

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
*(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2016***

JEFFERY S. FOUKE, TREASURER



Dave Yost • Auditor of State

Board of Education
Washington Local School District
3505 W. Lincolnshire Blvd
Toledo, OH 43606-1299

We have reviewed the *Independent Auditor's Report* of the Washington Local School District, Lucas County, prepared by Julian & Grube, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 17, 2017

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**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Washington Local School District
Lucas County
3505 W. Lincolnshire Blvd.
Toledo, Ohio 43606-1299

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Local School District, Lucas County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Washington Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Local School District, Lucas County, Ohio, as of June 30, 2016, and the respective changes in the financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted to opine on the Washington Local School District's basic financial statements taken as a whole.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016, on our consideration of the Washington Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Washington Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
November 21, 2016

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The discussion and analysis of the Washington Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- In total, net position of governmental activities increased \$4,819,739 which represents a 7.67% increase from 2015.
- General revenues accounted for \$77,351,322 in revenue or 83.72% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$15,040,376 or 16.28% of total revenues of \$92,391,698.
- The District had \$87,571,959 in expenses related to governmental activities; only \$15,040,376 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$77,351,322 were adequate to provide for these programs.
- The District's major funds are the general fund and permanent improvement fund. The general fund had \$81,779,602 in revenues and other financing sources and \$79,658,740 in expenditures and other financing uses. During fiscal year 2016, the general fund's fund balance increased from \$21,150,401 to \$23,271,263.
- The permanent improvement fund had \$2,969,794 in revenues and other financing sources and \$4,764,166 in expenditures. During fiscal year 2016, fund balance decreased from \$5,949,032 to \$4,154,660.

Using these Basic Financial Statements (BFS)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next 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 District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The statement of net position and the statement of activities answer this question. These statements include *all assets, liabilities, deferred inflows and outflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

The statement of net position and the statement of activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, food service operations and uniform school supplies activities.

The District's statement of net position and statement of activities can be found on pages 17-18 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and permanent improvement fund. All other governmental funds are considered nonmajor.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *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 District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-23 of this report.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Proprietary Funds

Proprietary funds focus on the District's ongoing activities which are similar to those found in the private sector where net income is necessary or useful to sound financial management. Proprietary funds utilize the *accrual basis* of accounting under which revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. The District's proprietary funds are internal service funds which are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. Proprietary fund statements can be found on pages 24 through 26 of the basic financial statements. For reporting on the statement of net position and the statement of activities, internal service fund activities are eliminated and consolidated with governmental activities.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for students and other organizations. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 27 and 28. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 29-64 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 66-72 of this report.

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The following table provides a summary of the District's net position for fiscal years 2016 and 2015.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Net Position

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<u>Assets</u>		
Current and other assets	\$ 87,501,773	\$ 86,512,120
Capital assets, net	<u>35,096,137</u>	<u>32,160,345</u>
Total assets	<u>122,597,910</u>	<u>118,672,465</u>
<u>Deferred outflows of resources</u>		
Pensions	<u>11,989,373</u>	<u>7,496,163</u>
Total deferred outflows of resources	<u>11,989,373</u>	<u>7,496,163</u>
<u>Liabilities</u>		
Current liabilities	13,610,246	12,791,277
Long-term liabilities:		
Due within one year	600,357	787,572
Due in more than one year:		
Net pension liability	116,096,445	102,706,048
Other amounts	<u>14,172,263</u>	<u>13,763,829</u>
Long-term liabilities	<u>130,869,065</u>	<u>117,257,449</u>
Total liabilities	<u>144,479,311</u>	<u>130,048,726</u>
<u>Deferred inflows of resources</u>		
Property taxes and PILOTs levied for the next fiscal year	39,770,156	40,380,051
Pensions	<u>8,343,319</u>	<u>18,565,093</u>
Total deferred inflows of resources	<u>48,113,475</u>	<u>58,945,144</u>
<u>Net position</u>		
Net investment in capital assets	24,288,760	22,390,077
Restricted	4,949,487	6,520,409
Unrestricted (deficit)	<u>(87,243,750)</u>	<u>(91,735,728)</u>
Total net position (deficit)	<u>\$ (58,005,503)</u>	<u>\$ (62,825,242)</u>

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension 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. GASB noted that the unfunded portion of this pension 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 District is not responsible for certain key factors affecting the balance of this liability. 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 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as 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 pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pensions on the accrual basis of accounting.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

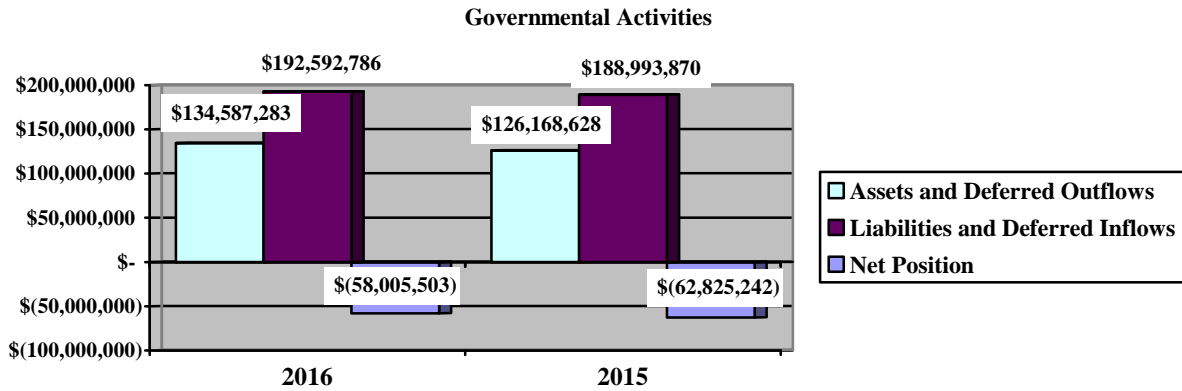
Both current assets and capital assets increased slightly in 2016. The increase in current assets is primarily due to higher cash and cash equivalents as revenues exceeded expenses for the year. Capital assets increased due to various building improvement projects throughout the District.

The increase in current liabilities is partially a result of higher contracts payable related to the construction projects. Accrued wages and benefits also increased, which is due to higher wages in accordance with the current negotiated agreements with the unions as well as an increase in costs for employee benefits, particularly health insurance premiums. The significant increase in long-term liabilities is mostly due to the increase in the District's allocated share of the State pension systems' net pension liability.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$58,005,503. Of this total \$4,949,487 is restricted in use and \$24,288,760 represents the net investment in capital assets, leaving an unrestricted net position deficit of \$87,243,750.

At year-end, capital assets represented 28.63% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. These capital assets are used to provide services to the students and are not available for future spending.

The following graph shows the District's assets and deferred outflows, liabilities and deferred inflows and net position at June 30, 2016 and 2015.



