



OHIO AUDITOR OF STATE
KEITH FABER



**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY
JUNE 30, 2020**

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LUCAS COUNTY
JUNE 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

Washington Local School District
Lucas County
3505 West Lincolnshire Boulevard
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 Washington Local School District, Lucas County, Ohio (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 3B to the financial statements, during 2020, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

As discussed in Note 20 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding 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 and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

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

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information 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 February 11, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

February 11, 2021

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

The discussion and analysis of 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, 2020. 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 fiscal year 2020 are as follows:

- Total net position for governmental activities decreased \$5,236,250.
- General revenues accounted for \$81,899,587 in revenue or 81.04% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$19,159,071 or 18.96% of total revenues of \$101,058,658.
- The District had \$106,294,908 in expenses related to governmental activities; only \$19,159,071 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 \$81,899,587 were not adequate to provide for these programs.
- The District's major funds are the general fund and building fund. The general fund had \$86,653,751 in revenues and other financing sources and \$86,668,993 in expenditures and other financing uses. During fiscal year 2020, the general fund's fund balance decreased from \$17,355,165 to \$17,339,923.
- The building fund was created in fiscal year 2020 to account for the issuance of bonds and notes to be used for a district-wide facilities improvement project. The building fund had \$50,789,910 in revenues and other financing sources and \$1,029,335 in expenditures. Fund balance at June 30, 2020 was \$49,760,575.

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 building fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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 2020?" 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.

Reporting the District's Most Significant Funds

Fund Financial Statements

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 building 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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. 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 acts in a trustee capacity as an agent for other organizations. These activities are reported in a custodial fund. All of the District's fiduciary activities are reported in a separate statement of changes in fiduciary net position. 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.

Required Supplementary Information

The required supplementary information provides detailed information regarding the District's proportionate share of the net pension liability and the net OPEB liability/asset of the retirement systems. It also includes a ten year schedule of the District's contributions to the retirement systems to fund pension and OPEB obligations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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 2020 and 2019. Net position for 2019 has been restated as described in Note 3 in the notes to the basic financial statements.

	Net Position	
	Governmental	(Restated) Governmental
	Activities 2020	Activities 2019
<u>Assets</u>		
Current and other assets	\$ 152,764,563	\$ 93,332,789
Capital assets, net	<u>33,937,730</u>	<u>35,399,385</u>
Total assets	<u>186,702,293</u>	<u>128,732,174</u>
<u>Deferred outflows of resources</u>		
Pension	18,983,267	24,916,902
OPEB	<u>1,901,340</u>	<u>1,228,103</u>
Total deferred outflows of resources	<u>20,884,607</u>	<u>26,145,005</u>
<u>Liabilities</u>		
Current liabilities	14,727,443	13,841,185
Long-term liabilities:		
Due within one year	1,230,707	718,343
Due in more than one year:		
Net pension liability	98,383,157	95,778,937
Net OPEB liability	8,948,766	9,741,961
Other amounts	<u>64,187,245</u>	<u>13,337,964</u>
Long-term liabilities	<u>172,749,875</u>	<u>119,577,205</u>
Total liabilities	<u>187,477,318</u>	<u>133,418,390</u>
<u>Deferred inflows of resources</u>		
Other amounts	48,511,338	42,788,200
Pension	5,015,731	6,826,010
OPEB	<u>9,992,236</u>	<u>10,018,052</u>
Total deferred inflows of resources	<u>63,519,305</u>	<u>59,632,262</u>
<u>Net position</u>		
Net investment in capital assets	23,358,659	26,654,501
Restricted	7,279,032	4,488,168
Unrestricted (deficit)	<u>(74,047,414)</u>	<u>(69,316,142)</u>
Total net position (deficit)	<u>\$ (43,409,723)</u>	<u>\$ (38,173,473)</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2020 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The District has adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the District's proportionate share of each plan's collective:

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

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)**

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

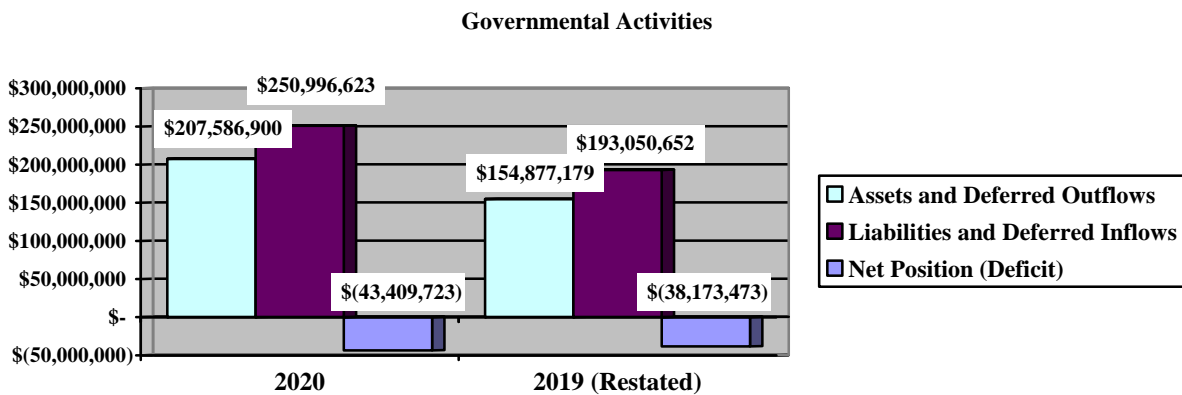
As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting.

As the preceding table illustrates, there was a significant increase in both assets and liabilities for fiscal year 2020. This is primarily due to the issuance of \$50 million in general obligation bonds. The proceeds are being used to finance facilities improvements throughout the District. Property taxes receivable also increased due to a new tax levy which will be used to retire the bonds. Most of the other changes in net position were related to the District's net pension liability and net OPEB liability/asset, and the related deferred inflows/outflows of resources. See Notes 13 and 14 in the notes to the basic financial statements for additional information regarding these components of net position. These factors are outside the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it is the pension systems that collect, hold and distribute pensions to retirees, not the District.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2020, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$43,409,723. Of this total \$7,279,032 is restricted in use and \$23,358,659 represents the net investment in capital assets, leaving an unrestricted net position deficit of \$74,047,414.

At year-end, capital assets represented 18.18% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. 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, 2020 and 2019.



The table on the following page shows the change in net position for fiscal years 2020 and 2019. Due to practicality, the 2019 revenues and expenses in the table have not been adjusted to reflect the implementation of GASB Statement No. 84 (see Note 3). Rather, the cumulative impact of applying the Statement is reflected in the beginning restated net position for 2019.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

	Change in Net Position		
	Governmental	Governmental	Percent
	Activities	Activities	
	<u>2020</u>	<u>2019</u>	<u>Change</u>
<u>Revenues</u>			
Program revenues:			
Charges for services and sales	\$ 2,342,374	\$ 2,504,650	(6.48) %
Operating grants and contributions	16,753,097	13,813,403	21.28 %
Capital grants and contributions	63,600	73,600	(13.59) %
General revenues:			
Property taxes	43,200,471	38,299,976	12.80 %
Payment in lieu of taxes	5,101,199	4,795,963	6.36 %
Grants and entitlements	31,728,646	33,081,139	(4.09) %
Investment earnings	895,832	1,120,776	(20.07) %
Other	<u>973,439</u>	<u>873,350</u>	11.46 %
Total revenues	<u>101,058,658</u>	<u>94,562,857</u>	6.87 %
<u>Expenses</u>			
Program expenses:			
Instruction:			
Regular	41,232,649	31,895,406	29.27 %
Special	16,452,932	13,940,153	18.03 %
Vocational	3,099,984	2,900,183	6.89 %
Other	3,824,941	3,653,973	4.68 %
Support services:			
Pupil	7,204,889	5,630,962	27.95 %
Instructional staff	2,655,252	2,106,143	26.07 %
Board of education	243,016	251,639	(3.43) %
Administration	6,000,323	5,005,084	19.88 %
Fiscal	1,908,969	1,653,187	15.47 %
Business	519,025	444,178	16.85 %
Operations and maintenance	9,044,400	8,468,540	6.80 %
Pupil transportation	3,952,298	3,632,541	8.80 %
Central	1,802,893	1,433,896	25.73 %
Food service operations	3,265,504	2,488,791	31.21 %
Other non-instructional services	1,045,055	1,271,624	(17.82) %
Extracurricular activities	1,891,219	1,632,538	15.85 %
Interest and fiscal charges	<u>2,151,559</u>	<u>282,254</u>	662.28 %
Total expenses	<u>106,294,908</u>	<u>86,691,092</u>	22.61 %
Change in net position	(5,236,250)	7,871,765	166.52 %
Net position (deficit) at beginning of year (restated)	<u>(38,173,473)</u>	<u>(46,045,238)</u>	N/A
Net position (deficit) at end of year	<u>\$ (43,409,723)</u>	<u>\$ (38,173,473)</u>	(13.72) %

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)**

Governmental Activities

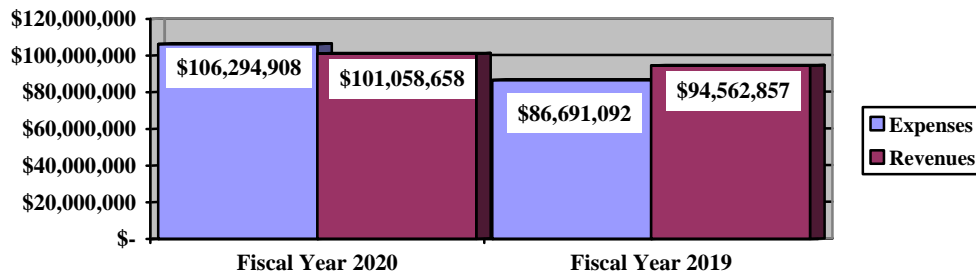
Net position of the District's governmental activities decreased \$5,236,250 or 13.72%. Total expenses of \$106,294,908 were offset by program revenues of \$19,159,071 and general revenues of \$81,899,587. Program revenues supported 18.02% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes, payments in lieu of taxes and unrestricted grants and entitlements. These revenue sources represent 79.19% of total governmental revenue. The largest expense of the District is for instructional programs. Instruction expenses totaled \$64,610,506 or 60.78% of total governmental expenses for fiscal year 2020.

