	103,556
Pupil Transportation	384,135	458,192	414,132	44,060
Non-Instructional Services	5,896	5,896	2,500	3,396
Extracurricular Activities	274,822	292,725	230,441	62,284
Capital Outlay	100,000	76,146	76,146	0
Debt Service:				
Principal Retirement	40,000	40,000	40,000	0
Interest	1,533	1,533	1,533	0
Total Expenditures	9,223,916	9,330,061	8,161,978	1,168,083
Excess of Revenues Over (Under) Expenditures	(1,212,185)	(1,612,000)	288,647	1,900,647
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	26,182	3,961	3,961	0
Certificates of Participation Issued	6,527	305,426	305,426	0
Transfers In	26,622	61,000	0	(61,000)
Transfers Out	(30,000)	0	0	0
Total Other Financing Sources (Uses)	29,331	370,387	309,387	(61,000)
Changes in Fund Balance	(1,182,854)	(1,241,613)	598,034	1,839,647
Fund Balance at Beginning of Year	4,319,243	4,319,243	4,319,243	0
Prior Year Encumbrances Appropriated	311,969	311,969	311,969	0
Fund Balance at End of Year	\$3,448,358	\$3,389,599	\$5,229,246	\$1,839,647

See Accompanying Notes to the Basic Financial Statements

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Arlington Local School District
Statement of Changes in Fiduciary Net Position
Private Purpose Trust
For the Fiscal Year Ended June 30, 2023

	<u>Private Purpose Trust</u>
<u>Deductions:</u>	
Payment in Accordance with Trust Agreements	<u>\$500</u>
Changes in Net Position	(500)
Net Position at Beginning of Year	<u>500</u>
Net Position at End of Year	<u><u>\$0</u></u>
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, 2023

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-seven classified employees, forty-four certified teaching personnel, and four administrative employees who provide services to five hundred seventy-one 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 20 and 21 to the basic financial statements.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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, 2023

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 major fund are the General Fund, Bond Retirement debt service fund, and the Building and Classroom Facilities capital projects funds.

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

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

Building Fund - The Building Fund is used to accounts for bond proceeds restricted to acquire, construct, or improve capital facilities.

Classroom Facilities Fund - The Classroom Facilities Fund is used to account for resources received from the Ohio Facilities Construction Commission and restricted for the building and equipping of classroom facilities.

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.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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, investment earnings and other interest, tuition, student fees, and charges for services.

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have not yet been met because these amounts have not yet been earned.

Deferred Outflows/Inflows of Resources

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

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as a deferred inflow of resources (revenue) 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, 2023, but which were levied to finance fiscal year 2024 operations. These amounts have 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 19. 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.

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 alternate tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternate 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 budget amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

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 2023, the School District invested in mutual funds and STAR Ohio. Investments are reported at fair value. STAR Ohio (State Treasury Asset Reserve of Ohio) is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but has adopted Governmental Accounting Standards Board 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.

For fiscal year 2023, 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 for deposits and withdrawals exceeding \$100 million or more is encouraged. STAR Ohio reserves the right to limit the transaction to \$250 million per day.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings and other interest. Investment earnings and other interest revenue credited to the General Fund during fiscal year 2023 was \$98,494, which includes \$28,896 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, 2023, 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.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

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 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.

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.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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. General obligation bonds and certificates of participation are reported on the fund financial statements when due.

N. Unamortized Premiums

On government-wide financial statements, premiums are deferred and amortized over the term of the bonds using the bond-outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable.

On the government fund financial statements, bond premiums are recognized in the period when debt is issued.

Under Ohio law, premiums on the original issue of debt are to be deposited in the Bond Retirement Fund. Ohio law does not allow premiums on refunding debt to be used as part of the payment to a bond escrow agent.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

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, federal and state grants, and permanent improvements. Restricted net position for OPEB plans represents the corresponding restricted amounts after considering the related deferred outflows and deferred inflows.

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 2024 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, 2023

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.

Note 3 - Change in Accounting Principles

For fiscal year 2023, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 91, "Conduit Debt Obligations", Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements", GASB Statement No. 96, "Subscription-Based Information Technology Arrangements", and GASB Statement No. 99, "Omnibus 2022".

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 3 - Change in Accounting Principles (continued)

GASB Statement No. 91 clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extending by issuers and arrangements associated with conduit debt obligations; and improving required note disclosure. The School District did not have any debt that met the definition of conduit debt.

GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The School District did not have any arrangements that met the GASB 94 definition of a PPP or an APA.

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The School District did not have any contracts that met the GASB Statement No. 96 definition of a SBITA.