The table on the following page shows the change in net position for fiscal years 2016 and 2015.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Change in Net Position

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>	Percent <u>Change</u>
<u>Revenues</u>			
Program revenues:			
Charges for services and sales	\$ 2,441,819	\$ 2,308,713	5.77 %
Operating grants and contributions	12,407,335	11,568,644	7.25 %
Capital grants and contributions	191,222	30,000	537.41 %
General revenues:			
Property taxes	39,599,081	37,344,041	6.04 %
Payment in lieu of taxes	4,593,518	4,399,278	4.42 %
Grants and entitlements	32,533,589	32,431,430	0.31 %
Investment earnings	102,722	62,203	65.14 %
Other	<u>522,412</u>	<u>620,800</u>	(15.85) %
Total revenues	<u>92,391,698</u>	<u>88,765,109</u>	4.09 %
<u>Expenses</u>			
Program expenses:			
Instruction:			
Regular	33,392,958	31,731,886	5.23 %
Special	13,114,272	12,852,100	2.04 %
Vocational	2,966,292	2,839,602	4.46 %
Other	3,346,567	3,407,194	(1.78) %
Support services:			
Pupil	5,706,863	5,014,343	13.81 %
Instructional staff	2,164,474	1,852,220	16.86 %
Board of education	285,738	214,846	33.00 %
Administration	5,193,733	4,911,664	5.74 %
Fiscal	1,644,184	1,574,715	4.41 %
Business	478,008	420,459	13.69 %
Operations and maintenance	8,524,960	8,235,759	3.51 %
Pupil transportation	3,805,153	3,576,928	6.38 %
Central	1,435,372	1,313,945	9.24 %
Food service operations	2,502,713	2,680,184	(6.62) %
Other non-instructional services	1,058,451	1,045,396	1.25 %
Extracurricular activities	1,622,993	1,662,650	(2.39) %
Interest and fiscal charges	<u>329,228</u>	<u>313,131</u>	5.14 %
Total expenses	<u>87,571,959</u>	<u>83,647,022</u>	4.69 %
Change in net position	4,819,739	5,118,087	5.83 %
Net position (deficit) at beginning of year	<u>(62,825,242)</u>	<u>(67,943,329)</u>	7.53 %
Net position (deficit) at end of year	<u>\$ (58,005,503)</u>	<u>\$ (62,825,242)</u>	7.67 %

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Governmental Activities

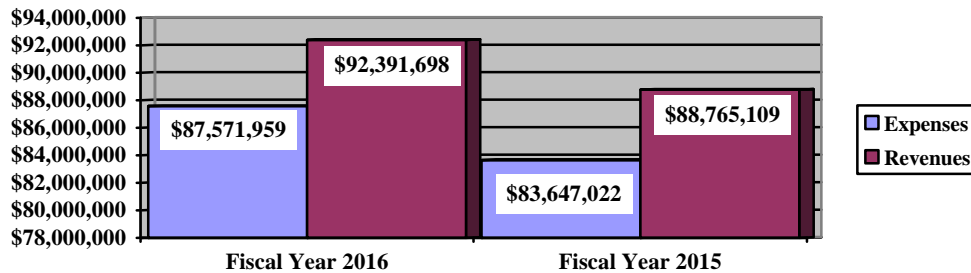
Net position of the District's governmental activities increased \$4,819,739 or 7.67%. Total governmental expenses of \$87,571,959 were offset by program revenues of \$15,040,376 and general revenues of \$77,351,322. Program revenues supported 17.17% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes, payments in lieu of taxes and unrestricted grants and entitlements. These revenue sources represent 83.04% of total governmental revenue. The largest expense of the District is for instructional programs. Instruction expenses totaled \$52,820,089 or 60.32% of total governmental expenses for fiscal year 2016.

As the preceding table shows, nearly all sources of program revenues and general revenues increased in fiscal year 2016. The increase in charges for services and sales is primarily due to higher sales for food services and classroom materials and supplies. Operating grants and contributions increased as a result of additional special education and vocational education funding from the State. Capital grants and contributions consist primarily of donations for stadium renovations and turf replacement. Property tax revenues continued to increase in 2016 due to collections on the District's new 4.9 mill tax levy which became effective in calendar year 2015. The increase in investment earning is a result of higher balances in interest-bearing bank accounts and investments coupled with a slight increase in interest rates.

The increase in total expenses in fiscal year 2016 was 4.69%, which is in line with the increase in total revenues. The primary reason for this increase is slightly higher costs for employee salaries and wages, as well as increased costs for employee benefits such as health insurance premiums.

The following graph presents the District's governmental activities revenues and expenses for fiscal years 2016 and 2015.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

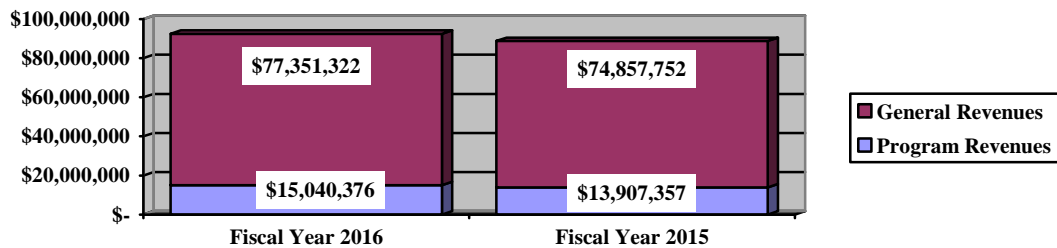
Governmental Activities

	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
Program expenses				
Instruction:				
Regular	\$ 33,392,958	\$ 32,453,129	\$ 31,731,886	\$ 30,863,441
Special	13,114,272	5,415,347	12,852,100	5,824,260
Vocational	2,966,292	1,704,879	2,839,602	1,740,544
Other	3,346,567	3,346,000	3,407,194	3,407,194
Support services:				
Pupil	5,706,863	5,606,359	5,014,343	4,937,643
Instructional staff	2,164,474	1,976,499	1,852,220	1,730,720
Board of education	285,738	285,738	214,846	214,846
Administration	5,193,733	5,189,422	4,911,664	4,907,789
Fiscal	1,644,184	1,644,184	1,574,715	1,574,715
Business	478,008	478,008	420,459	420,459
Operations and maintenance	8,524,960	8,434,088	8,235,759	8,150,704
Pupil transportation	3,805,153	3,435,896	3,576,928	3,226,360
Central	1,435,372	1,435,372	1,313,945	1,313,945
Food service operations	2,502,713	70,676	2,680,184	128,838
Other non-instructional services	1,058,451	(59,696)	1,045,396	(20,501)
Extracurricular activities	1,622,993	786,454	1,662,650	1,005,577
Interest and fiscal charges	<u>329,228</u>	<u>329,228</u>	<u>313,131</u>	<u>313,131</u>
Total expenses	<u>\$ 87,571,959</u>	<u>\$ 72,531,583</u>	<u>\$ 83,647,022</u>	<u>\$ 69,739,665</u>

The dependence upon tax and other general revenues for governmental activities is apparent; 81.26% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 82.83%. The District's taxpayers and unrestricted grants and entitlements, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2016 and 2015.

Governmental Activities - General and Program Revenues



**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The District's Funds

The District's governmental funds reported a combined fund balance of \$27,512,080, which is \$260,602 or 0.96% higher than last year's total of \$27,251,478. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	<u>Fund Balance</u> <u>June 30, 2016</u>	<u>Fund Balance</u> <u>June 30, 2015</u>	<u>Increase</u> <u>(Decrease)</u>
General fund	\$ 23,271,263	\$ 21,150,401	\$ 2,120,862
Permanent improvement fund	4,154,660	5,949,032	(1,794,372)
Nonmajor governmental funds	<u>86,157</u>	<u>152,045</u>	<u>(65,888)</u>
Total	<u>\$ 27,512,080</u>	<u>\$ 27,251,478</u>	<u>\$ 260,602</u>

General Fund

The fund balance of the general fund increased \$2,120,862 or 10.03%. The table that follows assists in illustrating the financial activities of the general fund.

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Property taxes	\$ 37,560,399	\$ 35,336,268	\$ 2,224,131	6.29 %
Tuition	594,800	589,561	5,239	0.89 %
Earnings on investments	76,331	44,684	31,647	70.82 %
Intergovernmental	37,509,751	36,774,454	735,297	2.00 %
Payment in lieu of taxes	4,312,072	4,147,556	164,516	3.97 %
Other revenues	<u>1,043,781</u>	<u>1,028,712</u>	<u>15,069</u>	1.46 %
Total	<u>\$ 81,097,134</u>	<u>\$ 77,921,235</u>	<u>\$ 3,175,899</u>	4.08 %
<u>Expenditures</u>				
Instruction	\$ 49,386,652	\$ 48,836,634	\$ 550,018	1.13 %
Support services	27,957,238	27,289,818	667,420	2.45 %
Operation of non-instructional services	36,828	50,402	(13,574)	(26.93) %
Extracurricular activities	957,159	996,961	(39,802)	(3.99) %
Facilities acquisition and construction	995,858	10,994	984,864	8,958.20 %
Debt service	<u>126,505</u>	<u>-</u>	<u>126,505</u>	100.00 %
Total	<u>\$ 79,460,240</u>	<u>\$ 77,184,809</u>	<u>\$ 2,275,431</u>	2.95 %

The District's most significant source of revenue is property taxes. As mentioned previously on page 10, the increase in property taxes revenue is a result of collections on a new tax levy. The second largest source of revenue for the District is intergovernmental revenue from the State, which mostly consists of revenue allocated from the State Foundation program.