Total revenues increased 6.87%, mostly due to increases in operating grants and contributions and property taxes. The District saw a sizeable increase in federal grant revenue for its participation in the National School Lunch Program. In addition, the District had approximately \$1.5 million in new State grant funding for the Student Wellness and Success program in fiscal year 2020. Property taxes revenue increased as the District began collecting on a new dual-purpose levy in calendar year 2020. This included a portion for general operations as well as debt service in order to pay for the general obligation bonds issued in fiscal year 2020.

Expenses of the governmental activities increased \$19,603,816 or 22.61%. This increase is largely attributable to the effects of accounting for pension and OPEB expense, in accordance with GASB Statements 68 and 75. On an accrual basis, the District reported \$14,377,931 and \$8,338,180 in pension expense for fiscal years 2020 and 2019, respectively. In addition, the District reported \$(1,522,539) and \$(11,610,173) in OPEB expense for fiscal years 2020 and 2019, respectively. The total net increase in pension expense and OPEB expense from fiscal year 2019 to fiscal year 2020 was \$16,127,385 or about 82.27% of the overall increase in expenses. Fluctuations in the pension and OPEB expense make it difficult to compare financial information between years since pension and OPEB expense are components of program expenses reported on the statement of activities. The only other significant change in expenses was interest and fiscal charges. These increased as a result of issuance costs and accrued interest payable related to the District's new debt issuances in fiscal year 2020.

The following graph presents the District's governmental activities revenues and expenses for fiscal years 2020 and 2019.

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 table on the following page shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)**

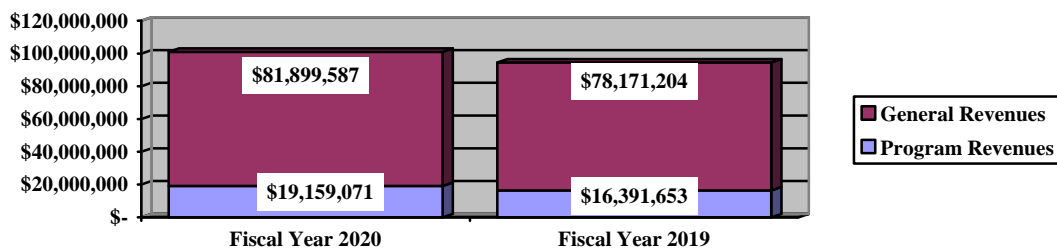
Governmental Activities

	Total Cost of Services <u>2020</u>	Net Cost of Services <u>2020</u>	Total Cost of Services <u>2019</u>	Net Cost of Services <u>2019</u>
Program expenses				
Instruction:				
Regular	\$ 41,232,649	\$ 40,459,323	\$ 31,895,406	\$ 31,169,242
Special	16,452,932	7,374,015	13,940,153	4,993,267
Vocational	3,099,984	1,603,484	2,900,183	1,385,708
Other	3,824,941	3,824,941	3,653,973	3,653,973
Support services:				
Pupil	7,204,889	5,622,731	5,630,962	5,569,035
Instructional staff	2,655,252	2,184,988	2,106,143	1,846,226
Board of education	243,016	243,016	251,639	251,639
Administration	6,000,323	5,996,173	5,005,084	5,000,144
Fiscal	1,908,969	1,908,969	1,653,187	1,653,187
Business	519,025	519,025	444,178	444,178
Operations and maintenance	9,044,400	9,019,243	8,468,540	8,414,367
Pupil transportation	3,952,298	3,466,735	3,632,541	3,245,702
Central	1,802,893	1,794,494	1,433,896	1,433,896
Food service operations	3,265,504	(53,797)	2,488,791	(38,703)
Other non-instructional services	1,045,055	(131,212)	1,271,624	121,334
Extracurricular activities	1,891,219	1,152,150	1,632,538	873,990
Interest and fiscal charges	<u>2,151,559</u>	<u>2,151,559</u>	<u>282,254</u>	<u>282,254</u>
Total expenses	<u>\$ 106,294,908</u>	<u>\$ 87,135,837</u>	<u>\$ 86,691,092</u>	<u>\$ 70,299,439</u>

The dependence upon tax and other general revenues for governmental activities is apparent; 82.44% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.98%. 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 2020 and 2019.

Governmental Activities - General and Program Revenues



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

The District's Funds

The District's governmental funds reported a combined fund balance of \$74,541,364, which is \$53,007,232 higher than last year's total of \$21,534,132, as restated. See Note 3 in the notes to the basic financial statements for more detail on the restatement of fund balances. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2020 and 2019.

	Fund Balance	Restated Fund Balance	
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>
General fund	\$ 17,339,923	\$17,355,165	\$ (15,242)
Building fund	49,760,575	-	49,760,575
Nonmajor governmental funds	<u>7,440,866</u>	<u>4,178,967</u>	<u>3,261,899</u>
Total	<u>\$ 74,541,364</u>	<u>\$21,534,132</u>	<u>\$ 53,007,232</u>

General Fund

The fund balance of the general fund remained virtually unchanged, decreasing \$15,242 or 0.09%. The table that follows assists in illustrating the revenues of the general fund during fiscal years 2020 and 2019.

	2020	2019		Percentage
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>	<u>Change</u>
<u>Revenues</u>				
Property taxes	\$ 40,070,060	\$ 37,931,841	\$ 2,138,219	5.64 %
Tuition and fees	1,116,880	1,069,695	47,185	4.41 %
Earnings on investments	569,916	860,567	(290,651)	(33.77) %
Intergovernmental	38,540,518	40,011,132	(1,470,614)	(3.68) %
Payment in lieu of taxes	4,691,593	4,504,441	187,152	4.15 %
Other revenues	<u>1,173,211</u>	<u>685,160</u>	<u>488,051</u>	71.23 %
Total	<u>\$ 86,162,178</u>	<u>\$ 85,062,836</u>	<u>\$ 1,099,342</u>	1.29 %

Although the overall change in general fund revenues was only 1.29%, there were several notable increases and decreases. The increase in property taxes revenue is primarily due to an increase in assessed property values which led to an increase in collections. Earnings on investments decreased as the District allocated less investment earnings to the general fund during the year. The decrease in intergovernmental revenue is a result of State budget cuts stemming from the economic impact of the COVID-19 pandemic. Finally, other revenues as shown in the table above increased primarily due to BWC refunds received in fiscal year 2020.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

The following table assists in illustrating the expenditures of the general fund during fiscal years 2020 and 2019.

	<u>2020</u> <u>Amount</u>	<u>2019</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>				
Instruction	\$ 56,498,130	\$ 54,934,672	\$ 1,563,458	2.85 %
Support services	28,206,460	30,217,043	(2,010,583)	(6.65) %
Operation of non-instructional services	40,554	33,404	7,150	21.40 %
Extracurricular activities	1,037,363	1,120,614	(83,251)	(7.43) %
Facilities acquisition and construction	4,356	142,590	(138,234)	(96.95) %
Debt service	635,934	151,806	484,128	318.91 %
Total	<u>\$ 86,422,797</u>	<u>\$ 86,600,129</u>	<u>\$ (177,332)</u>	(0.20) %

The overall increase in instruction expenditures is primarily due to an increase in employee wages and benefits in accordance with the latest negotiated agreements. This was offset by a decrease in support services expenditures. The new State grant for Student Wellness and Success funds allowed the District to move pupil support costs normally financed with general fund money to the new grant fund. Debt service expenditures increased as a result of the District paying a portion of the issuance costs for debt issued in fiscal year 2020 from the general fund.

Building Fund

The building fund is reported as a major fund and was created in fiscal year 2020 to account for the issuance of \$50 million in bonds and notes to be used for a district-wide facilities improvement project. This fund had \$50,789,910 in revenues and other financing sources and \$1,029,335 in expenditures. Fund balance at June 30, 2030 was \$49,760,575.

