

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2015***

JEFFERY S. FOUKE, TREASURER



Dave Yost • Auditor of State

Board of Education
Washington Local School District
3505 West Lincolnshire Blvd.
Toledo, Ohio 43606

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, 2014 through June 30, 2015. 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

March 15, 2016

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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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the fiscal year ended June 30, 2015, the Washington Local School District adopted the provisions of Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. We did not modify our opinion regarding this matter.

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 (the "Schedule") presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations 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 December 22, 2015, 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.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015. 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 2015 are as follows:

- In total, net position of governmental activities increased \$5,118,087 which represents a 7.53% increase from 2014's net position, as restated.
- General revenues accounted for \$74,857,752 in revenue or 84.33% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$13,907,357 or 15.67% of total revenues of \$88,765,109.
- The District had \$83,647,022 in expenses related to governmental activities; only \$13,907,357 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$74,857,752 were adequate to provide for these programs.
- The District's major funds are the general fund and permanent improvement fund. The general fund had \$77,982,465 in revenues and other financing sources and \$77,198,309 in expenditures and other financing uses. During fiscal year 2015, the general fund's fund balance increased from \$20,366,245 to \$21,150,401.
- The permanent improvement fund had \$2,656,343 in revenues and \$2,137,203 in expenditures. During fiscal year 2015, fund balance increased from \$5,429,892 to \$5,949,032.

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 a major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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 2015?" 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, 2015**

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 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Net Position	
	Governmental	Restated
	Activities 2015	Governmental Activities 2014
<u>Assets</u>		
Current and other assets	\$ 86,512,120	\$ 81,207,203
Capital assets, net	<u>32,160,345</u>	<u>31,174,155</u>
Total assets	<u>118,672,465</u>	<u>112,381,358</u>
<u>Deferred outflows of resources</u>		
Pensions	<u>7,496,163</u>	<u>6,088,027</u>
Total deferred outflows of resources	<u>7,496,163</u>	<u>6,088,027</u>
<u>Liabilities</u>		
Current liabilities	12,791,277	14,096,406
Long-term liabilities:		
Due within one year	787,572	729,049
Due in more than one year:		
Net pension liability	102,706,048	122,032,087
Other amounts	<u>13,763,829</u>	<u>14,108,990</u>
Long-term liabilities	<u>117,257,449</u>	<u>136,870,126</u>
Total liabilities	<u>130,048,726</u>	<u>150,966,532</u>
<u>Deferred inflows of resources</u>		
Property taxes and PILOTs levied for the next fiscal year	40,380,051	35,446,182
Pensions	<u>18,565,093</u>	-
Total deferred inflows of resources	<u>58,945,144</u>	<u>35,446,182</u>
<u>Net position</u>		
Net investment in capital assets	22,390,077	22,646,072
Restricted	6,520,409	5,878,761
Unrestricted (deficit)	<u>(91,735,728)</u>	<u>(96,468,162)</u>
Total net position (deficit)	<u>\$ (62,825,242)</u>	<u>\$ (67,943,329)</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, 2015**

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. This implementation also had the effect of restating net position at June 30, 2014, from \$48,000,731 to \$(67,943,329).

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

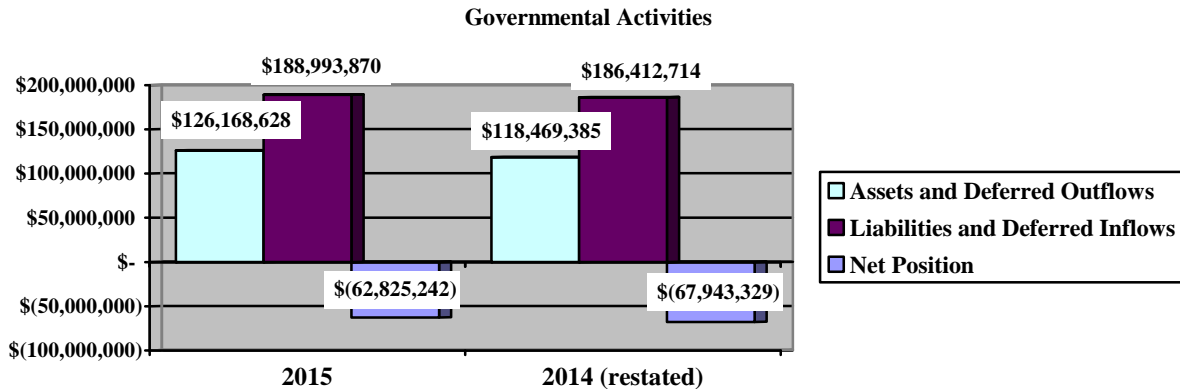
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The overall increase in assets is mostly related to a new 4.9 mill tax levy which became effective in calendar year 2015. Cash balances for the District increased as the District began collecting on this levy, and property taxes receivable were also higher. Current liabilities decreased due to lower claims payable for the District's self-insurance programs and also a decrease in accounts and contracts payable at year-end. Long-term liabilities decreased for the District, mostly due to a significant decrease in net pension liability. This decrease, however, was offset by a similarly large increase in deferred inflows of resources related to pensions.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$62,825,242. Of this total \$6,520,409 is restricted in use and \$22,390,077 represents the net investment in capital assets, resulting in unrestricted net position deficit of \$91,735,728.

At year-end, capital assets represented 27.10% 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, 2015 and 2014. The 2014 amounts have been restated as described in Note 3.A.