Overall, general fund expenditures for fiscal year 2016 were slightly higher than the prior year. The primary contributing factors to this increase are (a) an increase in employee wages and benefits costs, (b) an energy improvements project financed with general fund money in 2016 and (c) payments made on a capital lease for copiers entered into in 2016.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Permanent Improvement Fund

The permanent improvement fund is used to account for the proceeds of a voted property tax levy and other resources that are restricted to expenditures for the acquisition, construction or improvement of permanent improvements. The permanent improvement fund had \$2,969,794 in revenues and other financing sources and \$4,764,166 in expenditures. Revenues were comparable to the prior year while expenditures increased considerably due to various building improvement projects which commenced during the year. During fiscal year 2016, fund balance decreased from \$5,949,032 to \$4,154,660.

General Fund Budgeting Highlights

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

During the course of fiscal year 2016, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$80,615,796, which is \$1,070,100 (1.35%) higher than the original budgeted revenues estimate of \$79,545,696. Actual revenues and other financing sources for fiscal year 2016 were \$80,725,297. This represents a \$109,501 (0.14%) increase from final budgeted revenues. There were no significant variances from the original budget to final budget or actual to final budget for revenues.

General fund original appropriations of \$82,723,806 were decreased slightly to \$82,083,218 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled \$80,578,342, which is \$1,504,876 or 1.83% less than the final budget appropriations. There were no significant variances from the original budget to final budget or actual to final budget for expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the District had \$35,096,137 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities. The following table shows fiscal year 2016 balances compared to 2015:

Capital Assets at June 30 (Net of Depreciation)		
	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Land	\$ 1,060,654	\$ 845,554
Land improvements	3,390,895	3,650,746
Buildings and improvements	23,784,398	23,986,703
Furniture and equipment	2,595,334	2,041,388
Vehicles	1,625,485	1,429,788
Construction in progress	<u>2,639,371</u>	<u>206,166</u>
Total	<u>\$ 35,096,137</u>	<u>\$ 32,160,345</u>

Total additions to capital assets for 2016 were \$5,594,840 and disposals (net of accumulated depreciation) were \$34,587. The District had \$2,624,461 in depreciation expense during 2016. Most of the additions were related to various building improvement projects. The District also acquired 54 copiers via capital lease in 2016. See Note 8 in the notes to the basic financial statements for detail on the District's capital assets.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Debt Administration

At June 30, 2016, the District had \$9,754,916 in certificates of participation and capital lease obligations outstanding. Of this amount, \$376,176 is due within one year and \$9,378,740 is due in more than one year. The following table summarizes the long-term obligations outstanding for the last two fiscal years.

Outstanding Debt, at Year End

	Governmental Activities 2016	Governmental Activities 2015
Certificates of participation	\$ 9,185,000	\$ 9,435,000
Capital lease obligations	<u>569,916</u>	<u>-</u>
Total	<u>\$ 9,754,916</u>	<u>\$ 9,435,000</u>

See Note 9 in the notes to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

As the preceding information shows, the District depends on its property taxpayers. With the passage of a 4.9 mill (4.3 operating and .6 permanent improvement) levy in November 2014, the District has been able to continue its education programs. However, financially the future is not without challenges.

While the District was successful in increasing its tax revenue base by the passage of the levy, this increase is a one-time increase. State law fixes the amount of the increase, forcing it to remain nearly constant. Thus management must diligently plan expenditures, staying carefully within the District's five-year plan. Additional revenues must not be treated as a windfall to expand programs, but as an opportunity to extend the time horizon of the five-year forecast and delay the need for future levy requests.

The passage of House Bill No. 66 posed another challenge for the District. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property were eliminated and the tax on telephone and telecommunications property was eliminated. The bill also replaced the revenue lost by the District due to the phasing out of the tax. However in 2012, these state payments were reduced by \$1.3 million and in 2013 by another \$1.3 million. In 2014 and 2015, these payments have been reduced from \$8.7 million to \$6.1 million, a reduction of \$2.6 million. In 2016, these payments were reduced to \$5.2 million and in 2017 reduced to \$4.3 million. These "hold harmless payments" will have been reduced by over 50% by 2018. These reductions are likely to continue into 2018 and future years.

The financial future of the District is not without challenges. The economy within the District's boundaries and in the State of Ohio has declined significantly over the past few years. The assessed property values within the District and in Lucas County upon which the District's taxes are levied have continued to decline, but appear to be stabilizing.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Contacting the District's Financial Management

This financial report is intended to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Jeffery S. Fouke, Treasurer, Washington Local School District, 3505 W. Lincolnshire Boulevard, Toledo, Ohio 43606-1299.

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**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 39,885,715
Cash in segregated accounts	6,042
Receivables:	
Property taxes	41,695,863
Payment in lieu of taxes	4,556,094
Accounts	23,963
Intergovernmental	950,122
Prepayments	271,993
Materials and supplies inventory	94,947
Inventory held for resale	17,034
Capital assets:	
Nondepreciable capital assets	3,700,025
Depreciable capital assets, net	31,396,112
Capital assets, net	35,096,137
Total assets	122,597,910
Deferred outflows of resources:	
Pension - STRS	10,100,186
Pension - SERS	1,889,187
Total deferred outflows of resources	11,989,373
Liabilities:	
Accounts payable	298,625
Contracts payable	885,080
Accrued wages and benefits payable	8,819,969
Intergovernmental payable	238,426
Pension and postemployment benefits payable	2,031,241
Accrued interest payable	101,222
Claims payable	1,235,683
Long-term liabilities:	
Due within one year	600,357
Due in more than one year:	
Net pension liability (See Note 13)	116,096,445
Other amounts due in more than one year	14,172,263
Total liabilities	144,479,311
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	35,214,062
Payment in lieu of taxes levied for the next fiscal year	4,556,094
Pension - STRS	6,789,135
Pension - SERS	1,554,184
Total deferred inflows of resources	48,113,475
Net position:	
Net investment in capital assets	24,288,760
Restricted for:	
Capital projects	4,217,982
Locally funded programs	1,419
State funded programs	231,021
Federally funded programs	169,662
Student activities	329,403
Unrestricted (deficit)	(87,243,750)
Total net position (deficit)	\$ (58,005,503)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 33,392,958	\$ 563,217	\$ 376,612	\$ -	\$ (32,453,129)
Special	13,114,272	150,145	7,548,780	-	(5,415,347)
Vocational	2,966,292	141,475	1,119,938	-	(1,704,879)
Other	3,346,567	-	567	-	(3,346,000)
Support services:					
Pupil	5,706,863	-	100,504	-	(5,606,359)
Instructional staff	2,164,474	9,941	178,034	-	(1,976,499)
Board of education	285,738	-	-	-	(285,738)
Administration.	5,193,733	-	4,311	-	(5,189,422)
Fiscal.	1,644,184	-	-	-	(1,644,184)
Business.	478,008	-	-	-	(478,008)
Operations and maintenance	8,524,960	90,872	-	-	(8,434,088)
Pupil transportation.	3,805,153	107,134	262,123	-	(3,435,896)
Central	1,435,372	-	-	-	(1,435,372)
Operation of non-instructional services:					
Food service operations	2,502,713	743,363	1,688,674	-	(70,676)
Other non-instructional services	1,058,451	10,896	1,107,251	-	59,696
Extracurricular activities	1,622,993	624,776	20,541	191,222	(786,454)
Interest and fiscal charges	329,228	-	-	-	(329,228)
Total governmental activities	\$ 87,571,959	\$ 2,441,819	\$ 12,407,335	\$ 191,222	(72,531,583)