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 2020, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$86,536,162, which is \$1,147,157 (1.34%) more than the original budgeted revenues estimate of \$85,389,005. Most of this variance was to account for additional resources from the repayment of advances and the premium on a debt issuance. Actual revenues and other financing sources for fiscal year 2020 were \$86,550,393. This represents a \$14,231 (0.02%) increase from final budgeted revenues.

General fund original appropriations of \$91,189,787 were decreased slightly to \$91,039,328 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2020 totaled \$88,031,577, which is \$3,007,751 or 3.32% less than the final budget appropriations. This variance is primarily due reporting expenditures normally financed with general fund money in the new grant fund for the Student Wellness and Success program.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2020, the District had \$33,937,730 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2020 balances compared to 2019:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2020	2019
Land	\$ 1,206,736	\$ 1,206,736
Construction in progress	507,468	-
Land improvements	3,649,045	4,034,090
Buildings and improvements	23,797,878	25,412,783
Furniture and equipment	2,102,168	2,117,667
Vehicles	2,674,435	2,628,109
Total	\$ 33,937,730	\$ 35,399,385

Total additions to capital assets for 2020 were \$1,336,060, net disposals were \$19,794 and depreciation expense for the year amounted to \$2,777,921. The District began work on a district-wide facilities improvement project near the end of fiscal year 2020. See Note 8 in the notes to the basic financial statements for detail on the District's capital assets.

Debt Administration

At June 30, 2020, the District had \$58,425,144 in general obligation bonds, certificates of participation and capital lease obligations outstanding. Of this amount, \$930,144 is due within one year and \$57,495,000 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

	Governmental Activities	Governmental Activities
	2020	2019
General obligation bonds	\$ 50,000,000	\$ -
Certificates of participation	8,400,000	8,425,000
Capital lease obligations	25,144	171,693
Total	\$ 58,425,144	\$ 8,596,693

The District issued \$50 million in general obligation bonds in fiscal year 2020 to finance the aforementioned facilities improvement project. The District also issued certificates of participation in the amount of \$8.4 million in order to currently refund the previously outstanding certificates. This refunding was undertaken to reduce total future debt service payments by approximately \$466,000 over the next 23 fiscal years. 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, 2020
(Continued)**

Current Financial Related Activities

As the preceding information shows, the District heavily depends on its property taxpayers. This is due to the unconstitutional state funding in Ohio. The District was successful in November 2019 for a 6.9 mill dual purpose levy; 3.9 mill General Fund, 3.0 mill Bond Levy. This levy will provide \$3.2 million for operations and authorizes borrowing of up to \$50.0 million for building construction and renovation.

Administration 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.

In addition to property tax revenues, the District is heavily reliant on State Foundation funding. The District received approximately \$31.4 million in State Foundation aid (unrestricted and restricted) in fiscal year 2019, or an increase of about \$800,000 from 2018 and was \$30.9 million in 2020. In 2021 State Foundation aid (unrestricted and restricted) is expected to be unchanged. The District is also receiving a new state funding source of \$1.5 million in fiscal year 2020 and \$2.2 million in fiscal year 2021; this is School Wellness and Success Funding (SWSF). This "new funding" beginning in 2020 is misleading as the State is also reducing the annual state personal property payments by \$480,000 in fiscal year 2020, and in 2021 will be reducing the District's state funding by \$685,784.

The passage of House Bill No. 66 posed a significant challenge for the District. House Bill No. 66 eliminated the tax on tangible personal property of businesses, telephone and telecommunications companies, and railroads. The HB66 initially partially replaced the revenue lost by the District due to the phasing out of the tax. However, in 2012 and 2013, these state payments for personal property tax loss were reduced by \$1.3 million each year. In 2014 and 2015, these payments were reduced from \$8.7 million to \$6.1 million, a reduction of \$2.6 million. In 2016, these payments were reduced to \$5.2 million and in 2017 reduced to \$4.3 million. These "hold harmless payments" were reduced further to \$3.9 million in 2018, \$3.4 million in 2019, and \$2.9 million in 2020 and will be reduced to \$2.4 million in 2021 and will be reduced by nearly \$500,000 every year after, until eliminated.

Franklin Park Mall was successful in their appeal of their property values by nearly \$60 million to a value of \$180 million. The County Auditor has estimated the refund (all funds) to be \$1.8 million and annual reduction of \$850,000 before the impact of HB 920.

The financial future of the District is not without challenges. We have been operating under an unconstitutional funding system for over a decade and we now have our state foundation funding frozen. This has been very challenging the past several years with our increased special education costs and the reduction in personal property loss payments. The economy within the District's boundaries and in the State of Ohio was previously declining but the recent economy and outlook has improved dramatically since that time. The assessed property values within the District and in Lucas County, upon which the District's taxes are levied, have declined for the past ten years. However, with the six-year county-wide evaluation in 2018 we received our first property valuation increase (6.3%).

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 92,705,930
Cash in segregated accounts	4,420
Receivables:	
Property taxes	47,145,160
Payment in lieu of taxes	5,276,126
Accounts	6,399
Accrued interest	23,375
Intergovernmental	1,419,286
Prepayments	338,873
Materials and supplies inventory	14,037
Inventory held for resale	22,105
Net OPEB asset	5,808,852
Capital assets:	
Nondepreciable capital assets	1,714,204
Depreciable capital assets, net	32,223,526
Capital assets, net	33,937,730
Total assets	186,702,293
Deferred outflows of resources:	
Pension	18,983,267
OPEB	1,901,340
Total deferred outflows of resources	20,884,607
Liabilities:	
Accounts payable	303,227
Contracts payable	330,174
Accrued wages and benefits payable	9,933,411
Intergovernmental payable	196,436
Pension and postemployment benefits payable	2,323,474
Accrued interest payable	460,817
Claims payable	1,179,904
Long-term liabilities:	
Due within one year	1,230,707
Due in more than one year:	
Net pension liability (See Note 13)	98,383,157
Net OPEB liability (See Note 14)	8,948,766
Other amounts due in more than one year	64,187,245
Total liabilities	187,477,318
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	43,235,212
Payment in lieu of taxes levied for the next fiscal year	5,276,126
Pension	5,015,731
OPEB	9,992,236
Total deferred inflows of resources	63,519,305
Net position:	
Net investment in capital assets	23,358,659
Restricted for:	
Capital projects	4,905,267
Debt service	967,437
State funded programs	308,869
Federally funded programs	166,624
Student activities	647,436
Other purposes	283,399
Unrestricted (deficit)	(74,047,414)
Total net position (deficit)	\$ (43,409,723)

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, 2020

	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	\$ 41,232,649	\$ 705,564	\$ 67,762	\$ -	\$ (40,459,323)
Special	16,452,932	285,634	8,793,283	-	(7,374,015)
Vocational	3,099,984	65,779	1,430,721	-	(1,603,484)
Other	3,824,941	-	-	-	(3,824,941)
Support services:					
Pupil	7,204,889	149	1,582,009	-	(5,622,731)
Instructional staff	2,655,252	5,318	464,946	-	(2,184,988)
Board of education	243,016	-	-	-	(243,016)
Administration	6,000,323	-	4,150	-	(5,996,173)
Fiscal	1,908,969	-	-	-	(1,908,969)
Business	519,025	-	-	-	(519,025)
Operations and maintenance	9,044,400	9,463	15,694	-	(9,019,243)
Pupil transportation	3,952,298	59,903	425,660	-	(3,466,735)
Central	1,802,893	4,144	4,255	-	(1,794,494)
Operation of non-instructional services:					
Food service operations	3,265,504	556,853	2,762,448	-	53,797
Other non-instructional services	1,045,055	5,499	1,170,768	-	131,212
Extracurricular activities	1,891,219	644,068	31,401	63,600	(1,152,150)
Interest and fiscal charges	2,151,559	-	-	-	(2,151,559)
Total governmental activities	\$ 106,294,908	\$ 2,342,374	\$ 16,753,097	\$ 63,600	(87,135,837)

General revenues:

Property taxes levied for:	
General purposes	39,657,968
Debt service	1,369,330
Capital outlay	2,173,173
Payments in lieu of taxes	5,101,199
Grants and entitlements not restricted	
to specific programs	31,728,646
Investment earnings	895,832
Miscellaneous	973,439
Total general revenues	81,899,587
Change in net position	(5,236,250)
Net position (deficit) at beginning of year (restated).	(38,173,473)
Net position (deficit) at end of year	\$ (43,409,723)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General	Building	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	\$ 26,006,484	\$ 49,944,952	\$ 8,330,310	\$ 84,281,746
Cash in segregated accounts	4,420	-	-	4,420
Receivables:				
Property taxes	42,511,412	-	4,633,748	47,145,160
Payment in lieu of taxes	4,800,770	-	475,356	5,276,126
Accounts	2,256	-	4,143	6,399
Accrued interest	23,375	-	-	23,375
Interfund loans	400,000	-	-	400,000
Intergovernmental	34,870	-	1,384,416	1,419,286
Prepayments	329,737	-	9,136	338,873
Materials and supplies inventory	-	-	14,037	14,037
Inventory held for resale	-	-	22,105	22,105
Due from other funds	110,129	-	-	110,129
Total assets	\$ 74,223,453	\$ 49,944,952	\$ 14,873,251	\$ 139,041,656
Liabilities:				
Accounts payable	\$ 90,085	\$ -	\$ 213,142	\$ 303,227
Contracts payable	-	184,377	145,797	330,174
Accrued wages and benefits payable	8,878,287	-	1,055,124	9,933,411
Compensated absences payable	136,738	-	3,338	140,076
Intergovernmental payable	178,862	-	17,574	196,436
Pension and postemployment benefits payable	2,030,195	-	293,279	2,323,474
Interfund loans payable	-	-	400,000	400,000
Due to other funds	-	-	110,129	110,129
Claims payable	180,891	-	-	180,891
Total liabilities	11,495,058	184,377	2,238,383	13,917,818
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	38,974,600	-	4,260,612	43,235,212
Payment in lieu of taxes levied for the next fiscal year	4,800,770	-	475,356	5,276,126
Delinquent property tax revenue not available	1,578,631	-	157,224	1,735,855
Intergovernmental revenue not available	34,471	-	300,810	335,281
Total deferred inflows of resources	45,388,472	-	5,194,002	50,582,474
Fund balances:				
Nonspendable:				
Materials and supplies inventory	-	-	14,037	14,037
Prepayments	329,737	-	9,136	338,873
Unclaimed monies	45,429	-	-	45,429
Restricted:				
Debt service	-	-	1,401,069	1,401,069
Capital improvements	-	49,760,575	4,695,765	54,456,340
Food service operations	-	-	261,179	261,179
Non-public schools	-	-	203,911	203,911
Student scholarships	-	-	211,722	211,722
Vocational education	-	-	6,126	6,126
Other purposes	-	-	27,091	27,091
Extracurricular activities	-	-	647,436	647,436
Student wellness and success	-	-	74,268	74,268
Committed:				
Capital improvements	-	-	247,812	247,812
Underground storage tank	55,000	-	-	55,000
Assigned:				
Student instruction	218,949	-	-	218,949
Student and staff support	572,788	-	-	572,788
Extracurricular activities	11,765	-	-	11,765
Subsequent year's appropriations	3,177,606	-	-	3,177,606
School supplies	93,972	-	-	93,972
Other purposes	52,722	-	-	52,722
Unassigned (deficit)	12,781,955	-	(358,686)	12,423,269
Total fund balances	17,339,923	49,760,575	7,440,866	74,541,364
Total liabilities, deferred inflows of resources, and fund balances	\$ 74,223,453	\$ 49,944,952	\$ 14,873,251	\$ 139,041,656

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, 2020

Total governmental fund balances		\$	74,541,364
<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.			33,937,730
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	1,735,855	
Intergovernmental receivable		335,281	
Total		2,071,136	2,071,136
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.			7,425,171
Unamortized premiums on bonds issued are not recognized in the funds.			(1,391,278)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(460,817)
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 the funds.			
Deferred outflows of resources - pension		18,983,267	
Deferred inflows of resources - pension		(5,015,731)	
Net pension liability		(98,383,157)	
Total		(84,415,621)	(84,415,621)
The net OPEB liability/asset is not due and payable in the current period/ available to pay for current-period expenditures; therefore, the liability/asset and related deferred inflows and outflows of resources are not reported in the funds.			
Deferred outflows of resources - OPEB		1,901,340	
Deferred inflows of resources - OPEB		(9,992,236)	
Net OPEB asset		5,808,852	
Net OPEB liability		(8,948,766)	
Total		(11,230,810)	(11,230,810)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(50,000,000)	
Certificates of participation		(8,400,000)	
Capital lease obligations		(25,144)	
Compensated absences		(5,461,454)	
Total		(63,886,598)	(63,886,598)
Net position of governmental activities		\$	(43,409,723)

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, 2020

	<u>General</u>	<u>Building</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 40,070,060	\$ -	\$ 3,490,906	\$ 43,560,966
Payment in lieu of taxes	4,691,593	-	409,606	5,101,199
Tuition	900,036	-	-	900,036
Transportation fees	59,903	-	-	59,903
Earnings on investments	569,916	134,527	76,286	780,729
Charges for services	-	-	556,853	556,853
Extracurricular	991	-	648,212	649,203
Classroom materials and fees	131,845	-	-	131,845
Rental income	9,463	-	62,454	71,917
Contributions and donations	39,732	-	25,393	65,125
Contract services	25,096	-	-	25,096
Other local revenues	1,123,025	-	70,704	1,193,729
Intergovernmental - intermediate	24	-	-	24
Intergovernmental - state	38,113,584	-	2,924,617	41,038,201
Intergovernmental - federal	426,910	-	6,794,605	7,221,515
Total revenues	<u>86,162,178</u>	<u>134,527</u>	<u>15,059,636</u>	<u>101,356,341</u>
Expenditures:				
Current:				
Instruction:				
Regular	37,778,559	-	174,026	37,952,585
Special	11,778,140	-	3,574,137	15,352,277
Vocational	3,208,785	-	68,120	3,276,905
Other	3,732,646	-	-	3,732,646
Support services:				
Pupil	5,170,789	-	1,482,592	6,653,381
Instructional staff	2,057,175	-	432,512	2,489,687
Board of education	235,835	-	-	235,835
Administration	5,507,116	-	19,892	5,527,008
Fiscal	1,744,718	-	67,015	1,811,733
Business	481,444	-	-	481,444
Operations and maintenance	8,351,443	-	190,593	8,542,036
Pupil transportation	3,309,458	-	318,998	3,628,456
Central	1,348,482	-	44,333	1,392,815
Operation of non-instructional services:				
Food service operations	-	-	3,161,711	3,161,711
Other non-instructional services	40,554	-	977,122	1,017,676
Extracurricular activities	1,037,363	-	743,684	1,781,047
Facilities acquisition and construction	4,356	373,952	231,395	609,703
Debt service:				
Principal retirement	146,549	-	9,960,000	10,106,549
Interest and fiscal charges	5,257	-	388,932	394,189
Debt issuance costs	484,128	655,383	325,930	1,465,441
Total expenditures	<u>86,422,797</u>	<u>1,029,335</u>	<u>22,160,992</u>	<u>109,613,124</u>
Excess of expenditures over revenues	<u>(260,619)</u>	<u>(894,808)</u>	<u>(7,101,356)</u>	<u>(8,256,783)</u>
Other financing sources (uses):				
Premium on debt issuance	484,128	655,383	260,920	1,400,431
Issuance of bonds	-	40,300,000	9,700,000	50,000,000
Proceeds from sale of assets	7,445	-	-	7,445
Issuance of notes	-	9,700,000	-	9,700,000
Transfers in	-	-	246,196	246,196
Transfers (out)	(246,196)	-	-	(246,196)
Issuance of refunding certificates of participation	-	-	8,400,000	8,400,000
Payment to refunded debt escrow agent	-	-	(8,243,861)	(8,243,861)
Total other financing sources (uses)	<u>245,377</u>	<u>50,655,383</u>	<u>10,363,255</u>	<u>61,264,015</u>
Net change in fund balances	(15,242)	49,760,575	3,261,899	53,007,232
Fund balances at beginning of year (restated)	17,355,165	-	4,178,967	21,534,132
Fund balances at end of year	<u>\$ 17,339,923</u>	<u>\$ 49,760,575</u>	<u>\$ 7,440,866</u>	<u>\$ 74,541,364</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, 2020

Net change in fund balances - total governmental funds	\$	53,007,232
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 1,336,060	
Current year depreciation	<u>(2,777,921)</u>	
Total		(1,441,861)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(19,794)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(360,495)	
Earnings on investments	(9,864)	
Intergovernmental	<u>(59,583)</u>	
Total		(429,942)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		10,106,549
The issuance of debt is recorded as other financing sources in the funds; however, in the statement of activities, it is not reported as a financing source as it increases liabilities on the statement of net position		
Bonds	(50,000,000)	
Notes	(9,700,000)	
Refunding certificates of participation	<u>(8,400,000)</u>	
Total		(68,100,000)
The payment to refunded debt escrow agent is an other financing use in the governmental funds, but the payment reduces long-term liabilities on the statement of net position.		
		8,243,861
Premiums on debt issuances are amortized over the life of the debt in the statement of activities.		
		(1,400,431)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
(Increase) in accrued interest payable	(370,412)	
Amortization of debt premiums	<u>78,483</u>	
Total		(291,929)
Contractually required pension contributions are reported as expenditures in governmental funds; however, these amounts are reported as deferred outflows of resources on the statement of net position.		
		7,650,355
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.		
		(14,377,931)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, these amounts are reported as deferred outflows of resources on the statement of net position.		
		226,652
Except for amounts reported as deferred inflows/outflows of resources, changes in the net OPEB liability/asset are reported as OPEB expense in the statement of activities.		
		1,522,539
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 governmental funds.		
		(329,247)
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the 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.		
		<u>397,697</u>
Change in net position of governmental activities	\$	<u>(5,236,250)</u>