The table on the following page shows the change in net position for fiscal years 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Change in Net Position		
	Governmental	Restated Governmental	Percent Change
	Activities <u>2015</u>	Activities <u>2014</u>	
<u>Revenues</u>			
Program revenues:			
Charges for services and sales	\$ 2,308,713	\$ 2,281,678	1.18 %
Operating grants and contributions	11,568,644	11,347,920	1.95 %
Capital grants and contributions	30,000	10,000	200.00 %
General revenues:			
Property taxes	37,344,041	33,511,333	11.44 %
Payment in lieu of taxes	4,399,278	4,112,733	6.97 %
Grants and entitlements	32,431,430	29,828,878	8.72 %
Investment earnings	62,203	56,900	9.32 %
Other	<u>620,800</u>	<u>425,161</u>	46.02 %
Total revenues	<u>88,765,109</u>	<u>81,574,603</u>	8.81 %
<u>Expenses</u>			
Program expenses:			
Instruction:			
Regular	31,731,886	33,571,838	(5.48) %
Special	12,852,100	14,772,891	(13.00) %
Vocational	2,839,602	2,776,690	2.27 %
Adult/continuing	-	47	(100.00) %
Other	3,407,194	3,409,980	(0.08) %
Support services:			
Pupil	5,014,343	4,578,947	9.51 %
Instructional staff	1,852,220	1,780,535	4.03 %
Board of education	214,846	159,553	34.65 %
Administration	4,911,664	5,300,608	(7.34) %
Fiscal	1,574,715	1,682,713	(6.42) %
Business	420,459	635,827	(33.87) %
Operations and maintenance	8,235,759	8,808,242	(6.50) %
Pupil transportation	3,576,928	3,963,846	(9.76) %
Central	1,313,945	1,402,711	(6.33) %
Food service operations	2,680,184	2,836,232	(5.50) %
Other non-instructional services	1,045,396	1,085,917	(3.73) %
Extracurricular activities	1,662,650	1,615,034	2.95 %
Interest and fiscal charges	<u>313,131</u>	<u>323,805</u>	(3.30) %
Total expenses	<u>83,647,022</u>	<u>88,705,416</u>	(5.70) %
Change in net position	5,118,087	(7,130,813)	171.8 %
Net position (deficit) at beginning of year (restated)	<u>(67,943,329)</u>	N/A	N/A
Net position (deficit) at end of year	<u>\$ (62,825,242)</u>	<u>\$ (67,943,329)</u>	7.53 %

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Governmental Activities

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$6,088,027 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$4,359,744.

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 83,647,022
Pension expense under GASB 68	(4,359,744)
2015 contractually required contributions	<u>6,528,826</u>
Adjusted 2015 program expenses	85,816,104
Total 2014 program expenses under GASB 27	<u>88,705,416</u>
Increase (decrease) in program expenses not related to pensions	<u>\$ (2,889,312)</u>

Net position of the District's governmental activities increased \$5,118,087. Total governmental expenses of \$83,647,022 were offset by program revenues of \$13,907,357 and general revenues of \$74,857,752. Program revenues supported 16.63% 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 83.56% of total governmental revenue. The largest expense of the District is for instructional programs. Instruction expenses totaled \$50,830,782 or 60.77% of total governmental expenses for fiscal year 2015.

Although programs revenues increased slightly in fiscal year 2015, most of the overall increase in revenues came from general revenues. Property tax revenue was considerably higher due to collections on the District's new 4.9 mill tax levy which became effective in calendar year 2015. Unrestricted grants and entitlements also increased significantly, which is mostly due to additional revenue allocated to the District from the State Foundation funding program.

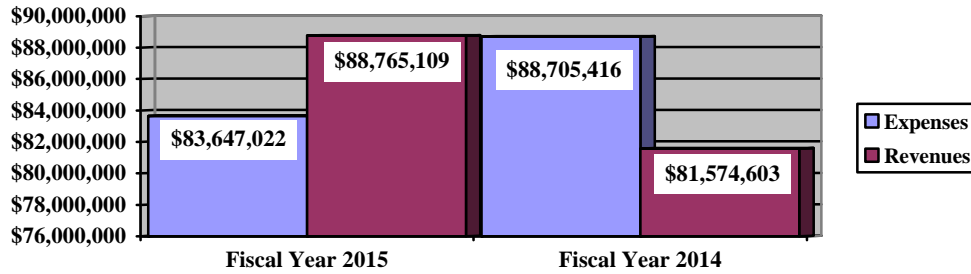
Also contributing to the increase in net position was a slight decrease in expenses. The overall decrease in expenses not related to pensions was \$2,889,312 or 3.26%. This decrease is due in large part to savings on employee health insurance costs which the District was able to realize by participating in a fully funded self-insurance plan.

The following graph presents the District's governmental activities revenues and expenses for fiscal years 2015 and 2014.

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

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

Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Program expenses				
Instruction:				
Regular	\$ 31,731,886	\$ 30,863,441	\$ 33,571,838	\$ 32,789,784
Special	12,852,100	5,824,260	14,772,891	7,851,000
Vocational	2,839,602	1,740,544	2,776,690	1,862,321
Adult/continuing	-	-	47	47
Other	3,407,194	3,407,194	3,409,980	3,409,980
Support services:				
Pupil	5,014,343	4,937,643	4,578,947	4,310,724
Instructional staff	1,852,220	1,730,720	1,780,535	1,610,350
Board of education	214,846	214,846	159,553	159,553
Administration	4,911,664	4,907,789	5,300,608	5,294,973
Fiscal	1,574,715	1,574,715	1,682,713	1,682,713
Business	420,459	420,459	635,827	635,827
Operations and maintenance	8,235,759	8,150,704	8,808,242	8,720,522
Pupil transportation	3,576,928	3,226,360	3,963,846	3,585,154
Central	1,313,945	1,313,945	1,402,711	1,398,177
Food service operations	2,680,184	128,838	2,836,232	278,788
Other non-instructional services	1,045,396	(20,501)	1,085,917	110,708
Extracurricular activities	1,662,650	1,005,577	1,615,034	1,041,392
Interest and fiscal charges	313,131	313,131	323,805	323,805
Total expenses	<u>\$ 83,647,022</u>	<u>\$ 69,739,665</u>	<u>\$ 88,705,416</u>	<u>\$ 75,065,818</u>

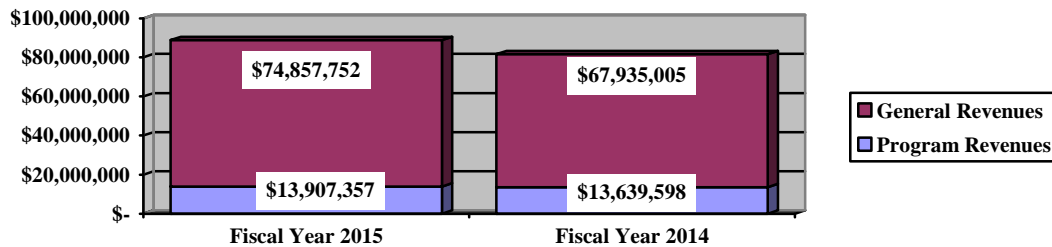
**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The dependence upon tax and other general revenues for governmental activities is apparent; 82.30% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.37%. 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 2015 and 2014.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of \$27,251,478, which is \$197,619 or 0.72% lower than last year's total of \$27,449,097. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

