



**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**WASHINGTON LOCAL SCHOOL DISTRICT
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Washington Local School District, Lucas County, Ohio, (the School District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Washington Local School District as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated *May 31, 2000* on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the School District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

May 31, 2000

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**WASHINGTON LOCAL SCHOOL DISTRICT
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	\$8,146,453	\$1,669,589	\$2,458	\$842,180
Receivables:				
Taxes	37,140,275			701,151
Accounts	22,930	27,487		
Intergovernmental	63,184	537,781		
Interfund receivable	434,500			
Due from other funds	143			
Inventory held for resale				
Materials and supplies inventory	101,176			
Restricted equity in pooled cash and cash equivalents	434,400			
Fixed assets (net of accumulated depreciation where applicable)				
Other Debits:				
Amount available in debt service fund to be provided for retirement of general long-term obligations bonds				
Amount to be provided for retirement of general long-term obligations				
Total assets and other debits	<u>\$46,343,061</u>	<u>\$2,234,857</u>	<u>\$2,458</u>	<u>\$1,543,331</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$525,333	\$182,832		
Accrued wages	4,208,477	173,287		
Compensated absences payable				
Interfund payable		434,500		
Due to other funds				
Intergovernmental payable	1,136,214	34,735		
Deferred revenue	36,467,839			\$687,428
Due to students				
Notes payable				
Capital leases payable				
General obligation payable				
Total liabilities	<u>42,337,863</u>	<u>825,354</u>		<u>687,428</u>
Equity and other credits:				
Investment in general fixed assets				
Retained earnings:				
Unreserved				
Fund balances:				
Reserved for encumbrances	1,306,121	881,005		741,137
Reserved for inventory	101,176			
Reserved for taxes advances available	672,436			13,723
Reserved for budget stabilization	434,400			
Unreserved-undesignated	1,491,065	528,498	\$2,458	101,043
Total equity and other credits	<u>4,005,198</u>	<u>1,409,503</u>	<u>2,458</u>	<u>855,903</u>
Total liabilities, equity and other credits	<u>\$46,343,061</u>	<u>\$2,234,857</u>	<u>\$2,458</u>	<u>\$1,543,331</u>

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Proprietary</u>	<u>Fund Types</u>	<u>Fiduciary</u>	<u>Account Groups</u>		<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
		<u>Fund Types</u>	<u>General</u> <u>Fixed</u> <u>Assets</u>	<u>General</u> <u>Long-Term</u> <u>Obligations</u>	
<u>Enterprise</u>	<u>Internal</u> <u>Service</u>	<u>Trust and</u> <u>Agency</u>			
\$382,466	\$485,848	\$194,541			\$11,723,535
					37,841,426
2,214		5,252			57,883
1,386					602,351
					434,500
					143
103,184					103,184
					101,176
					434,400
112,391			\$49,062,254		49,174,645
				\$2,458	2,458
				6,862,062	6,862,062
\$601,641	\$485,848	\$199,793	\$49,062,254	\$6,864,520	\$107,337,763
\$4,401					\$712,566
					4,381,764
62,931				\$3,069,924	3,132,855
					434,500
		\$143			143
47,526				198,577	1,417,052
55,748					37,211,015
		122,141			122,141
				105,899	105,899
				155,120	155,120
				3,335,000	3,335,000
170,606		122,284		6,864,520	51,008,055
			\$49,062,254		49,062,254
431,035	\$485,848				916,883
		167			2,928,430
					101,176
					686,159
					434,400
		77,342			2,200,406
431,035	485,848	77,509	49,062,254		56,329,708
\$601,641	\$485,848	\$199,793	\$49,062,254	\$6,864,520	\$107,337,763