General revenues:

Property taxes levied for:

General purposes	37,424,672
Capital outlay.	2,174,409
Payments in lieu of taxes	4,593,518
Grants and entitlements not restricted to specific programs	32,533,589
Investment earnings	102,722
Miscellaneous	522,412
Total general revenues.	77,351,322
Change in net position	4,819,739
Net position (deficit) at beginning of year	(62,825,242)
Net position (deficit) at end of year.	\$ (58,005,503)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	\$ 30,629,267	\$ 4,889,955	\$ 961,019	\$ 36,480,241
Cash in segregated accounts	6,042	-	-	6,042
Receivables:				
Property taxes.	39,448,129	2,247,734	-	41,695,863
Payment in lieu of taxes.	4,319,348	236,746	-	4,556,094
Accounts	22,643	-	1,320	23,963
Intergovernmental.	484,454	-	465,668	950,122
Interfund loans	400,000	-	-	400,000
Prepayments.	267,478	-	4,515	271,993
Materials and supplies inventory	82,533	-	12,414	94,947
Inventory held for resale	-	-	17,034	17,034
Due from other funds	10,477	-	-	10,477
Total assets	75,670,371	7,374,435	1,461,970	84,506,776
Liabilities:				
Accounts payable	212,417	5,411	80,797	298,625
Contracts payable	-	885,080	-	885,080
Accrued wages and benefits payable	8,256,244	-	563,725	8,819,969
Compensated absences payable	22,158	-	-	22,158
Intergovernmental payable	232,153	-	6,273	238,426
Pension and postemployment benefits payable	1,882,511	-	148,730	2,031,241
Interfund loans payable	-	-	400,000	400,000
Due to other funds	-	-	10,477	10,477
Claims payable.	225,154	-	-	225,154
Total liabilities	10,830,637	890,491	1,210,002	12,931,130
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	33,286,068	1,927,994	-	35,214,062
Payment in lieu of taxes levied for the next fiscal year.	4,319,348	236,746	-	4,556,094
Delinquent property tax revenue not available	3,521,255	164,544	-	3,685,799
Intergovernmental revenue not available	441,800	-	165,811	607,611
Total deferred inflows of resources.	41,568,471	2,329,284	165,811	44,063,566
Fund balances:				
Nonspendable:				
Materials and supplies inventory	82,533	-	12,414	94,947
Prepayments	267,478	-	4,515	271,993
Restricted:				
Capital improvements	-	4,154,660	-	4,154,660
Non-public schools	-	-	227,199	227,199
Vocational education	-	-	6,837	6,837
Other purposes	-	-	2,246	2,246
Extracurricular activities	-	-	329,403	329,403
Committed:				
Underground storage tank	55,000	-	-	55,000
Assigned:				
Student instruction.	142,805	-	-	142,805
Student and staff support.	774,558	-	-	774,558
Extracurricular activities.	28,512	-	-	28,512
Facilities acquisition and construction.	12,270	-	-	12,270
Subsequent year's appropriations	1,852,184	-	-	1,852,184
Other purposes.	214,127	-	-	214,127
Unassigned (deficit).	19,841,796	-	(496,457)	19,345,339
Total fund balances	23,271,263	4,154,660	86,157	27,512,080
Total liabilities, deferred inflows of resources and fund balances	\$ 75,670,371	\$ 7,374,435	\$ 1,461,970	\$ 84,506,776

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Total governmental fund balances		\$	27,512,080
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			35,096,137
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	3,685,799	
Intergovernmental receivable		607,611	
Total		4,293,410	4,293,410
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			2,394,945
Unamortized premiums on bonds issued are not recognized in the funds.			(167,381)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(101,222)
The net pension liability is not due and payable in the current period, therefore, the liability and related deferred inflows and outflows of resources are not reported in governmental funds.			
Deferred outflows of resources - pension		11,989,373	
Deferred inflows of resources - pension		(8,343,319)	
Net pension liability		(116,096,445)	
Total		(112,450,391)	(112,450,391)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Certificates of participation		(9,185,000)	
Capital lease obligations		(569,916)	
Compensated absences		(4,828,165)	
Total		(14,583,081)	(14,583,081)
Net position of governmental activities		\$	(58,005,503)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 37,560,399	\$ 2,179,866	\$ -	\$ 39,740,265
Payment in lieu of taxes	4,312,072	281,446	-	4,593,518
Tuition	594,800	-	-	594,800
Charges for services	-	-	743,363	743,363
Transportation fees	107,134	-	-	107,134
Earnings on investments	76,331	17,085	832	94,248
Extracurricular	2,399	-	624,776	627,175
Classroom materials and fees	160,803	-	-	160,803
Rental income	90,872	-	-	90,872
Contributions and donations	42,489	30,000	2,355	74,844
Contract services	99,069	-	-	99,069
Other local revenues	541,015	126,222	18,186	685,423
Intergovernmental - intermediate	580	-	-	580
Intergovernmental - state	37,103,409	329,246	1,148,446	38,581,101
Intergovernmental - federal	405,762	-	5,465,026	5,870,788
Total revenues	81,097,134	2,963,865	8,002,984	92,063,983
Expenditures:				
Current:				
Instruction:				
Regular	33,263,361	283,048	374,204	33,920,613
Special	9,815,922	11,472	3,207,918	13,035,312
Vocational	3,042,735	-	62,323	3,105,058
Other	3,264,634	-	562	3,265,196
Support services:				
Pupil	5,552,288	24,235	100,795	5,677,318
Instructional staff	1,988,713	-	157,690	2,146,403
Board of education	281,227	-	-	281,227
Administration	5,125,530	7,123	4,378	5,137,031
Fiscal	1,588,400	38,955	-	1,627,355
Business	487,787	-	-	487,787
Operations and maintenance	8,213,420	239,992	-	8,453,412
Pupil transportation	3,499,894	426,061	-	3,925,955
Central	1,219,979	1,190	-	1,221,169
Operation of non-instructional services:				
Food service operations	-	-	2,738,812	2,738,812
Other non-instructional services	36,828	9,194	985,608	1,031,630
Extracurricular activities	957,159	18,892	625,306	1,601,357
Facilities acquisition and construction	995,858	3,141,154	9,776	4,146,788
Debt service:				
Principal retirement	100,442	250,000	-	350,442
Interest and fiscal charges	26,063	312,850	-	338,913
Total expenditures	79,460,240	4,764,166	8,267,372	92,491,778
Excess (deficiency) of revenues over (under) expenditures	1,636,894	(1,800,301)	(264,388)	(427,795)
Other financing sources (uses):				
Transfers in	-	-	198,500	198,500
Transfers (out)	(198,500)	-	-	(198,500)
Proceeds from sale of assets	12,110	5,929	-	18,039
Capital lease transaction	670,358	-	-	670,358
Total other financing sources (uses)	483,968	5,929	198,500	688,397
Net change in fund balances	2,120,862	(1,794,372)	(65,888)	260,602
Fund balances at beginning of year	21,150,401	5,949,032	152,045	27,251,478
Fund balances at end of year	\$ 23,271,263	\$ 4,154,660	\$ 86,157	\$ 27,512,080

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds	\$	260,602
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 5,594,840	
Current year depreciation	(2,624,461)	
Total		2,970,379
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(34,587)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(141,184)	
Intergovernmental	424,593	
Total		283,409
Repayment of principal on long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		350,442
The inception of a capital lease is recorded as other financing sources in the governmental funds; however, in the statement of activities, it is not reported as other financing sources as it increases liabilities on the statement of net position.		
		(670,358)
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:		
Decrease in accrued interest payable	3,288	
Amortization of debt premiums	6,397	
Total		9,685
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources.		
		6,691,000
Except for amounts reported as deferred inflows/outflows of resources, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(5,366,413)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(217,241)
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		542,821
Change in net position of governmental activities	\$	4,819,739