GASB Statement No. 99 addresses various issues including items related to leases, PPPs, and SBITAs. The requirements related to PPPs and SBITAs were incorporated with the corresponding GASB Statement No. 94 and GASB Statement No. 96 changes identified above.

Note 4 - Accountability

At June 30, 2023, the ESSER, Title VI-B, Title I, Early Childhood Special Education, and Title II-A special revenue funds had deficit fund balances in the amount of \$6,374, \$16,351, \$12,203, \$931, and \$4,233, respectively, resulting from recognition of payables in accordance with generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed.

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).

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 5 - Budgetary Basis of Accounting (continued)

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:

Change in Fund Balance	
GAAP Basis	\$1,075,512
<u>Increase (Decrease) Due to:</u>	
Revenue Accruals:	
Accrued FY 2022, Received in Cash FY 2023	799,332
Accrued FY 2023, Not Yet Received in Cash	(1,029,223)
Expenditure Accruals:	
Accrued FY 2022, Paid in Cash FY 2023	(703,491)
Accrued FY 2023, Not Yet Paid in Cash	756,670
Prepaid Items	211
Materials and Supplies Inventory	1,800
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(302,777)
Budget Basis	<u>\$598,034</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.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 6 - Deposits and Investments (continued)

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio (if training requirements have been met);
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed two hundred seventy days in an amount not to exceed 40 percent of the interim monies available for investment at any one time (if training requirements have been met).

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 6 - Deposits and Investments (continued)

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, 2023, the School District had the following investments.

Measurement/Investment	Amount
Fair Value - Level One Inputs	
Mutual Funds	\$231,853
Net Value Per Share	
STAR Ohio	31,416,007
Total Investments	<u>\$31,647,860</u>

The School District has categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2023. The mutual funds are measured at fair value using quoted market prices (Level 1 inputs).

The School District's investment in STAR Ohio had an average maturity of 38.5 days. The mutual funds carry a rating of Aaa by Moody's. 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 mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The School District places no limit on the amount it may invest in a particular security.

	Fair Value	Percentage of Portfolio
Mutual Funds	\$231,853	.73%
Star Ohio	31,416,007	99.27

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 7 - Receivables

Receivables at June 30, 2023, 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:

	<u>Amount</u>
Governmental Activities	
General Fund	
School Employees Retirement System	\$12,993
State of Ohio - Medicaid	1,977
Total General Fund	<u>14,970</u>
Other Governmental Funds	
ESSER	8,802
Title VI-B	16,351
Title I	12,203
Early Childhood Special Education	931
Title II-A	4,233
Title V	3,825
Total Other Governmental Funds	<u>46,345</u>
Total Governmental Activities	<u><u>\$61,315</u></u>

Note 8 - Income Taxes

The School District levies a voted tax of 1.75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2023, 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, 2023

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 2023 represent the collection of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, on the assessed values as of January 1, 2022, 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 2023 represent the collection of calendar year 2022 taxes. Public utility real and tangible personal property taxes received in calendar year 2023 became a lien on December 31, 2021, were levied after April 1, 2022, 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, 2023, are available to finance fiscal year 2023 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, 2023, 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, 2023, was \$329,973 in the General Fund, \$160,478 in the Bond Retirement debt service fund, and \$7,619 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2022, was \$142,694 in the General Fund and \$3,345 in the Permanent Improvement capital projects 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.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 9 - Property Taxes (continued)

The assessed values upon which fiscal year 2023 taxes were collected are:

	2022 Second Half Collections		2023 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$88,697,460	91.35%	\$108,828,340	92.41%
Industrial/Commercial	4,106,500	4.23%	4,366,450	3.71%
Public Utility	4,305,030	4.42%	4,579,170	3.88%
Total Assessed Value	<u>\$97,108,990</u>	<u>100.00%</u>	<u>\$117,773,960</u>	<u>100.00%</u>

Tax Rate per \$1,000 of assessed valuation	\$31.40	\$41.30
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During fiscal year 2023, the voters approved a new bond levy.