**WASHINGTON LOCAL CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Taxes	\$32,629,552	
Intergovernmental	15,790,861	\$2,934,100
Earnings on investments	700,156	8,795
Tuition and fees	139,296	
Extracurricular activities		263,486
Miscellaneous	86,912	782,634
Total revenue	49,346,777	3,989,015
Expenditures:		
Current:		
Instruction:		
Regular	21,758,271	989,334
Special	3,852,754	768,849
Vocational	2,108,805	15,090
Adult/continuing	141,952	174,034
Other	128,104	1,383
Support services:		
Pupil	2,165,637	68,960
Instructional staff	2,086,336	395,162
Board of Education	437,416	
Administration	3,239,480	93,056
Fiscal	1,038,241	
Business	412,406	
Operations and maintenance	5,824,043	
Pupil transportation	2,577,038	
Central	453,457	39,051
Operation of non instructional services		1,041,678
Extracurricular activities	510,417	325,311
Capital outlay		
Debt service:		
Principal retirement	19,254	
Interest and fiscal charges		
Total expenditures	46,753,611	3,911,908
Excess of revenues over (under) expenditures	2,593,166	77,107
Other financing sources (uses):		
Proceeds from sale of assets	16,838	
Refund of prior year expenditures	34,241	
Proceeds of bonds		
Operating transfers in	434,400	30,000
Operating transfers out	(923,900)	(300)
Total other financing sources (uses)	(438,421)	29,700
Excess of revenues and other financing sources over (under) expenditures and other financing uses	2,154,745	106,807
Fund balance (Deficit), July 1	1,792,585	1,302,696
(Decrease) in reserve for inventory	57,868	
Fund balance, June 30	\$4,005,198	\$1,409,503

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
	\$612,299		\$33,241,851
	58,753		18,783,714
\$4,420	25,282	\$2,810	741,463
			139,296
		19,052	282,538
		12,852	882,398
<u>4,420</u>	<u>696,334</u>	<u>34,714</u>	<u>54,071,260</u>
			22,747,605
		16,906	4,638,509
			2,123,895
			315,986
			129,487
			2,234,597
			2,481,498
			437,416
			3,332,536
			1,038,241
			412,406
			5,824,043
			2,577,038
		7,526	500,034
			1,041,678
		8,175	843,903
	1,484,921		1,484,921
300,000			319,254
162,238			162,238
<u>462,238</u>	<u>1,484,921</u>	<u>32,607</u>	<u>52,645,285</u>
<u>(457,818)</u>	<u>(788,587)</u>	<u>2,107</u>	<u>1,425,975</u>
			16,838
		7,265	41,506
459,800	700,000		700,000
			924,200
			(924,200)
<u>459,800</u>	<u>700,000</u>	<u>7,265</u>	<u>758,344</u>
1,982	(88,587)	9,372	2,184,319
476	944,490	68,137	4,108,384
			57,868
<u>\$2,458</u>	<u>\$855,903</u>	<u>\$77,509</u>	<u>\$6,350,571</u>

**WASHINGTON LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30,1999**

	General Fund		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
From local sources:			
Taxes	\$32,386,050	\$32,504,986	\$118,936
Intergovernmental	15,471,727	15,822,565	350,838
Earnings on investments	400,000	698,971	298,971
Tuition and fees	278,000	139,184	(138,816)
Rentals	101,000	120,268	19,268
Extracurricular activities			
Miscellaneous			
Total revenues	<u>48,636,777</u>	<u>49,285,974</u>	<u>649,197</u>
Expenditures:			
Current:			
Instruction:			
Regular	22,310,553	22,186,164	124,389
Special	3,742,769	3,751,713	(8,944)
Vocational	2,224,516	2,196,775	27,741
Adult/continuing	136,823	142,463	(5,640)
Other	150,000	137,399	12,601
Support services:			
Pupil	2,446,981	2,352,705	94,276
Instructional staff	1,858,620	1,759,813	98,807
Board of Education	102,340	86,538	15,802
Administration	3,574,614	3,323,661	250,953
Fiscal	1,052,794	1,023,663	29,131
Business	471,274	421,117	50,157
Operations and maintenance	6,806,744	6,767,080	39,664
Pupil transportation	2,780,389	2,608,213	172,176
Central	567,266	452,329	114,937
Extracurricular activities	530,115	495,345	34,770
Community environment			
Capital outlay			
Debt service:			
Principal retirement	97,670	97,624	46
Interest and fiscal charges	14,048	14,048	
Total expenditures	<u>48,867,516</u>	<u>47,816,650</u>	<u>1,050,866</u>
Excess of revenues over (under) expenditures	<u>(230,739)</u>	<u>1,469,324</u>	<u>1,700,063</u>
Other financing sources (uses):			
Proceeds of sale of fixed assets	10,000	16,838	6,838
Refund of prior year's expenditures	10,000	25,116	15,116
Advances in	12,000		(12,000)
Advances (out)	(423,000)	(422,500)	500
Operating transfers in	772,450	434,400	(338,050)
Operating transfers (out)	(945,000)	(923,900)	21,100
Total other financing sources (uses)	<u>(563,550)</u>	<u>(870,046)</u>	<u>(306,496)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(794,289)</u>	<u>599,278</u>	<u>1,393,567</u>
Fund balance, July 1	4,564,582	4,564,582	
Prior year encumbrances appropriated	1,585,539	1,585,539	
Fund balance, June 30	<u>\$5,355,832</u>	<u>\$6,749,399</u>	<u>\$1,393,567</u>