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, 2020

	<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	\$ 39,444,610	\$ 39,754,004	\$ 39,754,004	\$ -
Payment in lieu of taxes	4,655,080	4,691,593	4,691,593	-
Tuition.	885,267	892,211	900,036	7,825
Transportation fees.	59,437	59,903	59,903	-
Earnings on investments	555,642	560,000	543,895	(16,105)
Classroom materials and fees	39,689	40,000	34,568	(5,432)
Rental income	8,409	8,475	10,453	1,978
Other local revenues	635,158	640,140	658,749	18,609
Intergovernmental - state	37,814,790	38,111,400	38,120,040	8,640
Intergovernmental - federal	431,615	435,000	426,910	(8,090)
Total revenues	<u>84,529,697</u>	<u>85,192,726</u>	<u>85,200,151</u>	<u>7,425</u>
Expenditures:				
Current:				
Instruction:				
Regular	37,543,681	38,287,527	37,752,974	534,553
Special.	12,526,631	12,214,770	11,829,337	385,433
Vocational.	3,365,802	3,368,655	3,228,901	139,754
Other.	3,699,884	3,764,168	3,732,414	31,754
Support services:				
Pupil.	6,732,693	5,779,123	5,618,456	160,667
Instructional staff	2,199,093	2,106,683	2,077,656	29,027
Board of education	294,092	295,172	239,048	56,124
Administration.	5,816,161	5,711,216	5,608,543	102,673
Fiscal	1,834,425	1,829,470	1,764,432	65,038
Business	531,727	497,445	485,339	12,106
Operations and maintenance.	9,576,024	9,499,820	8,746,169	753,651
Pupil transportation	3,988,109	3,844,376	3,366,110	478,266
Central.	1,261,175	1,460,912	1,378,922	81,990
Operation of non-instructional services	11,630	21,894	15,290	6,604
Extracurricular activities.	1,089,197	1,153,634	1,040,142	113,492
Facilities acquisition and construction	24,463	24,463	17,520	6,943
Debt service:				
Debt issuance costs.	-	485,000	484,128	872
Total expenditures.	<u>90,494,787</u>	<u>90,344,328</u>	<u>87,385,381</u>	<u>2,958,947</u>
Excess of expenditures over revenues.	<u>(5,965,090)</u>	<u>(5,151,602)</u>	<u>(2,185,230)</u>	<u>2,966,372</u>
Other financing sources (uses):				
Refund of prior year's expenditures	851,863	451,863	458,669	6,806
Transfers (out)	(295,000)	(295,000)	(246,196)	48,804
Advances in	-	400,000	400,000	-
Advances (out).	(400,000)	(400,000)	(400,000)	-
Premium on debt issuance	-	484,128	484,128	-
Proceeds from sale of assets	7,445	7,445	7,445	-
Total other financing sources (uses).	<u>164,308</u>	<u>648,436</u>	<u>704,046</u>	<u>55,610</u>
Net change in fund balance	(5,800,782)	(4,503,166)	(1,481,184)	3,021,982
Fund balance at beginning of year.	25,635,857	25,635,857	25,635,857	-
Prior year encumbrances appropriated.	835,928	835,928	835,928	-
Fund balance at end of year	\$ 20,671,003	\$ 21,968,619	\$ 24,990,601	\$ 3,021,982

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	Governmental Activities - Internal Service Fund
Assets:	
Equity in pooled cash and cash equivalents	\$ 8,424,184
Total assets.	<u>8,424,184</u>
Liabilities:	
Claims payable	<u>999,013</u>
Total liabilities	<u>999,013</u>
Net position:	
Unrestricted.	<u>7,425,171</u>
Total net position	<u>\$ 7,425,171</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 FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services.	\$ 11,399,888
Operating expenses:	
Purchased services.	406,368
Claims	10,728,082
Total operating expenses.	11,134,450
Operating income	265,438
Nonoperating revenues:	
Interest revenue	132,259
Change in net position	397,697
Net position at beginning of year.	7,027,474
Net position at end of year	\$ 7,425,171

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 11,399,888
Cash payments for purchased services	(414,205)
Cash payments for claims.	<u>(10,613,229)</u>
Net cash provided by operating activities	<u>372,454</u>
Cash flows from investing activities:	
Interest received.	<u>132,259</u>
Net cash provided by investing activities	<u>132,259</u>
Net increase in cash and cash equivalents	504,713
Cash and cash equivalents at beginning of year . . .	<u>7,919,471</u>
Cash and cash equivalents at end of year	<u><u>\$ 8,424,184</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 265,438
Changes in assets and liabilities:	
(Decrease) in accounts payable.	(7,837)
Increase in claims payable	<u>114,853</u>
Net cash provided by operating activities	<u><u>\$ 372,454</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Custodial
Additions:	
Extracurricular collections for OHSAA	\$ 6,565
Deductions:	
Extracurricular distributions to OHSAA.	6,565
Change in net position.	-
Net position at beginning of year (restated).	-
Net position at end of year	\$ -

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, 2020**

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 272 non-certified and 515 certified full-time and part-time employees to provide services to approximately 6,750 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, 2020**

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

INSURANCE PURCHASING POOLS

Ohio Schools Plan

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

Ohio SchoolComp Workers' Compensation Group Rating Program

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

The following are the District's major governmental funds:

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

Building fund -The building fund is used to account for the proceeds of general obligation bonds restricted to expenditures for the acquisition, construction or improvement of District facilities and other capital assets.

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 custodial 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 has no trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The District's custodial fund accounts for tournament monies collected on behalf of the Ohio High School Athletics Association (OHSAA).

C. Basis of Presentation and Measurement Focus

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

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

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

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

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

Custodial funds are reported using the economic resources measurement focus.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 13 and 14 for deferred outflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Notes 13 and 14 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. 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 custodial 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 2020.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Estimated Resources:

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

Appropriations:

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

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

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

Lapsing of Appropriations:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

F. Cash and Investments

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

During fiscal year 2020, investments were limited to negotiable certificates of deposit and 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 2020. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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. Interest revenue credited to the general fund during fiscal year 2020 amounted to \$569,916, which includes \$209,837 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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 acquisition values as of the date received. The District maintains a capitalization threshold of \$1 for land and vehicles, \$5,000 for furniture and equipment, and \$10,000 for land improvements and buildings and improvements. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<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.

**WASHINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2020, 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” or “due to/from other funds”. 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.

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, claims and judgments and compensated absences that are 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan’s fiduciary net position is not sufficient for payment of those benefits.

L. Nonpublic Schools

Within the District’s 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.

**WASHINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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.

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.

**WASHINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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.

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 2020.

**WASHINGTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

U. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, net OPEB asset, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

V. Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2020, the District has implemented GASB Statement No. 84, "*Fiduciary Activities*" and GASB Statement No. 90, "*Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61*".

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

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

**WASHINGTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Restatement of Net Position and Fund Balances

The implementation of GASB 84 had the following effect on fund balance as reported at June 30, 2019:

	General	Other Governmental Funds	Total Governmental Funds
Fund Balance as previously reported	\$17,310,149	\$ 3,708,539	\$ 21,018,688
GASB Statement No. 84	45,016	470,428	515,444
Restated Fund Balance, at June 30, 2019	\$17,355,165	\$ 4,178,967	\$ 21,534,132

The implementation of the GASB 84 pronouncement had the following effect on the net position as reported at June 30, 2019:

	Governmental Activities
Net position as previously reported	\$ (38,688,917)
GASB Statement No. 84	515,444
Restated net position at June 30, 2019	\$ (38,173,473)

Due to the implementation of GASB Statement No.84, the new classification of custodial funds is reporting a beginning net position of \$0. Also, related to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds or private-purpose trust funds. At June 30, 2019, agency funds reported assets and liabilities of \$248,720. At June 30, 2019, private-purpose trust funds reported net position of \$267,009.

C. Deficit Fund Balances

Fund balances at June 30, 2020 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA Part B	\$ 165,062
Title III	2,539
Title I	175,437
Improving teacher quality	10,742
Miscellaneous federal grants	55

**WASHINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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 held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent 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, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**WASHINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain banker's acceptance for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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 \$4,420 at June 30, 2020 and is included in "Deposits with Financial Institutions" below.

B. Deposits with Financial Institutions

At June 30, 2020, the carrying amount of all District deposits was \$1,168,121 and the bank balance of all District deposits was \$1,746,909. Of the bank balance, \$357,206 was covered by the FDIC and \$1,389,703 was potentially exposed to custodial credit risk as discussed below because those deposits were uninsured and could be uncollateralized. Although 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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. The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by: (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured; or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For fiscal year 2020, the District's financial institutions were approved for a collateral rate of 102 percent through the OPCS. Although 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, 2020, the District had the following investments and maturities:

Measurement/ Investment type	Measurement Value	Investment Maturities		Percent of Total
		12 months or less	13 to 24 months	
Fair value:				
Negotiable CDs	\$ 3,378,530	\$ 2,930,368	\$ 448,162	3.69
Amortized cost:				
STAR Ohio	<u>88,163,699</u>	<u>88,163,699</u>	<u>-</u>	<u>96.31</u>
Total	<u>\$ 91,542,229</u>	<u>\$ 91,094,067</u>	<u>\$ 448,162</u>	<u>100.00</u>

The weighted average maturity of investments is approximately 42 days.