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	Balance 6/30/2022	Additions	Reductions	Balance 6/30/2023
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$1,008,467	\$0	\$0	\$1,008,467
Construction in Progress	30,730	197,446	(228,176)	0
Total Nondepreciable Capital Assets	<u>1,039,197</u>	<u>197,446</u>	<u>(228,176)</u>	<u>1,008,467</u>
Depreciable Capital Assets				
Land Improvements	216,617	0	(12,124)	204,493
Buildings and Improvements	4,788,526	228,176	(52,315)	4,964,387
Furniture, Fixtures, and Equipment	986,873	49,485	(76,021)	960,337
Vehicles	587,709	0	0	587,709
Infrastructure	<u>11,856</u>	<u>0</u>	<u>0</u>	<u>11,856</u>
Total Depreciable Capital Assets	<u>6,591,581</u>	<u>277,661</u>	<u>(140,460)</u>	<u>6,728,782</u>

(continued)

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 10 - Capital Assets (continued)

	Balance 6/30/2022	Additions	Reductions	Balance 6/30/2023
Governmental Activities				
Less Accumulated Depreciation				
Land Improvements	(\$127,479)	(\$5,147)	\$9,340	(\$123,286)
Buildings and Improvements	(2,036,344)	(80,911)	46,675	(2,070,580)
Furniture, Fixtures, and Equipment	(605,879)	(44,793)	66,355	(584,317)
Vehicles	(361,413)	(29,565)	0	(390,978)
Infrastructure	(4,999)	(237)	0	(5,236)
Total Accumulated Depreciation	(3,136,114)	(160,653)	122,370	(3,174,397)
Total Depreciable Capital Assets, Net	3,455,467	117,008	(18,090)	3,554,385
Governmental Activities Capital Assets, Net	\$4,494,664	\$314,454	(\$246,266)	\$4,562,852

Depreciation expense was charged to governmental functions as follows:

	<u>Depreciation</u>
Instruction:	
Regular	\$40,692
Special	337
Vocational	1,914
Support Services:	
Pupils	202
Instructional Staff	781
Administration	870
Fiscal	756
Operation & Maintenance of Plant	59,891
Pupil Transportation	29,781
Non Instructional Services	4,688
Extracurricular Activities	20,741
Total Depreciation Expense	<u>\$160,653</u>

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 11 - Interfund Receivables/Payables

At June 30, 2023, the General Fund had an interfund receivable, in the amount of \$23,260, from other governmental funds to provide cash flow resources until the receipt of grant monies. 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 2024 are as follows:

General Fund	\$302,777
Other Governmental Funds	45,000
Total	<u>\$347,777</u>

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 2023, the School District contracted for the following insurance coverage.

Coverage provided by United Insurance Service is as follows:

Building and Contents	\$350,000,000
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 2023, 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.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 13 - Risk Management (continued)

For fiscal year 2023, 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 already have occurred.

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset).

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 14 - Defined Benefit Pension Plans (continued)

Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5 percent COLA for calendar year 2023.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 14 - Defined Benefit Pension Plans (continued)

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, 2023, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2023, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$131,294 for fiscal year 2023. Of this amount \$10,192 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective July 1, 2022, an ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 14 - Defined Benefit Pension Plans (continued)

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after termination of employment.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The 2023 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2023, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$455,526 for fiscal year 2023. Of this amount \$68,500 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2022, 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:

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 14 - Defined Benefit Pension Plans (continued)

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.02402830%	0.024717410%	
Prior Measurement Date	0.02428460%	0.025757572%	
Change in Proportionate Share	<u>-0.00025630%</u>	<u>-0.001040162%</u>	
Proportionate Share of the Net			
Pension Liability	\$1,299,638	\$5,494,712	\$6,794,350
Pension Expense	\$38,453	\$624,653	\$663,106

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$52,637	\$70,339	\$122,976
Changes of assumptions	12,824	657,552	670,376
Net difference between projected and actual earnings on pension plan investments	0	191,204	191,204
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	18,380	121,902	140,282
School District contributions subsequent to the measurement date	<u>131,294</u>	<u>455,526</u>	<u>586,820</u>
Total Deferred Outflows of Resources	<u>\$215,135</u>	<u>\$1,496,523</u>	<u>\$1,711,658</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$8,531	\$21,019	\$29,550
Changes of assumptions	0	494,948	494,948
Net difference between projected and actual earnings on pension plan investments	45,352	0	45,352
Changes in proportionate share and Difference between School District contributions and proportionate share of contributions	<u>19,367</u>	<u>194,737</u>	<u>214,104</u>
Total Deferred Inflows of Resources	<u>\$73,250</u>	<u>\$710,704</u>	<u>\$783,954</u>

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 14 - Defined Benefit Pension Plans (continued)

\$586,820 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2024	\$13,923	(\$1,456)	\$12,467
2025	(13,914)	(22,785)	(36,699)
2026	(64,784)	(202,719)	(267,503)
2027	75,366	557,253	632,619
Total	<u>\$10,591</u>	<u>\$330,293</u>	<u>\$340,884</u>

Actuarial Assumptions - SERS

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

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, 2022, are presented below:

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 14 - Defined Benefit Pension Plans (continued)

	June 30, 2022
Inflation	2.4 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 percent to 13.58 percent 2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of System expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.45) %
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	<u>100.00 %</u>	

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 14 - Defined Benefit Pension Plans (continued)

Discount Rate The total pension liability for 2022 was calculated using the discount rate of 7.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$1,913,004	\$1,299,638	\$782,884

Actuarial Assumptions - STRS

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

	June 30, 2022
Inflation	2.50 percent
Salary increases	From 2.5 percent to 12.5 percent based on age
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 14 - Defined Benefit Pension Plans (continued)

For 2021, post-retirement mortality rates are based on RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates, thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

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

* Target allocation percentage is effective July 1, 2022.