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 36,423,155	\$ 36,916,500	\$ 36,916,183	\$ (317)
Payment in lieu of taxes	4,254,375	4,312,000	4,312,072	72
Tuition.	616,648	625,000	594,800	(30,200)
Transportation fees.	98,664	100,000	101,541	1,541
Earnings on investments	73,998	75,000	76,331	1,331
Classroom materials and fees	33,546	34,000	33,951	(49)
Rental income	83,864	85,000	91,040	6,040
Other local revenues	369,989	375,000	396,824	21,824
Intergovernmental - state	36,635,670	37,131,896	37,239,573	107,677
Intergovernmental - federal	414,387	420,000	421,904	1,904
Total revenues	<u>79,004,296</u>	<u>80,074,396</u>	<u>80,184,219</u>	<u>109,823</u>
Expenditures:				
Current:				
Instruction:				
Regular	34,503,869	32,995,970	32,875,169	120,801
Special.	10,030,266	10,061,289	9,859,032	202,257
Vocational.	3,043,011	3,092,020	3,049,266	42,754
Other.	3,500,550	3,316,967	3,253,569	63,398
Support services:				
Pupil.	5,263,939	5,798,543	5,640,308	158,235
Instructional staff	2,003,366	2,053,456	1,986,573	66,883
Board of education	234,298	312,490	287,230	25,260
Administration.	5,279,816	5,412,353	5,305,301	107,052
Fiscal	1,676,258	1,700,987	1,631,517	69,470
Business	474,682	524,325	498,362	25,963
Operations and maintenance.	9,468,642	8,903,737	8,664,281	239,456
Pupil transportation	3,801,865	3,744,108	3,647,823	96,285
Central	1,347,178	1,412,394	1,264,921	147,473
Operation of non-instructional services	21,361	21,361	5,730	15,631
Extracurricular activities	1,008,949	1,092,462	1,001,998	90,464
Facilities acquisition and construction	640,256	1,030,256	1,008,762	21,494
Total expenditures.	<u>82,298,306</u>	<u>81,472,718</u>	<u>79,979,842</u>	<u>1,492,876</u>
Excess (deficiency) of revenues over (under) expenditures	(3,294,010)	(1,398,322)	204,377	1,602,699
Other financing sources (uses):				
Refund of prior year's expenditures	141,000	141,000	140,678	(322)
Transfers (out)	(25,500)	(210,500)	(198,500)	12,000
Advances in	400,000	400,000	400,000	-
Advances (out).	(400,000)	(400,000)	(400,000)	-
Proceeds from sale of assets	400	400	400	-
Total other financing sources (uses).	<u>115,900</u>	<u>(69,100)</u>	<u>(57,422)</u>	<u>11,678</u>
Net change in fund balance	(3,178,110)	(1,467,422)	146,955	1,614,377
Fund balance at beginning of year	28,111,717	28,111,717	28,111,717	-
Prior year encumbrances appropriated	979,229	979,229	979,229	-
Fund balance at end of year.	<u>\$ 25,912,836</u>	<u>\$ 27,623,524</u>	<u>\$ 29,237,901</u>	<u>\$ 1,614,377</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2016

	Governmental Activities - Internal Service Fund
Assets:	
Equity in pooled cash and cash equivalents	\$ 3,405,474
Total assets.	<u>3,405,474</u>
Liabilities:	
Claims payable.	<u>1,010,529</u>
Total liabilities	<u>1,010,529</u>
Net position:	
Unrestricted.	<u>2,394,945</u>
Total net position	<u>\$ 2,394,945</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 11,371,344
Total operating revenues	<u>11,371,344</u>
Operating expenses:	
Purchased services.	485,871
Claims	<u>10,351,958</u>
Total operating expenses.	<u>10,837,829</u>
Operating income	<u>533,515</u>
Nonoperating revenues:	
Interest revenue.	<u>9,306</u>
Change in net position	542,821
Net position at beginning of year.	<u>1,852,124</u>
Net position at end of year	<u><u>\$ 2,394,945</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 11,371,344
Cash payments for contractual services	(485,871)
Cash payments for claims	<u>(10,314,417)</u>
Net cash provided by operating activities	<u>571,056</u>
Cash flows from investing activities:	
Interest received	<u>9,306</u>
Net cash provided by investing activities	<u>9,306</u>
Net increase in cash and cash equivalents	580,362
Cash and cash equivalents at beginning of year	<u>2,825,112</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,405,474</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 533,515
Changes in assets and liabilities:	
Increase in claims payable	<u>37,541</u>
Net cash provided by operating activities	<u><u>\$ 571,056</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 251,455	\$ 212,549
Total assets.	251,455	\$ 212,549
Liabilities:		
Accounts payable.	-	\$ 237
Deposits held and due to others.	-	212,312
Total liabilities	-	\$ 212,549
Net position:		
Held in trust for scholarships	251,455	
Total net position	\$ 251,455	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 445
Gifts and contributions	127,408
Total additions	127,853
 Deductions:	
Scholarships awarded	31,443
 Change in net position	96,410
Net position at beginning of year	155,045
Net position at end of year	\$ 251,455

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Washington Local School District (the "District") is located in the greater metropolitan Toledo area of Lucas County in northwestern Ohio. The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by § 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

The District employs 311 non-certified and 541 certified full-time and part-time employees to provide services to approximately 7,352 students in grades K through 12.

The District provides regular, vocational, and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services and extracurricular activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATION

Northwest Ohio Computer Association (NWOCA)

The District is a participant with 28 other school districts in a jointly governed organization to operate NWOCA. NWOCA was formed for the purpose of providing computer services. NWOCA is governed by a board of directors consisting of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. The District does not have an ongoing financial interest or responsibility in NWOCA.

INSURANCE PURCHASING POOLS

Ohio Schools Plan

The District participates in the Ohio Schools Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district's superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Ohio SchoolComp Workers' Compensation Group Rating Program

The District participates in the Ohio SchoolComp Workers' Compensation Group Rating Program (GRP). The GRP is co-sponsored by the Ohio School Boards Association and the Ohio Association of School Business Officials. CompManagement, Inc. provides administration services for the GRP. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

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

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following are the District's major governmental funds:

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Permanent improvement fund -The permanent improvement fund is used to account for the proceeds of a voted property tax levy and other resources restricted to expenditures for the acquisition, construction or improvement of permanent improvements.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal service fund - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The internal service fund of the District accounts for a self-insurance program for employee health, prescription drug, and dental benefits.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's two trust funds are private purpose trusts which account for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities and District agency activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between those activities that are governmental and those that are considered business-type activities. The District has no business-type activities. The internal service fund operating activities are eliminated to avoid overstatement of revenues and expenses.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (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 statements for governmental funds.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and deferred outflows and all liabilities and deferred inflows associated with the operation of this fund are included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund are charges for sales and services. Operating expenses for the internal service fund include claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, payments in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Note 13 for deferred outflows of resources related the District's net pension liability.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow 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 funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Note 13 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriation resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the object level within each function within each fund for all funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Lucas County Budget Commission for rate determination. The Lucas County Budget Commission waived the tax budget filing requirement for fiscal year 2016.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts from the certificate of estimated resources that was in effect at the time the original permanent appropriations covering the entire fiscal year were passed by the Board of Education. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts from the certificate of amended resources that was in effect at the time the final appropriations were passed by the Board of Education.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, at the object level within each function within each fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the level of budgetary control must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

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

Lapsing of Appropriations:

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the object level within each function within each fund for all funds.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Cash and Investments

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

During fiscal year 2016, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2016. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2016.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. There was no interest revenue credited to any fund during fiscal year 2016 which was assigned from other District funds.