The District's investments measured at fair value are valued using quoted market prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

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

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

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 credit 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District's investment policy places no limit on the amount that may be invested in any one issuer.

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note to cash and cash equivalents as reported on the statement of net position as of June 30, 2020:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,168,121
Investments	<u>91,542,229</u>
Total	<u>\$ 92,710,350</u>
 <u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	<u>\$ 92,710,350</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund loans receivable/payable consisted of the following at June 30, 2020, as reported on the fund statements:

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

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

B. Due to/from other funds consisted of the following at June 30, 2020, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 110,129

The primary purpose of the interfund balances is to cover temporary cash deficits at June 30, 2020 due to advance spending of approved grant monies. 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.

C. Interfund transfers for the fiscal year ended June 30, 2020, consisted of the following, as reported on the fund statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 246,196

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Public utility real and personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The 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, 2020, are available to finance fiscal year 2020 operations. The amount available as an advance at June 30, 2020 was \$1,958,181 in the general fund, \$111,156 in the bond retirement fund (a nonmajor governmental fund) and \$104,756 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available as an advance at June 30, 2019 was \$1,642,125 in the general fund and \$96,587 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, 2020 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 of resources.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 6 - PROPERTY TAXES - (Continued)

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

	2019 Second Half Collections		2020 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 785,413,070	97.00	\$ 782,610,300	96.81
Public utility personal	<u>24,328,300</u>	<u>3.00</u>	<u>25,769,070</u>	<u>3.19</u>
Total	<u>\$ 809,741,370</u>	<u>100.00</u>	<u>\$ 808,379,370</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$80.30		\$84.20	
Debt service	0.00		3.00	
Permanent improvement	3.20		3.20	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2020 consisted of property taxes, payments in lieu of taxes, accounts (billings for user charged services and student fees), accrued interest 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, 2020

NOTE 8 - CAPITAL ASSETS

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

	Balance <u>06/30/19</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/20</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,206,736	\$ -	\$ -	\$ 1,206,736
Construction in progress	<u>-</u>	<u>507,468</u>	<u>-</u>	<u>507,468</u>
Total capital assets, not being depreciated	<u>1,206,736</u>	<u>507,468</u>	<u>-</u>	<u>1,714,204</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	9,042,769	-	-	9,042,769
Building and improvements	57,195,385	-	-	57,195,385
Furniture and equipment	10,292,714	406,269	(15,600)	10,683,383
Vehicles	<u>6,972,319</u>	<u>422,323</u>	<u>(190,136)</u>	<u>7,204,506</u>
Total capital assets, being depreciated	<u>83,503,187</u>	<u>828,592</u>	<u>(205,736)</u>	<u>84,126,043</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(5,008,679)	(385,045)	-	(5,393,724)
Building and improvements	(31,782,602)	(1,614,905)	-	(33,397,507)
Furniture and equipment	(8,175,047)	(420,988)	14,820	(8,581,215)
Vehicles	<u>(4,344,210)</u>	<u>(356,983)</u>	<u>171,122</u>	<u>(4,530,071)</u>
Total accumulated depreciation	<u>(49,310,538)</u>	<u>(2,777,921)</u>	<u>185,942</u>	<u>(51,902,517)</u>
Governmental activities capital assets, net	<u>\$ 35,399,385</u>	<u>\$ (1,441,861)</u>	<u>\$ (19,794)</u>	<u>\$ 33,937,730</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 847,996
Special	347,829
Vocational	81,373
Other	84,206

Support services:

Pupil	149,954
Instructional staff	54,695
Board of Education	5,332
Administration	132,088
Fiscal	41,210
Business	11,430
Operations and maintenance	208,946
Pupil transportation	447,626
Central	285,129

Operation of non-instructional services:

Food service operations	7,501
Other non-instructional services	27,092
Extracurricular activities	45,514
Total depreciation expense	<u>\$ 2,777,921</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 9 - LONG-TERM OBLIGATIONS

A. During fiscal year 2020, the following changes occurred in governmental activities long-term obligations.

	Balance <u>06/30/19</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/20</u>	Due Within <u>One Year</u>
<u>General obligation bonds</u>					
Series 2020A	\$ -	\$ 40,300,000	\$ -	\$ 40,300,000	\$ 755,000
Series 2020B	-	9,700,000	-	9,700,000	5,000
<u>Certificates of participation</u>					
Series 2012	8,425,000	-	(8,425,000)	-	-
Series 2020 Refunding	-	8,400,000	-	8,400,000	145,000
<u>Other long-term obligations</u>					
Bond anticipation notes	-	9,700,000	(9,700,000)	-	-
Capital leases	171,693	-	(146,549)	25,144	25,144
Compensated absences	5,311,423	735,321	(445,214)	5,601,530	300,563
Net pension liability	95,778,937	2,604,220	-	98,383,157	-
Net OPEB liability	9,741,961	-	(793,195)	8,948,766	-
Total	<u>\$ 119,429,014</u>	<u>\$ 71,439,541</u>	<u>\$(19,509,958)</u>	171,358,597	<u>\$ 1,230,707</u>
Add: unamortized premiums on debt issuances				<u>1,391,278</u>	
Total reported on the statement of net position				<u>\$ 172,749,875</u>	

Compensated absences will be paid from the general fund and the food service fund (a nonmajor governmental fund). See Note 10 for more detail on capital leases. See Note 13 for detail on the net pension liability. See Note 14 for detail on the net OPEB liability.

The series 2020A and series 2020B general obligation bonds were issued March 26, 2020 for the purpose of constructing, improving, equipping and furnishing school facilities and improvements. The series 2020A issue bonds were issued at a par value of \$40,300,000 and bear interest rates ranging from 3.0% to 5.0%. The final stated maturity is December 1, 2056. The series 2020B issue bonds were issued at a par value of \$9,700,000 and bear interest rates ranging from 2.0% to 5.0%. The final stated maturity is December 1, 2049. Payments of principal and interest for both issues are paid from the bond retirement fund (a nonmajor governmental fund).

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. On May 19, 2020 the District issued the series 2020 refunding COPs in order to currently refund the outstanding series 2012 COPs. The series 2020 COPs were issued at a par value of \$8,400,000 and bear interest rates ranging from 2.0% to 5.0%. The final stated maturity is September 1, 2042. Payments of principal and interest are paid from the permanent improvement fund (a nonmajor governmental fund). The refunding was undertaken to reduce total future debt service payments by \$466,207 and resulted in an economic gain of \$439,004.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

On December 31, 2019 the District issued bond anticipation notes for the purpose of constructing, improving, equipping and furnishing school facilities and improvements. The notes were issued at a par value of \$9,700,000 with an annual interest rate of 2.5%. The notes matured on June 25, 2020 and were paid from the bond retirement fund (a nonmajor governmental fund).

Principal and interest requirements to retire the District's outstanding general obligation bonds and COPs at June 30, 2020, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds, Series 2020A			General Obligation Bonds, Series 2020B		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 755,000	\$ 1,689,720	\$ 2,444,720	\$ 5,000	\$ 278,796	\$ 283,796
2022	740,000	1,404,781	2,144,781	5,000	255,125	260,125
2023	775,000	1,366,906	2,141,906	5,000	254,875	259,875
2024	815,000	1,327,156	2,142,156	5,000	254,625	259,625
2025	855,000	1,285,406	2,140,406	5,000	254,375	259,375
2026 - 2030	4,680,000	5,775,280	10,455,280	320,000	1,260,750	1,580,750
2031 - 2035	4,125,000	4,883,805	9,008,805	1,880,000	1,056,700	2,936,700
2036 - 2040	4,555,000	4,024,230	8,579,230	2,205,000	833,525	3,038,525
2041 - 2045	4,925,000	3,854,605	8,779,605	2,520,000	781,812	3,301,812
2046 - 2050	5,215,000	3,690,930	8,905,930	2,750,000	726,899	3,476,899
2051 - 2055	8,985,000	3,533,380	12,518,380	-	-	-
2056 - 2057	3,875,000	3,382,355	7,257,355	-	-	-
Total	\$ 40,300,000	\$ 36,218,554	\$ 76,518,554	\$9,700,000	\$5,957,482	\$ 15,657,482

Fiscal Year Ending June 30,	Certificates of Participation		
	Principal	Interest	Total
2021	\$ 145,000	\$ 186,447	\$ 331,447
2022	95,000	234,594	329,594
2023	290,000	224,969	514,969
2024	300,000	210,219	510,219
2025	315,000	194,843	509,843
2026 - 2030	1,745,000	797,652	2,542,652
2031 - 2035	1,940,000	585,691	2,525,691
2036 - 2040	2,150,000	339,113	2,489,113
2041 - 2043	1,420,000	59,263	1,479,263
Total	\$ 8,400,000	\$ 2,832,791	\$11,232,791

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020, are a voted debt margin of \$24,155,212 (including available funds of \$1,401,069) and an unvoted debt margin of \$808,379.