Target weights were phased in over a 3 month period concluding on October 1, 2022

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

Discount Rate The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2022.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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 7.00 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$8,300,509	\$5,494,712	\$3,121,876

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, 2023, 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).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2023, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, the School District's surcharge obligation was \$16,247.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$16,247 for fiscal year 2023. Of this amount \$16,247 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 15 - Defined Benefit OPEB Plans (continued)

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

The net OPEB liability (asset) was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.02439920%	0.024717410%	
Prior Measurement Date	0.02456390%	0.025757672%	
Change in Proportionate Share	<u>-0.00016470%</u>	<u>-0.001040262%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$342,568	\$0	\$342,568
Net OPEB Asset	\$0	\$640,015	\$640,015
OPEB Expense	(\$36,961)	(\$115,881)	(\$152,842)

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$2,880	\$9,278	\$12,158
Changes of assumptions	54,490	27,263	81,753
Net difference between projected and actual earnings on OPEB plan investments	1,780	11,141	12,921
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	37,916	3,970	41,886
School District contributions subsequent to the measurement date	<u>16,247</u>	<u>0</u>	<u>16,247</u>
Total Deferred Outflows of Resources	<u>\$113,313</u>	<u>\$51,652</u>	<u>\$164,965</u>

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 15 - Defined Benefit OPEB Plans (continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$219,131	\$96,118	\$315,249
Changes of assumptions	140,626	453,833	594,459
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>77,973</u>	<u>2,069</u>	<u>80,042</u>
Total Deferred Inflows of Resources	<u>\$437,730</u>	<u>\$552,020</u>	<u>\$989,750</u>

\$16,247 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 in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2024	(\$82,457)	(\$147,342)	(\$229,799)
2025	(77,061)	(143,642)	(220,703)
2026	(69,451)	(68,441)	(137,892)
2027	(43,771)	(28,159)	(71,930)
2028	(24,882)	(37,260)	(62,142)
Thereafter	<u>(43,042)</u>	<u>(75,524)</u>	<u>(118,566)</u>
Total	<u>(\$340,664)</u>	<u>(\$500,368)</u>	<u>(\$841,032)</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 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.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 15 - Defined Benefit OPEB Plans (continued)

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

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

	June 30, 2022
Inflation	2.40 percent
Future Salary Increases, including inflation	
Wage Increases	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation
Fiduciary Net Position is Projected to be Depleted	2044
Municipal Bond Index Rate:	
Measurement Date	3.69 percent
Prior Measurement Date	1.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	4.08 percent
Prior Measurement Date	2.27 percent
Health Care Cost Trend Rate	
Medicare	5.125 to 4.40 percent
Pre-Medicare	6.75 to 4.40 percent
Medical Trend Assumption	7.00 to 4.40 percent

Mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board in 2021.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 15 - Defined Benefit OPEB Plans (continued)

Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2022 was 4.08 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2022, and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 3.69 percent at June 30, 2022 and 1.92 percent at June 30, 2021.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) and higher (5.08%) than the current discount rate (4.08%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate.

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
School District's proportionate share of the net OPEB liability	\$425,474	\$342,568	\$275,639

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 15 - Defined Benefit OPEB Plans (continued)

	1% Decrease (6.00% decreasing to 3.40%)	Current Trend Rate (7.00% decreasing to 4.40%)	1% Increase (8.00% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$264,181	\$342,568	\$444,953

Actuarial Assumptions - STRS

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

	June 30, 2022	June 30, 2021
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by age from 2.5 percent to 12.50 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 3.94 percent ultimate	5.00 percent initial 4 percent ultimate
Medicare	-68.78 percent initial 3.94 percent ultimate	-16.18 percent initial 4 percent ultimate
Prescription Drug		
Pre-Medicare	9.00 percent initial 3.94 percent ultimate	6.50 percent initial 4 percent ultimate
Medicare	-5.47 percent initial 3.94 percent ultimate	29.98 percent initial 4 percent ultimate

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

For 2022, healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 15 - Defined Benefit OPEB Plans (continued)

For 2021, healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022, valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2022, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net OPEB asset	\$591,678	\$640,015	\$681,422
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	\$663,852	\$640,015	\$609,929

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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.