	Fund Balance June 30, 2015	Fund Balance June 30, 2014	Increase (Decrease)
General fund	\$ 21,150,401	\$ 20,366,245	\$ 784,156
Permanent improvement fund	5,949,032	5,429,892	519,140
Nonmajor governmental funds	<u>152,045</u>	<u>1,652,960</u>	<u>(1,500,915)</u>
Total	<u>\$ 27,251,478</u>	<u>\$ 27,449,097</u>	<u>\$ (197,619)</u>

General Fund

The District's general fund balance increased \$784,156. The table that follows assists in illustrating the financial activities of the general fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 35,336,268	\$ 32,277,959	\$ 3,058,309	9.47 %
Tuition	589,561	622,511	(32,950)	(5.29) %
Earnings on investments	44,684	35,563	9,121	25.65 %
Intergovernmental	36,774,454	34,094,505	2,679,949	7.86 %
Payment in lieu of taxes	4,147,556	3,875,777	271,779	7.01 %
Other revenues	<u>1,028,712</u>	<u>875,648</u>	<u>153,064</u>	17.48 %
Total	<u>\$ 77,921,235</u>	<u>\$ 71,781,963</u>	<u>\$ 6,139,272</u>	8.55 %
<u>Expenditures</u>				
Instruction	\$ 48,836,634	\$ 49,133,980	\$ (297,346)	(0.61) %
Support services	27,289,818	25,732,310	1,557,508	6.05 %
Operation of non-instructional services	50,402	43,356	7,046	16.25 %
Extracurricular activities	996,961	990,174	6,787	0.69 %
Facilities acquisition and construction	<u>10,994</u>	<u>9,156</u>	<u>1,838</u>	20.07 %
Total	<u>\$ 77,184,809</u>	<u>\$ 75,908,976</u>	<u>\$ 1,275,833</u>	1.68 %

The most significant changes in general fund revenues were increases in taxes and intergovernmental revenues; these two revenue sources combined accounted for 93.47% of the overall increase in revenues. As mentioned previously on page 10, the increase in taxes revenue is a result of collections on a new tax levy. The District received an additional allocation of approximately \$2.4 million in State Foundation funding in fiscal year 2015; these revenues are reported as intergovernmental revenues in the general fund.

Overall, general fund expenditures for fiscal year 2015 were comparable to the prior year. The most significant increase was for pupil support services, which was mostly due to additional counseling, psychological and speech pathology services provided in 2015.

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 \$2,656,343 in revenues and \$2,137,203 in expenditures. During fiscal year 2015, fund balance increased from \$5,429,892 to \$5,949,032.

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 2015, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$78,257,978, which is \$3,224,176 (4.30%) higher than the original budgeted revenues estimate of \$75,033,802. Budgeted property taxes revenue was increased \$1,984,515 in order to reflect additional collections on the new tax levy passed in November 2014. Intergovernmental - state revenues were increased \$2,046,080 to account for additional State Foundation revenue. Actual revenues and other financing sources for fiscal year 2015 were \$78,232,418. This represents a \$25,560 decrease from final budgeted revenues.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

General fund original appropriations of \$79,906,163 were increased slightly to \$80,305,732 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2015 totaled \$78,262,633, which is \$2,043,099 or 2.54% less than the final budget appropriations. This variance is a result of the District's conservative approach to budgeting which ensures that actual expenditures do not exceed the final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District had \$32,160,345 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 2015 balances compared to 2014:

Capital Assets at June 30 (Net of Depreciation)		
<u>Governmental Activities</u>		
	<u>2015</u>	<u>2014</u>
Land	\$ 845,554	\$ 845,554
Land improvements	3,650,746	3,609,092
Buildings and improvements	23,986,703	14,750,368
Furniture and equipment	2,041,388	2,468,226
Vehicles	1,429,788	1,611,243
Construction in progress	<u>206,166</u>	<u>7,889,672</u>
Total	<u>\$ 32,160,345</u>	<u>\$ 31,174,155</u>

Total additions to capital assets for 2015 were \$3,421,551 and disposals (net of accumulated depreciation) were \$24,366. The District had \$2,410,995 in depreciation expense during 2015. See Note 8 in the notes to the basic financial statements for detail on the District's capital assets.

Debt Administration

At June 30, 2015, the District had \$9,435,000 in certificates of participation obligations outstanding. Of this amount, \$250,000 is due within one year and \$9,185,000 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		
	<u>Governmental Activities 2015</u>	<u>Governmental Activities 2014</u>
Certificates of participation	<u>\$ 9,435,000</u>	<u>\$ 9,680,000</u>

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 are 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.

Contacting the District's Financial Management

This financial report is designed 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, 2015

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 39,072,843
Cash in segregated accounts	5,375
Receivables:	
Property taxes	41,780,990
Payment in lieu of taxes	4,539,068
Accounts	21,054
Intergovernmental	711,225
Prepayments	202,477
Materials and supplies inventory	113,402
Inventory held for resale	65,686
Capital assets:	
Nondepreciable capital assets	1,051,720
Depreciable capital assets, net	31,108,625
Capital assets, net	32,160,345
Total assets	118,672,465
Deferred outflows of resources:	
Pension - STRS.	5,905,119
Pension - SERS.	1,591,044
Total deferred outflows of resources	7,496,163
Liabilities:	
Accounts payable.	364,276
Contracts payable.	161,490
Accrued wages and benefits payable.	8,285,405
Intergovernmental payable	310,213
Pension and postemployment benefits payable.	2,068,403
Accrued interest payable	104,510
Claims payable	1,496,980
Long-term liabilities:	
Due within one year.	787,572
Due in more than one year:	
Net pension liability (See Note 12)	102,706,048
Other amounts due in more than one year.	13,763,829
Total liabilities	130,048,726
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	35,840,983
Payment in lieu of taxes levied for the next fiscal year	4,539,068
Pension - STRS	15,448,476
Pension - SERS	3,116,617
Total deferred inflows of resources	58,945,144
Net position:	
Net investment in capital assets.	22,390,077
Restricted for:	
Capital projects	6,024,299
Locally funded programs	1,558
State funded programs.	127,348
Federally funded programs	68,904
Student activities	298,300
Unrestricted (deficit)	(91,735,728)
Total net position (deficit)	\$ (62,825,242)