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$7,681,759	\$3,393,143	(\$4,288,616)			
12,939	8,795	(4,144)	\$2,000	\$4,420	\$2,420
4,281,560	263,531	(4,018,029)			
16,212	4,776	(11,436)			
<u>11,992,470</u>	<u>3,670,245</u>	<u>(8,322,225)</u>	<u>2,000</u>	<u>4,420</u>	<u>2,420</u>
1,789,630	1,634,691	154,939			
1,009,624	735,092	274,532			
87,670	87,488	182			
265,979	174,221	91,758			
95,884	81,977	13,907			
481,798	422,162	59,636			
146,516	88,065	58,451			
38,500	39,745	(1,245)			
496,748	346,051	150,697			
1,063,695	1,243,190	(179,495)			
			462,238	462,238	
<u>5,476,044</u>	<u>4,852,682</u>	<u>623,362</u>	<u>462,238</u>	<u>462,238</u>	
<u>6,516,426</u>	<u>(1,182,437)</u>	<u>(7,698,863)</u>	<u>(460,238)</u>	<u>(457,818)</u>	<u>2,420</u>
385,500	422,500	37,000			
79,900	30,000	(49,900)	463,000	459,800	(3,200)
	(300)	(300)			
<u>465,400</u>	<u>452,200</u>	<u>(13,200)</u>	<u>463,000</u>	<u>459,800</u>	<u>(3,200)</u>
6,981,826	(730,237)	(7,712,063)	2,762	1,982	(780)
364,365	364,365		476	476	
971,624	971,624				
<u>\$8,317,815</u>	<u>\$605,752</u>	<u>(\$7,712,063)</u>	<u>\$3,238</u>	<u>\$2,458</u>	<u>(\$780)</u>

(Continued)