Note 17 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2023 were as follows:

	Balance at 6/30/2022	Additions	Reductions	Balance at 6/30/2023	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
Energy Conservation Bonds	\$125,000	\$0	\$40,000	\$85,000	\$40,000
General Obligation Debt from Direct Placement					
2023 School Facilities Construction and Improvement Bonds					
Serial Bonds 5%	0	2,040,000	0	2,040,000	505,000
Term Bonds 4.375-5.50%	0	17,110,000	0	17,110,000	0
Premium	0	618,372	0	618,372	0
Total General Obligation Bonds	0	19,768,372	0	19,768,372	505,000
Certificates of Participation					
2023 Certificates of Participation					
Serial Certificates 5.00%	0	1,735,000	0	1,735,000	0
Term Certificates 4.125-5.550%	0	7,665,000	0	7,665,000	0
Premium	0	158,409	0	158,409	0
Total Certificates of Participation	0	9,558,409	0	9,558,409	0

(continued)

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 17 - Long-Term Obligations (continued)

	Balance at 6/30/2022	Additions	Reductions	Balance at 6/30/2023	Amounts Due Within One Year
Governmental Activities					
Net Pension Liability					
SERS	\$896,032	\$403,606	\$0	\$1,299,638	\$0
STRS	3,293,351	2,201,361	0	5,494,712	0
Total Net Pension Liability	4,189,383	2,604,967	0	6,794,350	0
Net OPEB Liability					
SERS	464,892	0	122,324	342,568	0
Compensated Absences	469,056	67,810	27,132	509,734	28,618
Total Governmental Activities Long Term Obligations	<u>\$5,248,331</u>	<u>\$31,999,558</u>	<u>\$189,456</u>	<u>\$37,058,433</u>	<u>\$573,618</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>
2024	\$40,000
2025	45,000

2023 School Facilities Construction and Improvement Bonds - On March 30, 2023, the School District issued general obligation bonds through a direct placement, in the amount of \$19,150,000 for the purpose of constructing, improving, and furnishing and equipping school facilities. The bonds issue included serial and term bonds, in the original amount of \$2,040,000 and \$17,110,000, respectively. The bonds were issued for a thirty-five fiscal year period, with final maturity during fiscal year 2058. The bonds are being retired through the Bond Retirement debt service fund.

The bonds maturing on or after December 1, 2031, are subject to mandatory sinking fund redemption, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amount as follows:

<u>Year</u>	<u>Amount</u>
2030	\$300,000

The remaining principal, in the amount of \$315,000, will be paid at stated maturity on December 1, 2031.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 17 - Long-Term Obligations (continued)

The bonds maturing on December 1, 2034, are subject to mandatory sinking fund redemption, at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2032	\$335,000
2033	350,000

The remaining principal, in the amount of \$365,000, will be paid at stated maturity on December 1, 2034.

The bonds maturing on December 1, 2037, are subject to mandatory sinking fund redemption, at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2035	\$385,000
2036	405,000

The remaining principal, in the amount of \$420,000, will be paid at stated maturity on December 1, 2037.

The bonds maturing on December 1, 2043, are subject to mandatory sinking fund redemption, at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2038	\$440,000
2039	460,000
2040	480,000
2041	500,000
2042	525,000

The remaining principal, in the amount of \$550,000, will be paid at stated maturity on December 1, 2043.

The bonds maturing on December 1, 2048, are subject to mandatory sinking fund redemption, at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2044	\$575,000
2045	605,000
2046	635,000
2047	675,000

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 17 - Long-Term Obligations (continued)

The remaining principal, in the amount of \$710,000, will be paid at stated maturity on December 1, 2048.

The bonds maturing on December 1, 2053, are subject to mandatory sinking fund redemption, at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2049	\$750,000
2050	780,000
2051	815,000
2052	850,000

The remaining principal, in the amount of \$890,000, will be paid at stated maturity on December 1, 2053.

The bonds maturing on December 1, 2057, with an interest rate of 5.50% are subject to mandatory sinking fund redemption, at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2054	\$465,000
2055	490,000
2056	510,000

The remaining principal, in the amount of \$535,000, will be paid at stated maturity on December 1, 2057.

The bonds maturing on December 1, 2057, with an interest rate of 4.50% are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2054	\$460,000
2055	485,000
2056	510,000

The remaining principal, in the amount of \$540,000, will be paid at stated maturity on December 1, 2057.