For presentation on the basic financial statements, investments purchased by the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments. An analysis of the District's investment account at fiscal year-end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on both the governmental fund financial statements and on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets are those assets specifically related to governmental activities. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$2,500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress 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	Governmental Activities Estimated Lives
Land improvements	15-20 years
Buildings and improvements	5-40 years
Furniture and equipment	5-20 years
Vehicles	8 years

I. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30, by those employees who are currently eligible to receive termination benefits and by those employees who are expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 50 and with at least 10 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2016, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable". On fund financial statements, receivables and payables resulting from short-term interfund loans as a result of cash deficits in certain funds at fiscal year-end are classified as "due to/from other funds". Interfund balances between governmental funds are eliminated in the governmental activities column on the statement of net position.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund 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 will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

L. Nonpublic Schools

Within the District boundaries are the following parochial and private schools: Christ the King, Notre Dame Academy and Regina Coeli. Current state legislation provides funding to these parochial and private schools. These monies are received and disbursed on behalf of the parochial and private schools by the Treasurer of the District, as directed by the parochial and private schools. The receipt and expenditure of these state monies by the District are reflected in a nonmajor governmental fund for financial reporting purposes.

M. Fund Balance

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

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

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District 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.

**WASHINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

N. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet and statement of net position using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, they are reported as nonspendable fund balance on the fund financial statements.

P. Estimates

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

**WASHINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Q. Interfund Activity

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 and after nonoperating revenues/expenses in proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Transfers between governmental funds are eliminated for reporting on the government-wide statement of activities.

R. Stabilization Arrangement

The Board of Education has \$3,625,000 of unassigned fund balance in the general fund set aside to be used for budget stabilization. The Board has set aside these funds to cover emergency situations or when revenue shortages or budgetary imbalances arise. The budget stabilization arrangement may be removed by action of the Board of Education at any time.

S. Unamortized Premium on Debt Issue

On the government-wide financial statements, premiums on long-term debt issues are deferred and amortized over the term of the debt using the straight-line method, which approximates the effective interest method. Premiums are presented as an addition to the face amount of the debt. On the governmental fund financial statements, premiums are recognized in the current period. A reconciliation between the face value of the debt and the amount reported on the statement of net position is presented in Note 9.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

U. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension 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 systems report investments at fair value.

**WASHINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

V. Fair Market Value

The District categorizes 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

**WASHINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 324,687
Miscellaneous state grants	3,970
IDEA Part B	110,005
Title I	25,516
Improving teacher quality	15,359

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund's portion of this pool is displayed on the financial statements as "equity in pooled cash and cash equivalents". State statutes require the classification of monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 five years from the date of deposit or by savings accounts, including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**WASHINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the finance institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

A. Cash in Segregated Accounts

The District reports "cash in segregated accounts" for the Athletic Department checking account which is maintained separately from the District's internal investment pool. The balance of the cash in segregated accounts was \$6,042 at June 30, 2016 and is included in "Deposits with Financial Institutions" below.

B. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was \$29,191,782. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, \$18,861,827 of the District's bank balance of \$30,124,924 was exposed to custodial risk as discussed below, while \$11,263,097 was covered by the FDIC.

**WASHINGTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2016, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 11,163,979	\$ 11,163,979

The weighted average maturity of investments at June 30, 2016 is 76 days.

The District's investments are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District's investment policy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 11,163,979	100.00

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of cash and investment to the statement of net position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 29,191,782
Investments	<u>11,163,979</u>
Total	<u>\$ 40,355,761</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 39,891,757
Private-purpose trust funds	251,455
Agency fund	<u>212,549</u>
Total	<u>\$ 40,355,761</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund loans receivable/payable consisted of the following at June 30, 2016, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 400,000

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- B.** Due to/from other funds for the fiscal year ended June 30, 2016, consisted of the following, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 10,477

The primary purpose of the due to/from other funds is to cover negative cash in various funds. The interfund balances will be repaid once the anticipated revenues are received. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- C.** Interfund transfers for the fiscal year ended June 30, 2016, consisted of the following, as reported on the fund statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 198,500

**WASHINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, 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 District receives property taxes from Lucas County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$2,640,806 in the general fund and \$155,196 in the permanent improvement fund. This amount is recorded as revenue. The amount available as an advance at June 30, 2015 was \$1,966,590 in the general fund and \$116,434 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

**WASHINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 755,450,870	97.92	\$ 748,943,000	97.81
Public utility personal	<u>16,076,470</u>	<u>2.08</u>	<u>16,738,410</u>	<u>2.19</u>
Total	<u>\$ 771,527,340</u>	<u>100.00</u>	<u>\$ 765,681,410</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$80.30		\$80.30	
Permanent improvement	3.20		3.20	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2016 consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. 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. Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**WASHINGTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

Governmental activities:	Balance			Balance
	<u>06/30/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/16</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 845,554	\$ 215,100	\$ -	\$ 1,060,654
Construction in progress	206,166	2,828,622	(395,417)	2,639,371
Total capital assets, not being depreciated	<u>1,051,720</u>	<u>3,043,722</u>	<u>(395,417)</u>	<u>3,700,025</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	7,490,109	66,271	-	7,556,380
Building and improvements	49,136,101	1,377,785	-	50,513,886
Furniture and equipment	11,374,927	992,444	(108,253)	12,259,118
Vehicles	6,335,626	510,035	(326,426)	6,519,235
Total capital assets, being depreciated	<u>74,336,763</u>	<u>2,946,535</u>	<u>(434,679)</u>	<u>76,848,619</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(3,839,363)	(326,122)	-	(4,165,485)
Building and improvements	(25,149,398)	(1,580,090)	-	(26,729,488)
Furniture and equipment	(9,333,539)	(436,554)	106,309	(9,663,784)
Vehicles	(4,905,838)	(281,695)	293,783	(4,893,750)
Total accumulated depreciation	<u>(43,228,138)</u>	<u>(2,624,461)</u>	<u>400,092</u>	<u>(45,452,507)</u>
Governmental activities capital assets, net	<u>\$ 32,160,345</u>	<u>\$ 3,365,796</u>	<u>\$ (430,004)</u>	<u>\$ 35,096,137</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 840,238
Special	338,395
Vocational	73,828
Other	85,680
<u>Support services:</u>	
Pupil	123,512
Instructional staff	50,284
Board of Education	5,167
Administration	130,119
Fiscal	40,500
Business	14,194
Operations and maintenance	223,811
Pupil transportation	375,959
Central	230,816
<u>Operation of non-instructional services:</u>	
Food service operations	18,127
Other non-instructional services	26,821
Extracurricular activities	47,010
Total depreciation expense	<u>\$ 2,624,461</u>

**WASHINGTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - LONG-TERM OBLIGATIONS

A. During fiscal year 2016, the following changes occurred in governmental activities long-term obligations.

	<u>Balance</u> <u>06/30/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/16</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
<u>Certificates of participation</u>					
Series 2012 COPs					
3.0%-5.0%, matures 9/1/42	\$ 9,435,000	\$ -	\$ (250,000)	\$ 9,185,000	\$ 250,000
<u>Other long-term obligations</u>					
Capital leases	-	670,358	(100,442)	569,916	126,176
Compensated absences	4,942,623	598,895	(691,195)	4,850,323	224,181
Net pension liability	<u>102,706,048</u>	<u>13,390,397</u>	<u>-</u>	<u>116,096,445</u>	<u>-</u>
Total	<u>\$ 117,083,671</u>	<u>\$ 14,659,650</u>	<u>\$ (1,041,637)</u>	130,701,684	<u>\$ 600,357</u>
Add: unamortized premium on debt issue				<u>167,381</u>	
				<u>\$ 130,869,065</u>	

Compensated absences will be paid from the general fund and the food service fund (a nonmajor governmental fund). See Note 10 for more detail on capital leases. See Note 13 for detail on the net pension liability.