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, 2015

	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	\$ 31,731,886	\$ 514,580	\$ 353,865	\$ -	\$ (30,863,441)
Special	12,852,100	172,638	6,855,202	-	(5,824,260)
Vocational	2,839,602	107,394	991,664	-	(1,740,544)
Other	3,407,194	-	-	-	(3,407,194)
Support services:					
Pupil	5,014,343	-	76,700	-	(4,937,643)
Instructional staff	1,852,220	9,909	111,591	-	(1,730,720)
Board of education	214,846	-	-	-	(214,846)
Administration.	4,911,664	-	3,875	-	(4,907,789)
Fiscal.	1,574,715	-	-	-	(1,574,715)
Business.	420,459	-	-	-	(420,459)
Operations and maintenance	8,235,759	85,055	-	-	(8,150,704)
Pupil transportation.	3,576,928	105,257	245,311	-	(3,226,360)
Central	1,313,945	-	-	-	(1,313,945)
Operation of non-instructional services:					
Food service operations	2,680,184	671,789	1,879,557	-	(128,838)
Other non-instructional services	1,045,396	16,018	1,049,879	-	20,501
Extracurricular activities.	1,662,650	626,073	1,000	30,000	(1,005,577)
Interest and fiscal charges	313,131	-	-	-	(313,131)
Total governmental activities	\$ 83,647,022	\$ 2,308,713	\$ 11,568,644	\$ 30,000	(69,739,665)

General revenues:

Property taxes levied for:

General purposes	35,383,136
Capital outlay.	1,960,905
Payments in lieu of taxes	4,399,278
Grants and entitlements not restricted to specific programs	32,431,430
Investment earnings	62,203
Miscellaneous	620,800
Total general revenues.	74,857,752
Change in net position	5,118,087
Net position (deficit) at beginning of year (restated)	(67,943,329)
Net position (deficit) at end of year	\$ (62,825,242)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	\$ 29,423,139	\$ 6,012,088	\$ 812,504	\$ 36,247,731
Cash in segregated accounts	5,375	-	-	5,375
Receivables:				
Property taxes.	39,519,523	2,261,467	-	41,780,990
Payment in lieu of taxes.	4,303,020	236,048	-	4,539,068
Accounts	19,529	-	1,525	21,054
Intergovernmental.	204,566	-	506,659	711,225
Interfund loans	400,000	-	-	400,000
Prepayments.	202,477	-	-	202,477
Materials and supplies inventory	89,680	-	23,722	113,402
Inventory held for resale	-	-	65,686	65,686
Total assets	<u>74,167,309</u>	<u>8,509,603</u>	<u>1,410,096</u>	<u>84,087,008</u>
Liabilities:				
Accounts payable	287,767	18,000	58,509	364,276
Contracts payable	-	161,490	-	161,490
Accrued wages and benefits payable	7,745,301	-	540,104	8,285,405
Compensated absences payable	331,699	-	-	331,699
Intergovernmental payable	288,916	-	21,297	310,213
Pension and postemployment benefits payable	1,891,494	-	176,909	2,068,403
Interfund loans payable	-	-	400,000	400,000
Claims payable.	523,992	-	-	523,992
Total liabilities	<u>11,069,169</u>	<u>179,490</u>	<u>1,196,819</u>	<u>12,445,478</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	33,865,951	1,975,032	-	35,840,983
Payment in lieu of taxes levied for the next fiscal year.	4,303,020	236,048	-	4,539,068
Delinquent property tax revenue not available	3,656,982	170,001	-	3,826,983
Intergovernmental revenue not available	121,786	-	61,232	183,018
Total deferred inflows of resources.	<u>41,947,739</u>	<u>2,381,081</u>	<u>61,232</u>	<u>44,390,052</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	89,680	-	23,722	113,402
Prepayments	202,477	-	-	202,477
Restricted:				
Capital improvements	-	5,949,032	9,776	5,958,808
Non-public schools	-	-	126,360	126,360
Vocational education	-	-	7,728	7,728
Other purposes	-	-	2,490	2,490
Extracurricular activities	-	-	298,300	298,300
Committed:				
Underground storage tank	55,000	-	-	55,000
Assigned:				
Student instruction.	330,606	-	-	330,606
Student and staff support.	554,449	-	-	554,449
Extracurricular activities.	23,775	-	-	23,775
Facilities acquisition and construction.	19,622	-	-	19,622
Subsequent year's appropriations	2,198,881	-	-	2,198,881
Other purposes.	163,352	-	-	163,352
Unassigned (deficit).	<u>17,512,559</u>	<u>-</u>	<u>(316,331)</u>	<u>17,196,228</u>
Total fund balances	<u>21,150,401</u>	<u>5,949,032</u>	<u>152,045</u>	<u>27,251,478</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 74,167,309</u>	<u>\$ 8,509,603</u>	<u>\$ 1,410,096</u>	<u>\$ 84,087,008</u>

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, 2015

Total governmental fund balances		\$	27,251,478
<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.			32,160,345
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	3,826,983	
Intergovernmental receivable		183,018	
Total		4,010,001	4,010,001
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.			1,852,124
Unamortized premiums on bonds issued are not recognized in the funds.			(173,778)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(104,510)
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		7,496,163	
Deferred inflows of resources - pension		(18,565,093)	
Net pension liability		(102,706,048)	
Total		(113,774,978)	(113,774,978)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Certificates of participation		(9,435,000)	
Compensated absences		(4,610,924)	
Total		(14,045,924)	(14,045,924)
Net position of governmental activities		\$	(62,825,242)