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

As of June 30, 2023, \$19,150,000 of the bond proceeds had not been spent.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 17 - Long-Term Obligations (continued)

2023 Certificate of Participation - On March 30, 2023, the School District issued certificates of participation through a direct placement, in the amount of \$9,400,000, for the purpose of constructing, improving, furnishing, and equipping school facilities. The certificate issue includes serial and term certificates, in the original amount of \$1,735,000 and \$7,665,000, respectively. The certificates were issued for a thirty fiscal year period, with final maturity during fiscal year 2053. The certificates will be retired through the General Fund.

The certificates maturing on December 1, 2039, are subject to mandatory sinking fund redemption, at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2035	\$240,000
2036	260,000
2037	275,000
2038	295,000

The remaining principal, in the amount of \$310,000, will be paid at stated maturity on December 1, 2039.

The certificates maturing on December 1, 2043, are subject to mandatory sinking fund redemption, at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2040	\$330,000
2041	350,000
2042	375,000

The remaining principal, in the amount of \$395,000, will be paid at stated maturity on December 1, 2043.

The certificates maturing on December 1, 2048, are subject to mandatory sinking fund redemption, at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2044	\$420,000
2045	445,000
2046	470,000
2047	500,000

The remaining principal, in the amount of \$530,000, will be paid at stated maturity on December 1, 2048.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 17 - Long-Term Obligations (continued)

The certificates maturing on December 1, 2052, are subject to mandatory sinking fund redemption, at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Amount
2049	\$560,000
2050	595,000
2051	635,000

The remaining principal, in the amount of \$680,000, will be paid at stated maturity on December 1, 2052.

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

At June 30, 2023, \$9,229,280 of the certificates of participation had not been spent and \$170,720 was spent on items which were not capitalized.

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, Title I, and Title II-A special revenue funds.

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

The School District's overall debt margin was (\$7,630,701) with an unvoted debt margin of \$117,744 at June 30, 2023. The School District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated as a "special needs" school district.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2023, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		
	Term	Interest	Total
2024	\$40,000	\$949	\$40,949
2025	45,000	329	45,329
	\$85,000	\$1,278	\$86,278

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 17 - Long-Term Obligations (continued)

Fiscal Year End June 30,	General Obligation Bonds from Direct Placement				
	Serial Principal	Term Principal	Total Principal	Interest	Total
2024	\$505,000	\$0	\$505,000	\$914,543	\$1,419,543
2025	225,000	0	225,000	896,293	1,121,293
2026	235,000	0	235,000	884,793	1,119,793
2027	250,000	0	250,000	872,668	1,122,668
2028	260,000	0	260,000	859,918	1,119,918
2029-2033	565,000	950,000	1,515,000	4,084,965	5,599,965
2034-2038	0	1,925,000	1,925,000	3,665,616	5,590,616
2039-2043	0	2,405,000	2,405,000	3,176,228	5,581,228
2044-2048	0	3,040,000	3,040,000	2,520,019	5,560,019
2049-2053	0	3,905,000	3,905,000	1,639,765	5,544,765
2054-2058	0	4,885,000	4,885,000	631,089	5,516,089
	<u>\$2,040,000</u>	<u>\$17,110,000</u>	<u>\$19,150,000</u>	<u>\$20,145,897</u>	<u>\$39,295,897</u>

Fiscal Year End June 30,	Certificates of Participation from Direct Placement				
	Serial Principal	Term Principal	Total Principal	Interest	Total
2024	\$0	\$0	\$0	\$449,387	\$449,387
2025	110,000	0	110,000	446,637	556,637
2026	115,000	0	115,000	441,012	556,012
2027	120,000	0	120,000	435,137	555,137
2028	125,000	0	125,000	429,012	554,012
2029-2033	830,000	0	830,000	2,032,687	2,862,687
2034-2038	435,000	775,000	1,210,000	1,788,804	2,998,804
2039-2043	0	1,660,000	1,660,000	1,486,562	3,146,562
2044-2048	0	2,230,000	2,230,000	1,060,830	3,290,830
2049-2053	0	3,000,000	3,000,000	430,476	3,430,476
	<u>\$1,735,000</u>	<u>\$7,665,000</u>	<u>9,400,000</u>	<u>\$9,000,544</u>	<u>\$18,400,544</u>

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:

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 18 - Fund Balance (continued)