The series 2012 certificates of participation (COPs) were issued in fiscal year 2013 in the amount of \$10,000,000 for the purpose of constructing, improving, equipping and furnishing school facilities and improvements. The COPs bear interest rates ranging from 3.0% to 5.0% and the final stated maturity is September 1, 2042. Payments of principal and interest began in fiscal year 2014 and are paid from the permanent improvement fund.

Principal and interest requirements to retire the COPs outstanding at June 30, 2016, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Certificates of Participation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 250,000	\$ 301,600	\$ 551,600
2018	255,000	288,975	543,975
2019	255,000	278,775	533,775
2020	260,000	271,050	531,050
2021	265,000	263,175	528,175
2022 - 2026	1,405,000	1,192,425	2,597,425
2027 - 2031	1,585,000	968,925	2,553,925
2032 - 2036	1,825,000	706,997	2,531,997
2037 - 2041	2,130,000	367,825	2,497,825
2042 - 2043	<u>955,000</u>	<u>34,650</u>	<u>989,650</u>
Total	<u>\$ 9,185,000</u>	<u>\$ 4,674,397</u>	<u>\$ 13,859,397</u>

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2016, are a voted debt margin of \$68,911,327 and an unvoted debt margin of \$765,681.

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2016, the District entered into a lease agreement to acquire copiers. The lease agreement meets the criteria of a capital lease as defined by GAAP, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital assets consisting of equipment have been capitalized in the amount of \$670,358. At June 30, 2016, accumulated depreciation was \$67,036, leaving a book value of \$603,322. A liability is recorded in the government-wide financial statements for the present value of the future minimum lease payments. Principal payments in fiscal year totaled \$100,442 and were paid from the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2016:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 151,806
2018	151,806
2019	151,806
2020	151,806
2021	<u>25,301</u>
Total minimum lease payments	632,525
Less: amount representing interest	<u>(62,609)</u>
Total	<u>\$ 569,916</u>

NOTE 11 - COMPENSATED ABSENCES

Compensated absences consist of sick leave, service retirement and severance payments. The extent to which these amounts are accrued for reporting purposes is disclosed in Note 2.1. To be eligible for retirement or severance payments, an employee must have five years of service at the District.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 11 - COMPENSATED ABSENCES - (Continued)

The following is a description of the District's compensated absences:

A. Sick Leave

Each full time professional staff member is entitled to 15 days sick leave with pay for each year under the contract and accrues sick leave at the rate of one and one-fourth days for each calendar month under contract. Sick leave is cumulative without a maximum number of days for all employees.

B. Service Retirement

Certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Employees who notified the District of the retirement by fiscal year-end will receive service retirement pay equal to the certified employee's accrued but unused sick leave days at the time of retirement based on \$85 per day for the first 300 days, \$90 per day for days 301-350 and \$95 per day for days 351 and over.

Classified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is 50% of sick leave days accumulated times a percentage (10% for each year of service up to 100%) multiplied by 10% for each year of service.

Administration employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is 30% of the first 120 sick leave days accumulated, 50% of sick leave days accumulated from 121-200 days, 65% of the sick leave days accumulated from 201-340 and 80% of sick leave days accumulated above 340 times a percentage (10% for each year of service up to 100%) times their daily rate of pay.

C. Severance Pay

Classified employees are eligible for severance pay after the Board of Education accepts the employee's resignation. Severance pay is based on the employee's accrued but unused sick leave days at the time of resignation equal to 25% of the accumulated sick leave (up to the first 120 days of sick leave) times a percentage (10% for each year of service up to 100%) times their daily rate of pay.

Certified employees are eligible for severance pay after the Board of Education accepts the employee's resignation. Severance pay is based on the employee's accrued but unused sick leave days at the time of resignation based on one-half of the retirement formula.

Administration employees are eligible for severance pay after the Board of Education accepts the employee's resignation. Severance pay is based on the employee's accrued, but unused sick leave days at the time of resignation equal to 25% of the accumulated sick leave (up to the first 120 days of sick leave) times a percentage (10% for each year of service up to 100%) times their daily rate of pay.

**WASHINGTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District obtains insurance coverage through the Ohio Schools Plan (see Note 2.A). Through the Ohio Schools Plan, the District is insured for general liability with a \$5,000,000 single occurrence limit and a \$7,000,000 aggregate. Property is protected by a blanket building and contents policy for \$245,804,757. Real property and contents are 100 percent insured.

Vehicle policies include liability coverage for bodily injury and property damage or up to \$5,000,000 for each occurrence with a deductible of \$1,000 for comprehensive and collision for buses, and a \$250 deductible for comprehensive and \$500 for collision for all other vehicles.

Settled claims have not exceeded coverage in the past three years and there was no significant reduction of coverage from the prior fiscal year.

B. Health and Dental Insurance

Effective July 1, 2013, the District provides employee medical, prescription drug and dental coverage through a self-insured program. Prior to July 1, 2013, the District was self-insured for dental insurance coverage only. The District has established a self-insurance fund (an internal service fund) to account for and finance employee health, prescription drug and dental benefits.

All funds of the District participate in the program and make payments to the self-insurance fund based on actuarial estimates of the amounts needed to pay prior and current year claims. Claims payable is based on the requirements of GASB Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicate that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at June 30, 2016, including incurred but not reported claims, is actuarially estimated to be \$1,010,529. Claims activity for the past two fiscal years follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2016	\$ 972,988	\$ 10,351,958	\$ (10,314,417)	\$ 1,010,529
2015	1,831,981	8,193,639	(9,052,632)	972,988

**WASHINGTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

Effective January 1, 2016, the District participates in the Ohio SchoolComp Group Rating Program (GRP), an insurance purchasing pool (See Note 2.A). The GRP is co-sponsored by the Ohio School Boards Association and the Ohio Association of School Business Officials. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund".

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

Prior to January 1, 2016, the District participated in the Ohio Bureau of Workers' Compensation (Bureau) Individual Retrospective Rating program. In the program, the District assumed a portion of the risk in return for a reduction in premium.

The District's Retrospective Rating program is accounted for in the general fund which pays for all claims, claim reserves and administrative costs of the program. The general fund generates revenues by charging each fund a percentage rate determined by the Bureau for the payroll during the reporting period.

The District is liable for a portion of claims incurred while under the Retrospective Rating program. The claims liability is recorded based on an actuarial determination of future claims, review of five years of claim liabilities and claim payment trends. The change in claims activity for the past two fiscal years is as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2016	\$ 523,992	\$ 112,622	\$ (411,460)	\$ 225,154
2015	606,732	213,687	(296,427)	523,992

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions 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.

**WASHINGTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description –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, annual cost-of-living adjustments, 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 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.

**WASHINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year 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.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$1,551,881 for fiscal year 2016. Of this amount, \$108,542 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a 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 will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 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.

**WASHINGTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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. 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 statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$5,139,119 for fiscal year 2016. Of this amount, \$885,884 is reported as pension and postemployment benefits 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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 20,530,115	\$ 95,566,330	\$ 116,096,445
Proportion of the net pension liability	0.35979260%	0.34579032%	
Pension expense	\$ 1,018,937	\$ 4,347,476	\$ 5,366,413

**WASHINGTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 337,306	\$ 4,352,253	\$ 4,689,559
Changes in proportionate share	-	608,814	608,814
District contributions subsequent to the measurement date	<u>1,551,881</u>	<u>5,139,119</u>	<u>6,691,000</u>
Total deferred outflows of resources	<u>\$ 1,889,187</u>	<u>\$ 10,100,186</u>	<u>\$ 11,989,373</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 801,176	\$ 6,789,135	\$ 7,590,311
Changes in proportionate share	<u>753,008</u>	<u>-</u>	<u>753,008</u>
Total deferred inflows of resources	<u>\$ 1,554,184</u>	<u>\$ 6,789,135</u>	<u>\$ 8,343,319</u>

\$6,691,000 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	\$ (526,197)	\$ (1,372,302)	\$ (1,898,499)
2018	(526,197)	(1,372,302)	(1,898,499)
2019	(526,200)	(1,372,303)	(1,898,503)
2020	<u>361,716</u>	<u>2,288,839</u>	<u>2,650,555</u>
Total	<u>\$ (1,216,878)</u>	<u>\$ (1,828,068)</u>	<u>\$ (3,044,946)</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.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged 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. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 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 earning were calculated using the long-term assumed investment rate of return (7.75 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 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 7.75 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 (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 28,467,891	\$ 20,530,115	\$ 13,845,852

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	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 paid on fifth anniversary of retirement date.

**WASHINGTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not 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, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the 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 (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 132,748,841	\$ 95,566,330	\$ 64,122,971

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of 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 basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. 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 2016, the District's surcharge obligation was \$178,453.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$178,453, \$278,044, and \$177,617, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System

Plan Description – The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 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 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, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$358,238, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

NOTE 15 - CONTINGENCIES

A. Grants

The 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2016, if applicable, cannot be determined at this time.

B. Litigation

In the normal course of operations, the District may be subject to litigation and claims. While the outcome of such matters cannot presently be determined, management believes that their ultimate resolution will not have a material adverse effect on the financial statements.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 16 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	1,193,593
Current year qualifying expenditures	<u>(2,192,572)</u>
Total	<u>\$ (998,979)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

During fiscal year 2013, the District issued \$10,000,000 in capital related certificates of participation. These proceeds may be used to offset the required capital improvements set-aside amount for future years. The District is responsible for tracking the amount of the proceeds that may be used as an offset in future periods, which was \$10,000,000 at June 30, 2016.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented 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 that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to restricted, committed or assigned fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 146,955
Net adjustment for revenue accruals	623,035
Net adjustment for expenditure accruals	(256,643)
Net adjustment for other sources/uses	541,390
Funds budgeted elsewhere	55,660
Adjustment for encumbrances	1,010,465
GAAP basis	\$ 2,120,862

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the community programs fund, public school support fund, uniform school supplies fund, adult education fund and underground storage tank fund.

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 857,935
Permanent improvement	3,348,786
Nonmajor governmental	150,401
Total	\$ 4,357,122

REQUIRED SUPPLEMENTARY INFORMATION

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.35979260%	0.37942500%	0.37942500%
District's proportionate share of the net pension liability	\$ 20,530,115	\$ 19,202,483	\$ 22,563,187
District's covered-employee payroll	\$ 10,831,639	\$ 11,025,354	\$ 10,731,908
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.17%	210.24%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 is not available.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.34579032%	0.34330462%	0.34330462%
District's proportionate share of the net pension liability	\$ 95,566,330	\$ 83,503,565	\$ 99,468,900
District's covered-employee payroll	\$ 36,437,257	\$ 35,076,254	\$ 35,075,454
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	262.28%	238.06%	283.59%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 is not available.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,551,881	\$ 1,427,610	\$ 1,528,114	\$ 1,485,296
Contributions in relation to the contractually required contribution	<u>(1,551,881)</u>	<u>(1,427,610)</u>	<u>(1,528,114)</u>	<u>(1,485,296)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 11,084,864	\$ 10,831,639	\$ 11,025,354	\$ 10,731,908
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 1,430,437	\$ 1,336,055	\$ 1,415,936	\$ 1,041,849	\$ 986,332	\$ 1,029,462
<u>(1,430,437)</u>	<u>(1,336,055)</u>	<u>(1,415,936)</u>	<u>(1,041,849)</u>	<u>(986,332)</u>	<u>(1,029,462)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 10,635,219	\$ 10,628,918	\$ 10,457,430	\$ 10,587,896	\$ 10,044,114	\$ 9,639,157
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 5,139,119	\$ 5,101,216	\$ 4,559,913	\$ 4,559,809
Contributions in relation to the contractually required contribution	<u>(5,139,119)</u>	<u>(5,101,216)</u>	<u>(4,559,913)</u>	<u>(4,559,809)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 36,707,993	\$ 36,437,257	\$ 35,076,254	\$ 35,075,454
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008	2007
\$ 4,543,234	\$ 4,568,724	\$ 4,508,355	\$ 4,353,182	\$ 4,228,549	\$ 4,111,130
(4,543,234)	(4,568,724)	(4,508,355)	(4,353,182)	(4,228,549)	(4,111,130)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 34,947,954	\$ 35,144,031	\$ 34,679,654	\$ 33,486,015	\$ 32,527,300	\$ 31,624,077
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2016. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2016. See the notes to the basic financials for the methods and assumptions in this calculation.

SUPPLEMENTARY INFORMATION

**WASHINGTON LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Child Nutrition Grant Cluster:			
(D) (E) School Breakfast Program	10.553	2016	\$ 332,391
(D) (E) National School Lunch Program	10.555	2016	1,253,460
(C) (D) National School Lunch Program - Food Donation	10.555	2016	114,879
Total National School Lunch Program			1,368,339
<i>Total Child Nutrition Grant Cluster</i>			<i>1,700,730</i>
Total U.S. Department of Agriculture			1,700,730
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Title I Grants to Local Educational Agencies	84.010	2015	173,106
Title I Grants to Local Educational Agencies	84.010	2016	1,895,774
Total Title I Grants to Local Educational Agencies			2,068,880
Career and Technical Education_Basic Grants to States	84.048	2015	11,141
Career and Technical Education_Basic Grants to States	84.048	2016	114,440
Total Career and Technical Education - Basic Grants to States			125,581
Special Education_Grants to States	84.027	2015	245,398
Special Education_Grants to States	84.027	2016	1,196,181
Total Special Education_Grants to States			1,441,579
(F) English Language Acquisition State Grants	84.365	2016	11,233
Improving Teacher Quality State Grants	84.367	2015	38,658
Improving Teacher Quality State Grants	84.367	2016	172,490
Total Improving Teacher Quality State Grants			211,148
Total U.S. Department of Education			3,858,421
Total Federal Financial Assistance			\$ 5,559,151

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2016.
- (B) This schedule includes the federal award activity of the Washington Local School District under programs of the federal government for the fiscal year ended June 30, 2016 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Washington Local School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Washington Local School District.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2016, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
English Language Acquisition Grants	84.365	2015	\$ 1,978	
English Language Acquisition Grants	84.365	2016		\$ 1,978
Totals			\$ 1,978	\$ 1,978

- (G) CFR 200.414 allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has not elected to use the 10% de minimus indirect cost rate.



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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***

Washington Local School District
Lucas County
3505 W. Lincolnshire Blvd.
Toledo, Ohio 43606-1299

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Local School District, Lucas County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Washington Local School District's basic financial statements and have issued our report thereon dated November 21, 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Washington Local School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Washington Local School District's internal control. Accordingly, we have not opined on it.

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

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

Board of Education
Washington Local School District

Compliance and Other Matters

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

Purpose of this Report

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



Julian & Grube, Inc.
November 21, 2016



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**Independent Auditor's Report on Compliance With Requirements Applicable to the Major Federal Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

Washington Local School District
Lucas County
3505 W. Lincolnshire Blvd.
Toledo, Ohio 43606-1299

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Washington Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Washington Local School District's major federal program for the fiscal year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Washington Local School District's major federal program.

Management's Responsibility

The Washington Local School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Washington Local School District's compliance for the Washington Local School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Washington Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Washington Local School District's major program. However, our audit does not provide a legal determination of the Washington Local School District's compliance.

Board of Education
Washington Local School District

Opinion on the Major Federal Program

In our opinion, the Washington Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2016.

Report on Internal Control Over Compliance

The Washington Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Washington Local School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Washington Local School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
November 21, 2016

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**SCHEDULE OF FINDINGS
UNIFORM GUIDANCE 2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Title I Grants to Local Educational Agencies
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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Dave Yost • Auditor of State

WASHINGTON LOCAL SCHOOL DISTRICT

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 31, 2017