**WASHINGTON LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1999
 (Continued)**

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget Revised	Actual	
Revenues:			
From local sources:			
Taxes	\$1,770,080	\$609,757	(\$1,160,323)
Intergovernmental	60,000	58,753	(1,247)
Earnings on investments	50,000	24,075	(25,925)
Tuition and fees			
Rentals			
Extracurricular activities			
Miscellaneous			
Total revenues	<u>1,880,080</u>	<u>692,585</u>	<u>(1,187,495)</u>
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Adult/continuing			
Other			
Support services:			
Pupil			
Instructional staff			
Board of Education			
Administration			
Fiscal			
Business			
Operations and maintenance			
Pupil transportation			
Central			
Extracurricular activities			
Community environment			
Capital outlay	2,304,685	2,267,799	36,886
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>2,304,685</u>	<u>2,267,799</u>	<u>36,886</u>
Excess of revenues over (under) expenditures	<u>(424,605)</u>	<u>(1,575,214)</u>	<u>(1,150,609)</u>
Other financing sources (uses):			
Proceeds of sale of fixed assets			
Refund of prior year's expenditures			
Advances in			
Advances (out)			
Operating transfers in			
Operating transfers (out)			
Total other financing sources (uses)			
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(424,605)</u>	<u>(1,575,214)</u>	<u>(1,150,609)</u>
Fund balance, July 1	274,242	274,242	
Prior year encumbrances appropriated	700,807	700,807	
Fund balance, June 30	<u>\$550,444</u>	<u>(\$600,165)</u>	<u>(\$1,150,609)</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Expendable Trusts			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
			\$34,156,130	\$33,114,743	(\$1,041,387)
			23,213,486	19,274,461	(3,939,025)
\$3,050	\$2,810	(\$240)	467,989	739,071	271,082
			278,000	139,184	(138,816)
			101,000	120,268	19,268
8,300	19,052	10,752	4,289,860	282,583	(4,007,277)
7,550	12,639	5,089	23,762	17,415	(6,347)
18,900	34,501	15,601	62,530,227	53,687,725	(8,842,502)
			24,100,183	23,820,855	279,328
16,713	17,060	(347)	4,769,106	4,503,865	265,241
			2,312,186	2,284,263	27,923
			402,802	316,684	86,118
			150,000	137,399	12,601
			2,542,865	2,434,682	108,183
			2,340,418	2,181,975	158,443
			102,340	86,538	15,802
			3,721,130	3,411,726	309,404
			1,052,794	1,023,663	29,131
			471,274	421,117	50,157
			6,806,744	6,767,080	39,664
10,000	7,540	2,460	2,780,389	2,608,213	172,176
10,440	8,175	2,265	615,766	499,614	116,152
			1,037,303	849,571	187,732
			1,063,695	1,243,190	(179,495)
			2,304,685	2,267,799	36,886
			559,908	559,862	46
			14,048	14,048	
37,153	32,775	4,378	57,147,636	55,432,144	1,715,492
(18,253)	1,726	19,979	5,382,591	(1,744,419)	(7,127,010)
			10,000	16,838	6,838
1,050	7,265	6,215	11,050	32,381	21,331
			397,500	422,500	25,000
			(423,000)	(422,500)	500
4,400		(4,400)	1,319,750	924,200	(395,550)
			(945,000)	(924,200)	20,800
5,450	7,265	1,815	370,300	49,219	(321,081)
(12,803)	8,991	21,794	5,752,891	(1,695,200)	(7,448,091)
67,925	67,925		5,271,590	5,271,590	
213	213		3,258,183	3,258,183	
\$55,335	\$77,129	\$21,794	\$14,282,664	\$6,834,573	(\$7,448,091)

**WASHINGTON LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating revenues:			
Sales	\$143,080		\$143,080
Charges for services	988,878	\$2,896,144	3,885,022
Other operating revenues	54,881		54,881
	<u>1,186,839</u>	<u>2,896,144</u>	<u>4,082,983</u>
Operating expenses:			
Salaries	605,947		605,947
Fringe benefits	226,302	2,937,554	3,163,856
Purchased services	28,584		28,584
Materials and supplies	112,444		112,444
Cost of sales	640,466		640,466
Depreciation	14,336		14,336
	<u>1,628,079</u>	<u>2,937,554</u>	<u>4,565,633</u>
Operating loss	<u>(441,240)</u>	<u>(41,410)</u>	<u>(482,650)</u>
Nonoperating revenues:			
Federal donated commodities	86,442		86,442
Operating grants	456,452		456,452
Interest income	1,292	14,844	16,136
	<u>544,186</u>	<u>14,844</u>	<u>559,030</u>
Net income (loss) before operating transfers	102,946	(26,566)	76,380
Retained earnings Fund Balance, July 1	<u>328,089</u>	<u>512,414</u>	<u>840,503</u>
Retained earnings Fund Balance, June 30	<u>\$431,035</u>	<u>\$485,848</u>	<u>\$916,883</u>

The notes to the general-purpose financial statements are an integral part of this statement.