Fund Balance	General	Bond Retirement	Building Fund	School Facilities	Other Governmental
Nonspendable for:					
Prepaid Items	\$3,352	\$0	\$0	\$0	\$104
Materials and Supplies					
Inventory	7,815	0	0	0	3,520
Unclaimed Monies	825	0	0	0	0
Total Nonspendable	11,992	0	0	0	3,624
Restricted for:					
Athletics and Music	0	0	0	0	52,351
Building Construction	0	0	5,307,037	23,159,471	0
Debt Retirement	0	919,643	0	0	0
Food Service Operations	0	0	0	0	227,545
Permanent Improvements	0	0	0	0	104,083
Regular Instruction	0	0	0	0	41,485
Student Managed Activities	0	0	0	0	49,520
Total Restricted	0	919,643	5,307,037	23,159,471	474,984
Committed For:					
Future Severance Payments	281,265	0	0	0	0
Assigned For:					
Educational Activities	7,930	0	0	0	0
Scholarships	3,816	0	0	0	0
Projected Budget Shortage	855,797	0	0	0	0
Unpaid Obligations	295,986	0	0	0	0
Total Assigned	1,163,529	0	0	0	0
Unassigned (Deficit)	4,358,957	0	0	0	(40,092)
Total Fund Balance	\$5,815,743	\$919,643	\$5,307,037	\$23,159,471	\$438,516

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, 2023

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 2023.

Balance June 30, 2022	\$0
Current Year Set Aside Requirement	121,203
Qualifying Expenditures	<u>(121,203)</u>
Balance June 30, 2023	<u><u>\$0</u></u>

Note 20 - 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 2023, the School District paid \$29,395 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 21 - 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.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Fund is by written application subject to acceptance by the Administrative Committee of the monthly premiums. Financial information can be obtained from the Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

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.

Arlington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 22 - 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, 2023.

Note 22 – Contingencies (continued)

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education and Workforce (DEW) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, DEW adjustments for fiscal year 2023 have been finalized and resulted in a receivable to the School District totaling \$3,057. 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 23 - Subsequent Events

On October 17, 2023, the School District approved a contract with Fanney/Howey Associates to provide architectural services on the building project in the amount of \$2,733,188.

On March 26, 2025, the School District approved a lease in the amount of \$9,000,000 to renovate and build new athletic facilities.

Note 24 - COVID-19

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

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 Ten Fiscal Years

	2023	2022	2021	2020
School District's Proportion of the Net Pension Liability	0.02402830%	0.02428460%	0.02298430%	0.02667050%
School District's Proportionate Share of the Net Pension Liability	\$1,299,638	\$896,032	\$1,520,230	\$1,595,742
School District's Employee Payroll	\$794,071	\$841,500	\$810,529	\$919,570
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	163.67%	106.48%	187.56%	173.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.82%	82.86%	68.55%	70.85%

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

2019	2018	2017	2016	2015	2014
0.02506820%	0.02606020%	0.02504030%	0.26282600%	0.02600300%	0.02600300%
\$1,435,702	\$1,557,039	\$1,832,719	\$1,499,711	\$1,315,997	\$1,546,315
\$845,363	\$843,936	\$781,871	\$795,334	\$705,725	\$728,672
169.83%	184.50%	234.40%	188.56%	186.47%	212.21%
71.36%	69.50%	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 Seven Fiscal Years (1)

	2023	2022	2021	2020
School District's Proportion of the Net OPEB Liability	0.02439920%	0.02456390%	0.02345530%	0.02679630%
School District's Proportionate Share of the Net OPEB Liability	\$342,568	\$464,892	\$509,760	\$673,871
School District's Employee Payroll	\$794,071	\$841,500	\$810,529	\$919,570
School District's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	43.14%	55.25%	62.89%	73.28%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	30.34%	24.08%	18.17%	15.57%

(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

2019	2018	2017
0.02505740%	0.02652590%	0.02532780%
\$695,160	\$711,885	\$721,936
\$845,363	\$843,936	\$781,871
82.23%	84.35%	92.33%
13.57%	12.46%	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 Ten Fiscal Years

	2023	2022	2021	2020
School District's Proportion of the Net Pension Liability	0.024717410%	0.025757672%	0.02547593%	0.02426527%
School District's Proportionate Share of the Net Pension Liability	\$5,494,712	\$3,293,351	\$6,164,269	\$5,366,118
School District's Employee Payroll	\$3,103,021	\$2,934,500	\$3,093,886	\$2,810,514
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	177.08%	112.23%	199.24%	190.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.90%	87.80%	75.50%	77.40%

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

2019	2018	2017	2016	2015	2014
0.02447627%	0.02431575%	0.02450692%	0.24536330%	0.02572780%	0.02572780%
\$5,381,781	\$5,776,259	\$8,203,204	\$6,781,124	\$6,257,891	\$7,454,359
\$2,843,329	\$2,613,929	\$2,594,807	\$2,525,529	\$2,616,954	\$2,606,800
189.28%	220.98%	316.14%	268.50%	239.13%	285.96%
77.30%	75.30%	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 Seven Fiscal Years (1)