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of equipment have been capitalized in the amount of \$670,358. At June 30, 2020, accumulated depreciation was \$603,322, leaving a book value of \$67,036. A liability is recorded in the government-wide financial statements for the present value of the future minimum lease payments at lease inception. Principal payments in fiscal year totaled \$146,549 and were paid from the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2020:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 25,301
Less: amount representing interest	<u>(157)</u>
Total	<u>\$ 25,144</u>

NOTE 11 - COMPENSATED ABSENCES

Compensated absences consist of sick leave, service retirement and severance payments. The extent to which these amounts are accrued for reporting purposes is disclosed in Note 2.I. 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 employees.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 11 - COMPENSATED ABSENCES - (Continued)

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 \$90 per day for the first 300 days, \$95 per day for days 301-350 and \$100 per day for days 351 and over.

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

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

C. Severance Pay

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

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

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

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District obtains insurance coverage through the Ohio Schools Plan (see Note 2.A). Through the Ohio Schools Plan, the District is insured for general liability with a \$10,000,000 single occurrence limit and a \$12,000,000 aggregate. Property is protected by a blanket building and contents policy for \$288,203,773. Real property and contents are 100 percent insured.

Vehicle policies include liability coverage for bodily injury and property damage or up to \$10,000,000 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - RISK MANAGEMENT - (Continued)

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

The District provides employee medical, prescription drug and dental coverage through a self-insured program. The District has established a self-insurance fund (an internal service fund) to account for and finance these health, prescription drug and dental benefits.

All funds of the District participate in the program and make payments to the self-insurance fund based on actuarial estimates of the amounts needed to pay prior and current year claims. Claims payable is based on the requirements of GASB Statement No. 30, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicate that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at June 30, 2020, including incurred but not reported claims, is actuarially estimated to be \$999,013. 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>
2020	\$ 884,160	\$ 10,728,082	\$ (10,613,229)	\$ 999,013
2019	942,370	10,887,333	(10,945,543)	884,160

C. Workers’ Compensation

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 12 - RISK MANAGEMENT - (Continued)

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

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2020	\$ 255,600	\$ 251,081	\$ (325,790)	\$ 180,891
2019	262,580	311,875	(318,855)	255,600

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 - District Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or 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; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% 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% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%.

The District’s contractually required contribution to SERS was \$1,686,520 for fiscal year 2020. Of this amount, \$127,235 is reported as pension and postemployment benefits payable.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers 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 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (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% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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 to 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.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2020, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$5,963,835 for fiscal year 2020. Of this amount, \$1,005,488 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2019, 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 projected contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.34589740%	0.34550482%	
Proportion of the net pension liability current measurement date	<u>0.34801520%</u>	<u>0.35072532%</u>	
Change in proportionate share	<u>0.00211780%</u>	<u>0.00522050%</u>	
Proportionate share of the net pension liability	\$ 20,822,360	\$ 77,560,797	\$ 98,383,157
Pension expense	\$ 2,971,628	\$ 11,406,303	\$ 14,377,931

At June 30, 2020, 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	\$ 528,011	\$ 631,473	\$ 1,159,484
Changes of assumptions	-	9,111,012	9,111,012
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	136,933	925,483	1,062,416
Contributions subsequent to the measurement date	<u>1,686,520</u>	<u>5,963,835</u>	<u>7,650,355</u>
Total deferred outflows of resources	<u>\$ 2,351,464</u>	<u>\$ 16,631,803</u>	<u>\$ 18,983,267</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 335,744	\$ 335,744
Net difference between projected and actual earnings on pension plan investments	267,279	3,790,754	4,058,033
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	173,152	448,802	621,954
Total deferred inflows of resources	\$ 440,431	\$ 4,575,300	\$ 5,015,731

\$7,650,355 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, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$ 529,391	\$ 4,971,528	\$ 5,500,919
2022	(438,672)	1,025,949	587,277
2023	(17,786)	(527,424)	(545,210)
2024	151,580	622,615	774,195
Total	\$ 224,513	\$ 6,092,668	\$ 6,317,181

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2019, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

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 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. 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 (7.50%). 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 7.50%, 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 (6.50%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 29,179,570	\$ 20,822,360	\$ 13,813,793

Actuarial Assumptions - STRS

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

	July 1, 2019
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Asset Class	Target Allocation*	Long-Term Expected Real Rate of Return **
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. 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, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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 7.45%, 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 (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 113,346,464	\$ 77,560,797	\$ 47,266,396

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LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 14 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded/funded benefits is presented as a long-term *net OPEB liability* or *net OPEB asset* on the accrual basis of accounting. Any liability for the contractually-required OPEB 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 - District Employees Retirement System (SERS)

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

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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the District's surcharge obligation was \$226,652.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$226,652 for fiscal year 2020. This entire amount is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.35115400%	0.34550482%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.35584550%</u>	<u>0.35072532%</u>	
Change in proportionate share	<u>0.00469150%</u>	<u>0.00522050%</u>	
Proportionate share of the net OPEB liability	\$ 8,948,766	\$ -	\$ 8,948,766
Proportionate share of the net OPEB asset	\$ -	\$ 5,808,852	\$ 5,808,852
OPEB expense	\$ 264,817	\$ (1,787,356)	\$ (1,522,539)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 131,361	\$ 526,618	\$ 657,979
Net difference between projected and actual earnings on OPEB plan investments	21,481	-	21,481
Changes of assumptions	653,605	122,101	775,706
Difference between employer contributions and proportionate share of contributions/change in proportionate share	139,501	80,021	219,522
Contributions subsequent to the measurement date	<u>226,652</u>	<u>-</u>	<u>226,652</u>
Total deferred outflows of resources	<u>\$ 1,172,600</u>	<u>\$ 728,740</u>	<u>\$ 1,901,340</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 1,965,983	\$ 295,533	\$ 2,261,516
Net difference between projected and actual earnings on OPEB plan investments	-	364,833	364,833
Changes of assumptions	501,464	6,368,735	6,870,199
Difference between employer contributions and proportionate share of contributions/change in proportionate share	<u>400,557</u>	<u>95,131</u>	<u>495,688</u>
Total deferred inflows of resources	<u>\$ 2,868,004</u>	<u>\$ 7,124,232</u>	<u>\$ 9,992,236</u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

\$226,652 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$ (549,301)	\$ (1,395,532)	\$ (1,944,833)
2022	(336,408)	(1,395,530)	(1,731,938)
2023	(330,105)	(1,249,310)	(1,579,415)
2024	(331,130)	(1,198,016)	(1,529,146)
2025	(269,167)	(1,178,814)	(1,447,981)
Thereafter	(105,945)	21,710	(84,235)
Total	\$ (1,922,056)	\$ (6,395,492)	\$ (8,317,548)

Actuarial Assumptions - SERS

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.13%
Prior measurement date	3.62%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.22%
Prior measurement date	3.70%
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.62% was used as of June 30, 2018. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 10,862,105	\$ 8,948,766	\$ 7,427,438
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 7,169,774	\$ 8,948,766	\$ 11,309,057

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

	July 1, 2019		July 1, 2018	
	Initial	Ultimate	Initial	Ultimate
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discounted rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	5.87%	4.00%	6.00%	4.00%
Medicare	4.93%	4.00%	5.00%	4.00%
Prescription Drug				
Pre-Medicare	7.73%	4.00%	8.00%	4.00%
Medicare	9.62%	4.00%	-5.23%	4.00%

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

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

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

Assumption Changes Since the Prior Measurement Date - There were no changes in assumptions since the prior measurement date of June 30, 2018.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long-Term Expected Real Rate of Return **</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	District's proportionate share of the net OPEB asset	\$ 4,956,699	\$ 5,808,852

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
	District's proportionate share of the net OPEB asset	\$ 6,586,972	\$ 5,808,852

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 15 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2020, if applicable, cannot be determined at this time.

B. Litigation

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

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2019-2020 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. The District's September 18, 2020 foundation settlement included an FTE adjustment for fiscal year 2020. This resulted in an increase of \$34,471 and is reported as an intergovernmental receivable in the financial statements. The District's November 27, 2020 foundation settlement included an FTE adjustment for fiscal year 2020. The November 27, 2020 adjustment was an increase of \$70,396 and is not material to the financial statements and is not included in the financial statements as of June 30, 2020.

NOTE 16 - SET-ASIDES

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 16 - SET-ASIDES - (Continued)

	<u>Capital Improvements</u>
Set-aside balance June 30, 2019	\$ -
Current year set-aside requirement	1,255,083
Current year qualifying expenditures	<u>(1,255,297)</u>
Total	<u>\$ (214)</u>
Balance carried forward to fiscal year 2021	<u>\$ -</u>
Set-aside balance June 30, 2020	<u>\$ -</u>

During fiscal year 2020, the District issued \$50,000,000 in capital related general obligation bonds. 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 \$50,000,000 at June 30, 2020.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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	\$ (1,481,184)
Net adjustment for revenue accruals	789,513
Net adjustment for expenditure accruals	418,942
Net adjustment for other sources/uses	(458,669)
Funds budgeted elsewhere	(8,899)
Adjustment for encumbrances	725,055
GAAP basis	\$ (15,242)

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, stale checks fund and underground storage tank fund.