**WASHINGTON LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Cash flows from operating activities:			
Cash received from customers	\$1,187,456	\$2,896,144	\$4,083,600
Cash payments suppliers for goods and services	(693,960)		(693,960)
Cash payments to employees for services	(619,536)		(619,536)
Cash payments for employees benefits	(236,634)	(2,936,058)	(3,172,692)
Net cash provided (used) by operating activities	<u>(362,674)</u>	<u>(39,914)</u>	<u>(402,588)</u>
Cash flows from noncapital financing activities:			
Cash received from operating grants	519,054		519,054
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(58,052)		(58,052)
Cash flows from investing activities:			
Interest received	1,292	14,844	16,136
Net increase (decrease) in cash and cash equivalents	99,620	(25,070)	74,550
Cash and cash equivalents at beginning of year	282,846	510,918	793,764
Cash and cash equivalents at end of year	<u>\$382,466</u>	<u>\$485,848</u>	<u>\$868,314</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating loss	(\$441,240)	(\$41,410)	(\$482,650)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	14,336		14,336
Federal Donated Commodities	86,442		86,442
Changes in assets and liabilities:			
Increase/decrease in accounts receivable	(1,134)	1,496	362
Decrease in inventory held for resale	13,874		13,874
Decrease in intergovernmental payable	(8,760)		(8,760)
Decrease in accounts payable	(12,466)		(12,466)
Decrease in accrued wages	(18,217)		(18,217)
Decrease in deferred revenue	(136)		(136)
Increase in compensated absences payable	4,627		4,627
Net cash used by operating activities	<u>(\$362,674)</u>	<u>(\$39,914)</u>	<u>(\$402,588)</u>

The notes to the general-purpose financial statements are an integral part of this statement.

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**WASHINGTON LOCAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE 1 - DESCRIPTION OF THE ENTITY

The Washington Local School 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. Washington Local School District is a local school district as defined by Section 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.

Average daily membership (ADM) as of October 1, 1998 was 7,353. The District employed 496 certificated employees and 292 non-certificated employees. Local school districts are supervised by the county board of education, a separate entity.

Washington Local School 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, extracurricular activities and non programmed services.

This report includes all activities considered by management to be part of the school by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organizations's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organizations's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes for the organization. The School District has no component units.

Management believes the financial statements included in this report represent all of the funds of Washington Local School District over which Washington Local School District has/have the ability to exercise direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Washington Local school District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental

**WASHINGTON LOCAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

accounting and financial reporting principles. The more significant of the district's accounting policies are described below:

A. Basis of Presentation - Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

1. Governmental Funds

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's Governmental Fund Types:

General Fund - The General Fund is the general operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

2. 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 where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**WASHINGTON LOCAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

Internal Service Funds - Internal Service Funds are used to account for the financing, on a cost-reimbursement basis, of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments.

3. Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust, Nonexpendable Trust and Agency Funds. Agency Funds are presented on a budgetary basis with note disclosure, if applicable, regarding items which, in other fund types, would be subject to accrual.

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds and Trust Funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds and Trust Funds.

B. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental, Expendable Trust Funds and Agency Funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is thirty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 1999, and which are intended to finance fiscal 1999 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 30 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District

**WASHINGTON LOCAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary Funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

C. Budgetary Process

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

1. Tax Budget

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following year.

2. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the district by March 1. As part of this certification, the district receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the district must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The

**WASHINGTON LOCAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during the year.

3. Appropriations

A temporary appropriation resolution to control expenditures may be passed on or about July 1 of each year for the period of July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the fund, function level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among functions within a fund may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures which appear in the statement of budgetary comparisons represent the final appropriation amounts including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures.

5. Lapsing of Appropriations:

As the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

D. Cash and Investments

To improve cash management, all cash received by the school district is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through school district's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During fiscal year 1999, investments were limited to repurchase agreements and STAR Ohio. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Investment contracts and money market investments that had a maturity of one year or less at the time of purchase is reported at cost or amortized cost.

The school district has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent

**WASHINGTON LOCAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$700,156. Of this amount, \$73,216 represents interest earned from other funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the school district are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents (an intergovernmental receivable) set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 1999, restricted assets totaled \$434,400.

E. Estimates

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

F. Interfund Receivables/payables

During the course of operations, short term advances occur between individual funds for operating expenditures until receipt of grants or other financing. These receivables and payables are classified as "Interfund Receivable" or "due to other funds" on the balance sheet.