	2023	2022	2021	2020
School District's Proportion of the Net OPEB Liability	0.024717410%	0.025757672%	0.02547593%	0.02426527%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$640,015)	(\$543,080)	(\$447,739)	(\$401,891)
School District's Employee Payroll	\$3,103,021	\$2,934,500	\$3,093,886	\$2,810,514
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Employee Payroll	-20.63%	-18.51%	-14.47%	-14.30%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	230.70%	174.70%	182.10%	174.70%

(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

2019	2018	2017
0.02447627%	0.02431575%	0.02450692%
(\$393,308)	\$948,711	\$1,310,636
\$2,843,329	\$2,613,929	\$2,954,807
-13.83%	36.29%	44.36%
176.00%	47.10%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net Pension Liability				
Contractually Required Contribution	\$131,294	\$111,170	\$117,810	\$113,474
Contributions in Relation to the Contractually Required Contribution	<u>(131,294)</u>	<u>(111,170)</u>	<u>(117,810)</u>	<u>(113,474)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll (1)	\$937,814	\$794,071	\$841,500	\$810,529
Pension Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution (2)	\$16,247	\$15,065	\$13,579	\$13,198
Contributions in Relation to the Contractually Required Contribution	<u>(16,247)</u>	<u>(15,065)</u>	<u>(13,579)</u>	<u>(13,198)</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>1.73%</u>	<u>1.90%</u>	<u>1.61%</u>	<u>1.63%</u>
Total Contributions as a Percentage of Employee Payroll (2)	<u>15.73%</u>	<u>15.90%</u>	<u>15.61%</u>	<u>15.63%</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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$124,142	\$114,124	\$118,151	\$109,462	\$104,825	\$97,814
<u>(124,142)</u>	<u>(114,124)</u>	<u>(118,151)</u>	<u>(109,462)</u>	<u>(104,825)</u>	<u>(97,814)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$919,570	\$845,363	\$843,936	\$781,871	\$795,334	\$705,725
13.50%	13.50%	14.00%	14.00%	13.18%	13.86%
\$18,443	\$16,101	\$14,831	\$12,611	\$19,936	\$14,044
<u>(18,443)</u>	<u>(16,101)</u>	<u>(14,831)</u>	<u>(12,611)</u>	<u>(19,936)</u>	<u>(14,044)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>2.01%</u>	<u>1.90%</u>	<u>1.76%</u>	<u>1.61%</u>	<u>2.51%</u>	<u>1.99%</u>
<u>15.51%</u>	<u>15.40%</u>	<u>15.76%</u>	<u>15.61%</u>	<u>15.69%</u>	<u>15.85%</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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net Pension Liability				
Contractually Required Contribution	\$455,526	\$434,423	\$410,830	\$433,144
Contributions in Relation to the Contractually Required Contribution	<u>(455,526)</u>	<u>(434,423)</u>	<u>(410,830)</u>	<u>(433,144)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$3,253,757	\$3,103,021	\$2,934,500	\$3,093,886
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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$393,472	\$398,066	\$365,950	\$363,273	\$353,574	\$340,204
<u>(393,472)</u>	<u>(398,066)</u>	<u>(365,950)</u>	<u>(363,273)</u>	<u>(353,574)</u>	<u>(340,204)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,810,514	\$2,843,329	\$2,613,929	\$2,594,807	\$2,525,529	\$2,616,954
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>
\$0	\$0	\$0	\$0	\$0	\$26,170
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(26,170)</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%	0.00%	0.00%	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, 2023

Net Pension Liability

Changes in Assumptions - SERS

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

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

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

Beginning in 2022, amounts reported use mortality rates based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Amounts report for 2017 through 2021 use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

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

Arlington Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023

	Fiscal Year 2022	Fiscal Years 2021-2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	From 2.5 percent to 12.5 percent based on age	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013 or later, 2 percent COLA commences on fifth anniversary of retirement date

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

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

Changes in Benefit Term - STRS Pension

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

Net OPEB Liability

Changes in Assumptions - SERS

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

Arlington Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023

	2022	2021 and Prior
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation

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

Municipal Bond Index Rate:

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

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

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

Changes in Assumptions - STRS

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

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

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

For fiscal year 2023, the projected salary increases were changed from age based (2.5 percent to 12.50 percent) to service based (2.5 percent to 8.5 percent.)

Arlington Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023

Changes in Benefit Terms - STRS OPEB

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

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

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

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

For fiscal year 2022, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2022 premium based on June 30, 2021 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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

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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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each 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, 2024 and 2023, 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 24, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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



Keith Faber
Auditor of State
Columbus, Ohio

April 24, 2025

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 5/13/2025

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

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