NOTE 18 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 663,444
Permanent improvement	4,046,605
Nonmajor governmental	1,100,793
Total	\$ 5,810,842

NOTE 19 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

The City of Toledo provides tax abatements through Community Reinvestment Area and Enterprise Zone agreements. Under the agreements, various businesses receive the abatement of property taxes in exchange for bringing jobs and economic development to the City. The agreements affect the property tax receipts collected and distributed to the District. Under the agreements, the District's property taxes were reduced by \$2,499,289 during fiscal year 2020.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 20 - COVID-19

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

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.34801520%	0.34589740%	0.36278740%	0.35571110%
District's proportionate share of the net pension liability	\$ 20,822,360	\$ 19,810,185	\$ 21,675,746	\$ 26,034,770
District's covered payroll	\$ 11,971,015	\$ 11,827,956	\$ 11,449,329	\$ 11,084,864
District's proportionate share of the net pension liability as a percentage of its covered payroll	173.94%	167.49%	189.32%	234.87%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.36%	69.50%	62.98%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.35979260%	0.37942500%	0.37942500%
\$ 20,530,115	\$ 19,202,483	\$ 22,563,187
\$ 10,831,639	\$ 11,025,354	\$ 10,731,908
189.54%	174.17%	210.24%
69.16%	71.70%	65.52%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.35072532%	0.34550482%	0.34870831%	0.34707398%
District's proportionate share of the net pension liability	\$ 77,560,797	\$ 75,968,752	\$ 82,836,406	\$ 116,176,123
District's covered payroll	\$ 41,352,193	\$ 39,243,271	\$ 38,709,121	\$ 36,707,993
District's proportionate share of the net pension liability as a percentage of its covered payroll	187.56%	193.58%	214.00%	316.49%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.31%	75.30%	66.80%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.34579032%	0.34330462%	0.34330462%
\$ 95,566,330	\$ 83,503,565	\$ 99,468,900
\$ 36,437,257	\$ 35,076,254	\$ 35,075,454
262.28%	238.06%	283.59%
72.10%	74.70%	69.30%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 1,686,520	\$ 1,616,087	\$ 1,596,774	\$ 1,602,906
Contributions in relation to the contractually required contribution	<u>(1,686,520)</u>	<u>(1,616,087)</u>	<u>(1,596,774)</u>	<u>(1,602,906)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 12,046,571	\$ 11,971,015	\$ 11,827,956	\$ 11,449,329
Contributions as a percentage of covered payroll	14.00%	13.50%	13.50%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 1,551,881	\$ 1,427,610	\$ 1,528,114	\$ 1,485,296	\$ 1,430,437	\$ 1,336,055
<u>(1,551,881)</u>	<u>(1,427,610)</u>	<u>(1,528,114)</u>	<u>(1,485,296)</u>	<u>(1,430,437)</u>	<u>(1,336,055)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 11,084,864	\$ 10,831,639	\$ 11,025,354	\$ 10,731,908	\$ 10,635,219	\$ 10,628,918
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 5,963,835	\$ 5,789,307	\$ 5,494,058	\$ 5,419,277
Contributions in relation to the contractually required contribution	<u>(5,963,835)</u>	<u>(5,789,307)</u>	<u>(5,494,058)</u>	<u>(5,419,277)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 42,598,821	\$ 41,352,193	\$ 39,243,271	\$ 38,709,121
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2016	2015	2014	2013	2012	2011
\$ 5,139,119	\$ 5,101,216	\$ 4,559,913	\$ 4,559,809	\$ 4,543,234	\$ 4,568,724
(5,139,119)	(5,101,216)	(4,559,913)	(4,559,809)	(4,543,234)	(4,568,724)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 36,707,993	\$ 36,437,257	\$ 35,076,254	\$ 35,075,454	\$ 34,947,954	\$ 35,144,031
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.35584550%	0.35115400%	0.36747660%	0.35965096%
District's proportionate share of the net OPEB liability	\$ 8,948,766	\$ 9,741,961	\$ 9,862,106	\$ 10,251,383
District's covered payroll	\$ 11,971,015	\$ 11,827,956	\$ 11,449,329	\$ 11,084,864
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	74.75%	82.36%	86.14%	92.48%
Plan fiduciary net position as a percentage of the total OPEB liability	15.57%	13.57%	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability/asset	0.35072532%	0.34550482%	0.34870831%	0.34707398%
District's proportionate share of the net OPEB liability/(asset)	\$ (5,808,852)	\$ (5,551,909)	\$ 13,605,312	\$ 18,561,607
District's covered payroll	\$ 41,352,193	\$ 39,243,271	\$ 38,709,121	\$ 36,707,993
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	14.05%	14.15%	35.15%	50.57%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	174.70%	176.00%	47.10%	37.33%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 226,652	\$ 273,295	\$ 249,919	\$ 197,190
Contributions in relation to the contractually required contribution	<u>(226,652)</u>	<u>(273,295)</u>	<u>(249,919)</u>	<u>(197,190)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 12,046,571	\$ 11,971,015	\$ 11,827,956	\$ 11,449,329
Contributions as a percentage of covered payroll	1.88%	2.28%	2.11%	1.72%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 178,453	\$ 278,044	\$ 177,617	\$ 171,787	\$ 210,930	\$ 310,768
<u>(178,453)</u>	<u>(278,044)</u>	<u>(177,617)</u>	<u>(171,787)</u>	<u>(210,930)</u>	<u>(310,768)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 11,084,864	\$ 10,831,639	\$ 11,025,354	\$ 10,731,908	\$ 10,635,219	\$ 10,628,918
1.61%	2.57%	1.61%	1.60%	1.98%	2.92%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 42,598,821	\$ 41,352,193	\$ 39,243,271	\$ 38,709,121
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2016	2015	2014	2013	2012	2011
\$ -	\$ -	\$ 350,762	\$ 350,755	\$ 349,480	\$ 351,440
-	-	(350,762)	(350,755)	(349,480)	(351,440)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 36,707,993	\$ 36,437,257	\$ 35,076,254	\$ 35,075,454	\$ 34,947,954	\$ 35,144,031
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2020.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.

(Continued)

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%. For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. For fiscal year 2020, STRS increase the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

(Continued)

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2020

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate. For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
<u>Child Nutrition Cluster:</u>		
School Breakfast Program	10.553	\$209,136
COVID-19 School Breakfast Program	10.553	341,993
Total School Breakfast Program		<u>551,129</u>
National School Lunch Program:		
Cash Assistance	10.555	890,233
COVID-19 Cash Assistance	10.555	693,621
Non-Cash Assistance (Food Distribution)	10.555	158,874
Total National School Lunch Program		<u>1,742,728</u>
Child and Adult Care Food Program	10.558	44,628
COVID-19 Child and Adult Care Food Program	10.558	2,418
Total Child and Adult Care Food Program		<u>47,046</u>
Total Child Nutrition Cluster		<u>2,340,903</u>
Total U.S. Department of Agriculture		<u>2,340,903</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education</i>		
<u>Special Education Cluster (IDEA):</u>		
Special Education - Grants to States	84.027	82,165
Special Education - Preschool Grants	84.173	1,635,203
Total Special Education Cluster (IDEA)		<u>1,717,368</u>
Title I Grants to Local Educational Agencies	84.010	1,912,146
Career and Technical Education - Basic Grants to States	84.048	129,227
English Language Acquisition Grant	84.365	16,916
Improving Teacher Quality State Grants	84.367	314,189
Student Support and Academic Enrichment Program	84.424	85,719
Total U.S. Department of Education		<u>4,175,565</u>
Total Expenditures of Federal Awards		<u>\$6,516,468</u>

The accompanying notes are an integral part of this schedule.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Washington Local School District, Lucas County, Ohio (the District) under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D – CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

NOTE F – TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2020 to 2021 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$ 277,317
Improving Teacher Quality State Grants	84.367	\$ 163,668
English Language Acquisition Grant	84.365	\$ 10,428
Student Support and Academic Enrichment Program	84.424	\$ 110,854
Special Education - Grants to States	84.027	\$ 109,222



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

Washington Local School District
Lucas County
3505 West Lincolnshire Boulevard
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 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 11, 2021 wherein we noted the District implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

February 11, 2021



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

Washington Local School District
Lucas County
3505 West Lincolnshire Boulevard
Toledo, Ohio 43606-1299

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Washington Local School District, Lucas County, Ohio’s (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Washington Local School District’s major federal program for the year ended June 30, 2020. The *Summary of Auditor’s Results* in the accompanying schedule of findings identifies the District’s major federal program.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to opine on the District’s compliance for the District’s major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States’ *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 District’s major program. However, our audit does not provide a legal determination of the District’s compliance.

Opinion on the Major Federal Program

In our opinion, 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 year ended June 30, 2020.

Report on Internal Control Over Compliance

The 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 District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio

February 11, 2021

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



WASHINGTON LOCAL SCHOOL DISTRICT

LUCAS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/9/2021

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This report is a matter of public record and is available online at
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