G. Inventories

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost (first in, first out) or market and consists of expendable supplies for resale. The costs of inventory items are recognized as expenditures in governmental fund types when purchased (the purchase method) and expenses in the proprietary fund types when used (the consumption method).

H. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

WASHINGTON LOCAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)

Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of curbs, gutters, sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

I. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service were considered expected to become eligible to retire in accordance with GASB 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance liability of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long Term Debt Account Group. Vacation and severance liability for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

J. Long-term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**WASHINGTON LOCAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

K. Fund Equity

Contributed capital is recorded in Proprietary funds that received capital grants or contributions from other funds. Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, materials and supplies inventory, tax advances available for appropriation, and budget stabilization. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

Designated fund balances represent tentative plans for future use of financial resources.

L. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund
State Foundation Program
State Property Tax Relief

Debt Service Fund
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds
Teacher Development
Early Childhood Education
Management Information Systems
Title I
Title VI-B
Title VI

Capital Project Funds
School Net

Reimbursable Grants

General Fund
School Bus Purchases
Driver Education
Vocational Education Travel/Salary

Capital Project Funds
Vocational Education Equipment

**WASHINGTON LOCAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Statement of Cash Flows

In September 1989, the Governmental Accounting Standards Board (GASB) issued Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." The District has presented (Exhibit 5) a statement of cash flows for its Enterprise and Internal Service Funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

O. Financial Reporting for Proprietary Fund Type

The District's financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

P. Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - DEPOSITS AND INVESTMENTS

A. Deposits

Statutes require the classification of monies held by the District into three categories:

Active Deposits: those monies required to be kept in a "cash" or "near-cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) account, or in money market deposit accounts.

Inactive Deposits: those monies not required for use within the current two year period of designation of depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

**WASHINGTON LOCAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

Interim Deposits: 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.

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

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

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United State Treasury or any other obligation guaranteed as to principle and interest by the United States;
2. Bonds, notes, debentures, or other obligations of securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and the Student Loan Marketing 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 market value of the securities subject to the repurchased agreement must exceed the principal value of the agreements by at least two percent and be marked to market to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions mentioned in section 135.03 of the Revised Code;
6. The State Treasurer's Investment pool;

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

B. Cash on Hand

At year end, the School district had \$2,050 in un-deposited on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3. "Deposits With Financial Institutions, Investments (Including Repurchased Agreements), and Reverse Repurchase Agreements.

**WASHINGTON LOCAL SCHOOL DISTRICT
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
 (Continued)**

C. Deposits

At fiscal year end, the carrying amount of the School's deposits was (\$266,603) and the bank balance was \$359,063. Of the bank balance, \$200,000 was covered by federal depository insurance and \$159,063 was covered by collateral held by the pledging financial institution in the name of the School District.

D. Investments

Washington Local School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio is unclassified because it is not evidenced by securities that exist in physical or book form.

	Category 3	Fair Value
Repurchase Agreement	\$1,783,451	\$1,783,451
STAR Ohio - Not categorized		10,639,037
Total		\$12,422,488

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is a follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$12,157,935	
Cash on Hand	(2,050)	
Investments:		
STAR Ohio	(10,639,037)	\$10,639,037
Repurchase Agreement	(1,783,451)	1,783,451
GASB Statement No. 3	(\$266,603)	\$12,422,488

**WASHINGTON LOCAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 4 - PROPERTY TAXES

Property taxes, include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value. Real property taxes are collected in and intended to finance the year following the year in which they are levied.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 50% of cost). Tangible personal property taxes attach as a lien and are levied January 1 of the current year, the same year in which collections are made.

Tangible personal property assessments are 32% of true value.

The assessed value upon which the 1999 taxes were collected was \$864,014,680 of which real and public utility property represented 79% (\$681,020,080) of the total and tangible personal property represented 21% (\$182,994,600). The full tax rate for all District operations applied to real property for fiscal year ended June 30, 1999 was \$61.70 per \$1,000 of assessed valuation.