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, 2015

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 35,336,268	\$ 1,936,859	\$ -	\$ 37,273,127
Payment in lieu of taxes	4,147,556	258,562	-	4,406,118
Tuition	589,561	-	-	589,561
Charges for services	-	-	671,789	671,789
Transportation fees	105,257	-	-	105,257
Earnings on investments	44,684	11,372	1,449	57,505
Extracurricular	1,650	-	626,073	627,723
Classroom materials and fees	119,607	-	-	119,607
Rental income	85,055	-	-	85,055
Contributions and donations	37,122	30,000	1,000	68,122
Contract services	85,234	-	-	85,234
Other local revenues	594,787	11,144	-	605,931
Intergovernmental - intermediate	6,470	-	-	6,470
Intergovernmental - state	36,120,442	408,406	1,068,619	37,597,467
Intergovernmental - federal	647,542	-	5,751,717	6,399,259
Total revenues	<u>77,921,235</u>	<u>2,656,343</u>	<u>8,120,647</u>	<u>88,698,225</u>
Expenditures:				
Current:				
Instruction:				
Regular	32,647,917	46,341	352,132	33,046,390
Special	9,943,995	4,715	3,251,725	13,200,435
Vocational	2,907,789	-	100,121	3,007,910
Other	3,336,933	-	-	3,336,933
Support services:				
Pupil	5,094,089	3,422	68,324	5,165,835
Instructional staff	1,781,268	-	103,243	1,884,511
Board of education	211,323	-	-	211,323
Administration	5,028,308	3,920	4,464	5,036,692
Fiscal	1,505,177	37,615	-	1,542,792
Business	462,952	-	-	462,952
Operations and maintenance	8,563,967	388,288	-	8,952,255
Pupil transportation	3,446,346	24,502	-	3,470,848
Central	1,196,388	315	-	1,196,703
Operation of non-instructional services:				
Food service operations	-	-	2,716,501	2,716,501
Other non-instructional services	50,402	7,728	961,471	1,019,601
Extracurricular activities	996,961	14,800	645,773	1,657,534
Facilities acquisition and construction	10,994	1,037,807	1,431,308	2,480,109
Debt service:				
Principal retirement	-	245,000	-	245,000
Interest and fiscal charges	-	322,750	-	322,750
Total expenditures	<u>77,184,809</u>	<u>2,137,203</u>	<u>9,635,062</u>	<u>88,957,074</u>
Excess (deficiency) of revenues over (under) expenditures	<u>736,426</u>	<u>519,140</u>	<u>(1,514,415)</u>	<u>(258,849)</u>
Other financing sources (uses):				
Transfers in	-	-	13,500	13,500
Transfers (out)	(13,500)	-	-	(13,500)
Proceeds from sale of assets	61,230	-	-	61,230
Total other financing sources (uses)	<u>47,730</u>	<u>-</u>	<u>13,500</u>	<u>61,230</u>
Net change in fund balances	784,156	519,140	(1,500,915)	(197,619)
Fund balances at beginning of year	<u>20,366,245</u>	<u>5,429,892</u>	<u>1,652,960</u>	<u>27,449,097</u>
Fund balances at end of year	<u>\$ 21,150,401</u>	<u>\$ 5,949,032</u>	<u>\$ 152,045</u>	<u>\$ 27,251,478</u>

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, 2015

Net change in fund balances - total governmental funds \$ (197,619)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$ 3,421,551	
Current year depreciation	(2,410,995)	
Total		1,010,556

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (24,366)

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

Property taxes	70,914	
Intergovernmental	(46,072)	
Total		24,842

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. 245,000

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	3,223	
Amortization of debt premiums	6,396	
Total		9,619

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources. 6,528,826

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. (4,359,744)

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. 102,710

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. 1,778,263

Change in net position of governmental activities \$ 5,118,087

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, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 33,285,925	\$ 35,270,440	\$ 35,270,440	\$ -
Payment in lieu of taxes	3,920,352	4,154,084	4,154,084	-
Tuition.	608,709	635,000	589,561	(45,439)
Transportation fees.	113,248	115,000	110,139	(4,861)
Earnings on investments	42,468	45,000	44,684	(316)
Classroom materials and fees	1,164,568	34,000	35,086	1,086
Rental income	78,203	82,865	84,057	1,192
Contributions and donations	2,352	2,492	2,492	-
Other local revenues	356,946	378,227	403,839	25,612
Intergovernmental - state	34,318,513	36,364,593	36,315,268	(49,325)
Intergovernmental - federal	566,241	600,000	599,757	(243)
Total revenues	<u>74,457,525</u>	<u>77,681,701</u>	<u>77,609,407</u>	<u>(72,294)</u>
Expenditures:				
Current:				
Instruction:				
Regular	33,638,572	33,169,467	32,867,509	301,958
Special.	10,012,229	10,354,239	9,945,379	408,860
Vocational.	2,847,688	2,974,357	2,910,950	63,407
Other.	3,759,962	3,500,849	3,343,656	157,193
Support services:				
Pupil.	4,488,869	5,027,636	4,938,843	88,793
Instructional staff	1,847,343	1,868,773	1,849,188	19,585
Board of education	176,674	237,863	219,806	18,057
Administration.	5,167,801	5,167,815	5,039,721	128,094
Fiscal	1,589,933	1,598,558	1,553,351	45,207
Business	567,428	522,694	471,668	51,026
Operations and maintenance.	9,172,122	9,110,966	8,781,647	329,319
Pupil transportation	3,575,368	3,683,748	3,593,930	89,818
Central	1,506,279	1,475,018	1,231,369	243,649
Operation of non-instructional services	9,436	26,401	14,637	11,764
Extracurricular activities	1,095,369	1,126,258	1,056,863	69,395
Facilities acquisition and construction	25,590	35,590	30,616	4,974
Total expenditures.	<u>79,480,663</u>	<u>79,880,232</u>	<u>77,849,133</u>	<u>2,031,099</u>
Excess of expenditures over revenues	(5,023,138)	(2,198,531)	(239,726)	1,958,805
Other financing sources (uses):				
Refund of prior year's expenditures	161,781	161,781	161,781	-
Transfers (out).	(25,500)	(25,500)	(13,500)	12,000
Advances in	400,000	400,000	400,000	-
Advances (out).	(400,000)	(400,000)	(400,000)	-
Proceeds from sale of assets	14,496	14,496	61,230	46,734
Total other financing sources (uses).	<u>150,777</u>	<u>150,777</u>	<u>209,511</u>	<u>58,734</u>
Net change in fund balance	(4,872,361)	(2,047,754)	(30,215)	2,017,539
Fund balance at beginning of year	27,036,579	27,036,579	27,036,579	-
Prior year encumbrances appropriated	1,105,353	1,105,353	1,105,353	-
Fund balance at end of year.	<u>\$ 23,269,571</u>	<u>\$ 26,094,178</u>	<u>\$ 28,111,717</u>	<u>\$ 2,017,539</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