After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$33.80 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$40.78 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable as of June 30, 1999. Total property tax collections for the next fiscal year are measurable and amounts available at the Lucas County Auditor's Office at June 30th were recognized as revenue June 30 and are intended to finance 1999/00 operations. Any taxes received after June 30th were not considered to be available to finance 1998/99 operations and were therefore offset by a credit to deferred revenue.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the school district is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types and Expendable Trust funds 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 GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

**WASHINGTON LOCAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$599,278	(\$730,237)	\$1,982	(\$1,575,214)	\$8,991
Adjustments:					
Revenue Accruals	1,458,208	(103,430)		3,749	213
Expenditure Accruals	(1,734,195)	(123,363)		41,741	
Proceeds of Bonds				700,000	
Encumbrances	1,831,454	1,063,837		741,137	168
GAAP Basis	<u>\$2,154,745</u>	<u>\$106,807</u>	<u>\$1,982</u>	<u>(\$88,587)</u>	<u>\$9,372</u>

NOTE 6 - RECEIVABLES

Receivables at June 30, 1999, consisted of taxes, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

<u>Receivables</u>	<u>Amount</u>
<u>General Fund:</u>	
Taxes - Current	\$35,613,900
Taxes - Delinquent	1,526,375
Accounts Receivable	22,930
Intergovernmental Receivable	63,184
<u>Special Revenue:</u>	
Accounts Receivable	27,487
Intergovernmental	537,781
<u>Capital Projects:</u>	
Taxes - Current	670,000
Taxes - Delinquent	31,151
<u>Enterprise:</u>	
Accounts Receivable	2,214
Intergovernmental	1,386
<u>Agency:</u>	
Accounts Receivable	5,252

**WASHINGTON LOCAL SCHOOL DISTRICT
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
 (Continued)**

NOTE 7 - FIXED ASSETS

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance at 7/1/98	Additions	Retirements	Balance at 6/30/99
Land	\$4,310,286			\$4,310,286
Land Improvement	473,336	\$38,975		512,311
Buildings	24,508,084	1,224,363		25,732,447
Furniture and Equipment	13,059,442	1,268,313		14,327,755
Vehicles	3,465,801	713,654		4,179,455
Total General Fixed Assets	<u>\$45,816,949</u>	<u>\$3,245,305</u>		<u>\$49,062,254</u>

The following is a summary of proprietary fund-type fixed assets at June 30, 1999:

	Enterprise Funds
Furniture and Equipment	\$665,601
Less: Accumulated Depreciation	<u>553,210</u>
Net Fixed Assets	<u>\$112,391</u>

In proprietary funds, the following estimated useful lives are used to compute depreciation:

Buildings	40 years
Equipment	10 years
Vehicles	3-5 years

NOTE 8 - CAPITAL LEASES

The School District has entered into a lease agreement as lessee for financing the acquisition of printing and reproduction equipment. The lease agreement qualifies as a capital lease for accounting purposes (titles transfer at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 1999:

<u>Fiscal year Ending June 30</u>	<u>General Long-Term Debt</u>
2000	\$92,417
2001	<u>72,363</u>
Total minimum lease payments	164,780
Less: amount representing interest	<u>9,660</u>
Present value of future minimum lease payments	<u>\$155,120</u>

**WASHINGTON LOCAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS

Long-term obligations of the School District as of June 30, 1999 were as follows:

General Long-Term Account Group:	Outstanding 7/01/98	Additions	Deductions	Outstanding 6/30/99
Energy Management Bonds, 5.50%; Matures 06/1/2005	\$2,935,000		\$300,000	\$2,635,000
School Energy Conservation, 4.5 to 4.7%; Matures 12/1/2013		\$700,000		700,000
EPA Assistance Award Note No Interest; Matures 06/3/2005	125,153		19,254	105,899
Compensated Absences	2,933,956	135,968		3,069,924
Capital Lease per above	233,490		78,370	155,120
Intergovernmental Payable	<u>78,552</u>	<u>120,025</u>	<u> </u>	<u>198,577</u>
Totals	<u>\$6,306,151</u>	<u>\$ 955,993</u>	<u>\$ 397,624</u>	<u>\$6,864,520</u>

Energy Conservation Improvement Bonds were issued in the amount of \$3,492,000 during fiscal year 1997 for paying costs of installations, modifications and remodeling of school building to conserve energy.