	Governmental Activities - Internal Service Fund
Assets:	
Equity in pooled cash and cash equivalents	\$ 2,825,112
Total assets.	<u>2,825,112</u>
Liabilities:	
Claims payable.	<u>972,988</u>
Total liabilities	<u>972,988</u>
Net position:	
Unrestricted.	<u>1,852,124</u>
Total net position	<u><u>\$ 1,852,124</u></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, 2015

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 10,744,770
Total operating revenues	<u>10,744,770</u>
Operating expenses:	
Purchased services.	778,046
Claims	<u>8,193,639</u>
Total operating expenses.	<u>8,971,685</u>
Operating income	<u>1,773,085</u>
Nonoperating revenues:	
Interest revenue.	<u>5,178</u>
Change in net position	1,778,263
Net position at beginning of year.	<u>73,861</u>
Net position at end of year	<u><u>\$ 1,852,124</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, 2015

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 10,744,770
Cash payments for contractual services	(778,046)
Cash payments for claims	(9,052,632)
	914,092
Cash flows from investing activities:	
Interest received	5,178
	5,178
Net cash provided by investing activities	5,178
Net increase in cash and cash equivalents	919,270
Cash and cash equivalents at beginning of year	1,905,842
Cash and cash equivalents at end of year	\$ 2,825,112
	2,825,112
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,773,085
Changes in assets and liabilities:	
(Decrease) in claims payable	(858,993)
	(858,993)
Net cash provided by operating activities	\$ 914,092
	914,092

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 155,765	\$ 187,852
Total assets.	155,765	\$ 187,852
Liabilities:		
Accounts payable.	720	\$ -
Deposits held and due to others.	-	187,852
Total liabilities	720	\$ 187,852
Net position:		
Held in trust for scholarships	155,045	
Total net position	\$ 155,045	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 180
Gifts and contributions	46,845
Total additions	47,025
Deductions:	
Scholarships awarded	43,086
Change in net position	3,939
Net position at beginning of year	151,106
Net position at end of year	\$ 155,045

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, 2015**

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 308 non-certified and 537 certified full-time and part-time employees to provide services to approximately 6,900 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, 2015

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 POOL

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.

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. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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. For the District, deferred outflows of resources have been reported for the following two items related the District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the District's contributions to the pension systems subsequent to the measurement date.

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, 2015, but which were levied to finance fiscal year 2016 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

The District also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments 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 2015.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

During fiscal year 2015, 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 2015. 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, 2015.

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 2015 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
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, 2015, 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”. Interfund balances between governmental funds are eliminated in the governmental activities column on the statement of net position.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is 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
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 2015.

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
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 12 to the financial statements, and added required supplementary information which is presented on pages 66-72.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ 48,000,731
Deferred outflows - payments subsequent to measurement date	6,088,027
Net pension liability	(122,032,087)
Restated net position at July 1, 2014	\$ (67,943,329)

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2015 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 202,912
Miscellaneous state grants	1,448
IDEA, Part B	60,618
Title I	14,987
Improving teacher quality	12,644

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, 2015**

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 \$5,375 at June 30, 2015 and is included in "Deposits with Financial Institutions" below.

B. Deposits with Financial Institutions

At June 30, 2015, the carrying amount of all District deposits was \$38,399,797. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$6,623,033 of the District's bank balance of \$39,307,111 was exposed to custodial risk as discussed below, while \$32,684,078 was covered by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ <u>1,022,038</u>	\$ <u>1,022,038</u>

The weighted average maturity of investments at June 30, 2015 is one day.

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, 2015:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ <u>1,022,038</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 38,399,797
Investments	<u>1,022,038</u>
Total	<u>\$ 39,421,835</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 39,078,218
Private-purpose trust funds	155,765
Agency fund	<u>187,852</u>
Total	<u>\$ 39,421,835</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund loans receivable/payable consisted of the following at June 30, 2015, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	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.** Interfund transfers for the fiscal year ended June 30, 2015, consisted of the following, as reported on the fund statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 13,500

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, 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, 2015, are available to finance fiscal year 2015 operations. 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. This amount is recorded as revenue. The amount available as an advance at June 30, 2014 was \$1,930,762 in the general fund and \$99,278 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, 2015 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
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 757,646,580	98.08	\$ 755,450,870	97.92
Public utility personal	<u>14,861,930</u>	<u>1.92</u>	<u>16,076,470</u>	<u>2.08</u>
Total	<u>\$ 772,508,510</u>	<u>100.00</u>	<u>\$ 771,527,340</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$76.00		\$80.30	
Permanent improvement	2.60		3.20	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2015 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
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

Governmental activities:	Balance			Balance
	<u>06/30/14</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/15</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 845,554	\$ -	\$ -	\$ 845,554
Construction in progress	7,889,672	2,706,244	(10,389,750)	206,166
Total capital assets, not being depreciated	<u>8,735,226</u>	<u>2,706,244</u>	<u>(10,389,750)</u>	<u>1,051,720</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	7,120,114	369,995	-	7,490,109
Building and improvements	38,629,061	10,507,040	-	49,136,101
Furniture and equipment	11,287,660	95,066	(7,799)	11,374,927
Vehicles	6,445,012	132,956	(242,342)	6,335,626
Total capital assets, being depreciated	<u>63,481,847</u>	<u>11,105,057</u>	<u>(250,141)</u>	<u>74,336,763</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(3,511,022)	(328,341)	-	(3,839,363)
Building and improvements	(23,878,693)	(1,270,705)	-	(25,149,398)
Furniture and equipment	(8,819,434)	(521,774)	7,669	(9,333,539)
Vehicles	(4,833,769)	(290,175)	218,106	(4,905,838)
Total accumulated depreciation	<u>(41,042,918)</u>	<u>(2,410,995)</u>	<u>225,775</u>	<u>(43,228,138)</u>
Governmental activities capital assets, net	<u>\$ 31,174,155</u>	<u>\$ 11,400,306</u>	<u>\$ (10,414,116)</u>	<u>\$ 32,160,345</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 769,116
Special	297,359
Vocational	67,692
Other	82,190
<u>Support services:</u>	
Pupil	107,602
Instructional staff	56,022
Board of Education	4,048
Administration	121,264
Fiscal	37,430
Business	14,155
Operations and maintenance	207,647
Pupil transportation	374,530
Central	157,977
<u>Operation of non-instructional services:</u>	
Food service operations	44,331
Other non-instructional services	25,795
Extracurricular activities	43,837
Total depreciation expense	<u>\$ 2,410,995</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - LONG-TERM OBLIGATIONS

A. During fiscal year 2015, the following changes occurred in governmental activities long-term obligations. Long-term obligations at June 30, 2014 have been restated as described in Note 3.A.

	Restated Balance <u>06/30/14</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/15</u>	Amount Due Within <u>One Year</u>
<u>Certificates of participation</u>					
Series 2012 COPs					
3.0%-5.0%, matures 9/1/42	\$ 9,680,000	\$ -	\$ (245,000)	\$ 9,435,000	\$ 250,000
<u>Other long-term obligations</u>					
Compensated absences	4,977,865	709,350	(744,592)	4,942,623	537,572
Net pension liability	<u>122,032,087</u>	<u>-</u>	<u>(19,326,039)</u>	<u>102,706,048</u>	<u>-</u>
Total	<u>\$ 136,689,952</u>	<u>\$ 709,350</u>	<u>\$ (20,315,631)</u>	<u>\$ 117,083,671</u>	<u>\$ 787,572</u>
Add: unamortized premium on debt issue				<u>173,778</u>	
				<u>\$ 117,257,449</u>	

Compensated absences will be paid from the general fund and the food service fund (a nonmajor governmental fund). See Note 12 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 in September 1, 2042. Payments of principal and interest began in fiscal year 2014 and are paid from the permanent improvement fund (a nonmajor governmental fund).

Principal and interest requirements to retire the COPs outstanding at June 30, 2015, are as follows:

Fiscal Year <u>Ending June 30,</u>	<u>Certificates of Participation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 250,000	\$ 312,850	\$ 562,850
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 - 2025	1,375,000	1,234,125	2,609,125
2026 - 2030	1,545,000	1,015,875	2,560,875
2031 - 2035	1,775,000	764,534	2,539,534
2036 - 2040	2,060,000	442,243	2,502,243
2041 - 2043	<u>1,410,000</u>	<u>77,220</u>	<u>1,487,220</u>
Total	<u>\$ 9,435,000</u>	<u>\$ 4,987,247</u>	<u>\$ 14,422,247</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015, are a voted debt margin of \$69,437,461 and an unvoted debt margin of \$771,527.

NOTE 10 - 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.I. to the financial statements. To be eligible for retirement or severance payments, an employee must have five years of service at the District.

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 administrators, certified and classified 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 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, 2015**

NOTE 10 - COMPENSATED ABSENCES - (Continued)

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.

NOTE 11 - 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 \$230,546,643. 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.

**WASHINGTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - RISK MANAGEMENT - (Continued)

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, 2015, including incurred but not reported claims, is actuarially estimated to be \$972,988. 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>
2015	\$ 1,831,981	\$ 8,193,639	\$ (9,052,632)	\$ 972,988
2014	30,371	10,147,205	(8,345,595)	1,831,981

C. Workers' Compensation

The District has participated in the Ohio Bureau of Workers' Compensation (Bureau) Retrospective Rating Plan since 1995. The alternative rating program requires the District to pay only administrative charges to the Bureau, and in turn the district assumes the responsibility of paying all claims incurred during the policy period for up to ten years. After the tenth year, the Bureau will assume any existing claim for its duration. The District will be charged an actuarial amount for the claims transferred to the Bureau. The District's stop-loss coverage through the plan is limited to \$200,000 per claim stop-loss coverage with an annual aggregate.

The District's Workers' Compensation 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 claims liability is recorded based on an actuarial determination of future claims, review of five years of claim liabilities and claim payment trends including the settlement to the Bureau after the tenth year. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2015	\$ 606,732	\$ 213,687	\$ (296,427)	\$ 523,992
2014	565,089	552,322	(510,679)	606,732

**WASHINGTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - 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.

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.

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:

**WASHINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

	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.

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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$1,427,610 for fiscal year 2015. Of this amount \$173,195 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.

**WASHINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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, 2015, plan members were required to contribute 12 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 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$5,101,216 for fiscal year 2015. Of this amount, \$859,404 is reported as pension and postemployment benefits payable.

**WASHINGTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2014, 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	\$ 19,202,483	\$ 83,503,565	\$ 102,706,048
Proportion of the Net Pension Liability	0.37942500%	0.34330462%	
Pension Expense	\$ 1,120,593	\$ 3,239,151	\$ 4,359,744

At June 30, 2015, 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	\$ 163,434	\$ 803,903	\$ 967,337
School District contributions subsequent to the measurement date	<u>1,427,610</u>	<u>5,101,216</u>	<u>6,528,826</u>
Total Deferred Outflows of Resources	<u>\$ 1,591,044</u>	<u>\$ 5,905,119</u>	<u>\$ 7,496,163</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 3,116,617</u>	<u>\$ 15,448,476</u>	<u>\$ 18,565,093</u>

\$6,528,826 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	\$ (738,295)	\$ (3,661,143)	\$ (4,399,438)
2017	(738,295)	(3,661,143)	(4,399,438)
2018	(738,295)	(3,661,143)	(4,399,438)
2019	<u>(738,298)</u>	<u>(3,661,144)</u>	<u>(4,399,442)</u>
Total	<u>\$ (2,953,183)</u>	<u>\$ (14,644,573)</u>	<u>\$ (17,597,756)</u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 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.

**WASHINGTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100.00 %	

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.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 27,396,237	\$ 19,202,483	\$ 12,310,828

**WASHINGTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, 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.

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, 2014, 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	1.00	3.00
Total	<u>100.00 %</u>	

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. 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, 2014. 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, 2014.

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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 119,544,457	\$ 83,503,565	\$ 53,025,098

NOTE 13 - 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, the number of qualified years of service, Medicare eligibility and retirement status.

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LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

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 2015, 0.82 percent of covered payroll 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 2015, this amount was \$20,450. 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 2015, the District's surcharge obligation was \$186,938.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$278,044, \$177,617, and \$171,787, respectively. For fiscal year 2015, 88.58 percent has been contributed, with the balance being reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2014 and 2013.

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 Ohio 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 year 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, 2015, 2014, and 2013 were \$0, \$358,238, and \$350,755 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 14 - 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, 2015, if applicable, cannot be determined at this time.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 14 - CONTINGENCIES - (Continued)

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 2014-2015 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, 2015 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.

NOTE 15 - 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, 2014	\$ -
Current year set-aside requirement	1,173,183
Current year qualifying expenditures	<u>(1,406,231)</u>
Total	<u>\$ (233,048)</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside balance June 30, 2015	<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, 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 16 - 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);
- (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	\$ (30,215)
Net adjustment for revenue accruals	71,860
Net adjustment for expenditure accruals	(111,030)
Net adjustment for other sources/uses	(161,781)
Funds budgeted elsewhere	36,093
Adjustment for encumbrances	979,229
GAAP basis	\$ 784,156

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 17 - 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	\$ 848,602
Permanent improvement	636,832
Nonmajor governmental	<u>182,227</u>
Total	<u>\$ 1,667,661</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

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

LAST TWO FISCAL YEARS

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

Note: Information prior to fiscal year 2013 was unavailable.

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

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

LAST TWO FISCAL YEARS

	2014	2013
District's proportion of the net pension liability	0.34330462%	0.34330462%
District's proportionate share of the net pension liability	\$ 83,503,565	\$ 99,468,900
District's covered-employee payroll	\$ 35,076,254	\$ 35,075,454
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	283.59%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

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

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

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 1,427,610	\$ 1,528,114	\$ 1,485,296	\$ 1,430,437
Contributions in relation to the contractually required contribution	<u>(1,427,610)</u>	<u>(1,528,114)</u>	<u>(1,485,296)</u>	<u>(1,430,437)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 10,831,639	\$ 11,025,354	\$ 10,731,908	\$ 10,635,219
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,336,055	\$ 1,415,936	\$ 1,041,849	\$ 986,332	\$ 1,029,462	\$ 979,280
<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>(979,280)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 10,628,918	\$ 10,457,430	\$ 10,587,896	\$ 10,044,114	\$ 9,639,157	\$ 9,255,955
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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

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

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 5,101,216	\$ 4,559,913	\$ 4,559,809	\$ 4,543,234
Contributions in relation to the contractually required contribution	<u>(5,101,216)</u>	<u>(4,559,913)</u>	<u>(4,559,809)</u>	<u>(4,543,234)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 36,437,257	\$ 35,076,254	\$ 35,075,454	\$ 34,947,954
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 4,568,724	\$ 4,508,355	\$ 4,353,182	\$ 4,228,549	\$ 4,111,130	\$ 3,998,420
<u>(4,568,724)</u>	<u>(4,508,355)</u>	<u>(4,353,182)</u>	<u>(4,228,549)</u>	<u>(4,111,130)</u>	<u>(3,998,420)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 35,144,031	\$ 34,679,654	\$ 33,486,015	\$ 32,527,300	\$ 31,624,077	\$ 30,757,077
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, 2015**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. 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 year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. 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, 2015

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	2015	\$ 330,214
(D) (E) National School Lunch Program	10.555	2015	1,550,810
(C) (D) National School Lunch Program - Food Donation	10.555	2015	158,527
Total National School Lunch Program			<u>1,709,337</u>
Total Child Nutrition Grant Cluster			<u>2,039,551</u>
Total U.S. Department of Agriculture			<u>2,039,551</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Title I Grants to Local Educational Agencies	84.010	2014	147,598
Title I Grants to Local Educational Agencies	84.010	2015	1,914,846
Total Title I Grants to Local Educational Agencies			<u>2,062,444</u>
Career and Technical Education_Basic Grants to States	84.048	2014	30,290
Career and Technical Education_Basic Grants to States	84.048	2015	117,629
Total Career and Technical Education - Basic Grants to States			<u>147,919</u>
Special Education_Grants to States	84.027	2014	302,908
Special Education_Grants to States	84.027	2015	1,184,986
Total Special Education_Grants to States			<u>1,487,894</u>
English Language Acquisition State Grants	84.365	2014	2,329
English Language Acquisition State Grants	84.365	2015	11,971
Total English Language Acquisition State Grants			<u>14,300</u>
Improving Teacher Quality State Grants	84.367	2014	37,578
Improving Teacher Quality State Grants	84.367	2015	166,467
Total Improving Teacher Quality State Grants			<u>204,045</u>
Total U.S. Department of Education			<u>3,916,602</u>
Total Federal Financial Assistance			<u>\$ 5,956,153</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2015.
- (B) This schedule was prepared on the cash basis of accounting.
- (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.



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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**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, 2015, 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 December 22, 2015, wherein we noted as discussed in Note 3, the Washington Local School District adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*.

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.
December 22, 2015



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Compliance With Requirements Applicable to The
Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

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) *Circular A-133, Compliance Supplement* that could directly and materially affect the Washington Local School District's major federal program for the fiscal year ended June 30, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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.

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, 2015.

Board of Education
Washington Local School District

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 OMB Circular A-133, 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 compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
December 22, 2015

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

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 §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Child Nutrition Grant Cluster: School Breakfast Program, CFDA #10.553 and National School Lunch Program, CFDA #10.555
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</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

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
MARCH 29, 2016