During Fiscal Year 1985 an interest-free Asbestos School Hazard Abatement Note was issued through the U.S. Environmental Protection Agency in the amount of \$346,575. The semi-annual payments of \$9,627 which commenced in June, 1987 will conclude no later than June 30, 2005. Proceeds from the note are being used to remove friable asbestos from school buildings in order to meet federal mandates.

School Energy Conservation Bonds were issued in the amount of \$700,000 during fiscal year 1999 for paying costs of modifications and remodeling of the school building to conserve energy.

The accrued vacation and sick leave benefits recorded above as compensated absences represent the noncurrent portion of the liability. The current portion has been recorded in the appropriate fund types.

The annual requirements to amortize all note debt outstanding as of June 30, 1999, including interest is as follows:

Fiscal Year Ending June 30	Energy Management Bonds	EPA Assistance Award Note	School Energy Conservation
2000	\$465,738	\$19,254	\$79,646
2001	463,108	19,254	64,708
2002	464,712	19,254	63,133
2003	465,188	48,137	66,446
2004	464,376		64,646
2005-2008	926,872		323,979
2009-2013			<u>320,125</u>
Total	<u>3,249,994</u>	<u>105,899</u>	<u>982,683</u>
Less: Amount representing interest	<u>614,994</u>		<u>282,683</u>
TOTAL	<u>\$2,635,000</u>	<u>\$105,899</u>	<u>\$700,000</u>

**WASHINGTON LOCAL SCHOOL DISTRICT
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
 (Continued)**

NOTE 10 - INTERFUND RECEIVABLE/INTERFUND PAYABLE

Interfund balances at June 30, 1999, consist of the following individual fund receivables and payables:

<u>Fund:</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 434,500	\$ -
Special Revenue:		
Title VI		260
District Managed Student Activity		157,500
Miscellaneous State Grant		37,000
Adult Basis Education		36,500
Title VI-B		105,100
Vocational Education		9,910
Title I		79,200
Career Education		1,830
Goals 2000		7,200
	<hr/>	<hr/>
TOTAL	<u>\$ 434,500</u>	<u>\$ 434,500</u>

NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The school district maintains two enterprise funds which are intended to be self-supporting through user fees charged for services to the students. Financial segment information as of and for the fiscal year ended June 30, 1999 is presented below:

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating Revenues	\$1,013,289	\$173,550	\$1,186,839
Operating Expenses	1,508,074	121,805	1,628,079
Depreciation Expense	14,336		14,336
Operating Income (Loss)	(482,650)	51,745	(430,905)
Operating Grants	456,452		456,452
Net Income	51,201	51,745	102,946
Fixed Assets Additions	58,052		58,052
Net Working Capital	43,784	55,836	99,620
Total Assets	470,255	131,386	601,641
Total Equity	304,050	126,985	431,035

NOTE 12 - COMPENSATED ABSENCES

A. Sick Leave

Each full time professional staff member is entitled to fifteen (15) days sick leave with pay for each year under contract and accrues sick leave at the rate of one and one-fourth (1¼) days for each calendar month under contract.

Sick leave is cumulative to three hundred sixty (360) days.

B. Service Retirement

Certified Employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the certified employee's accrued but unused sick

**WASHINGTON LOCAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

leave days at the time of retirement based on \$65.00 per day times the value of the employee's eligible (360 days maximum) accrued but unused sick leave days. Employees must have five years service and have accumulated at least sixty (60) days sick leave.

Non-certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is fifty percent (50%) of sick leave days accumulated from the sixty-first day through the three hundred sixty (360) days maximum multiplied by ten percent (10%) for each year of service. Employees must have five years service and accumulated sick leave of sixty (60) days sick leave.

Administration employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is forty percent (40%) of sick leave days accumulated from the one hundred twenty first day (121) through the two hundredth day (200) and fifty percent (50%) of sick leave days accumulated from the two hundred first day (201) through the three hundredth (300) day with a \$44,000 maximum payment. Employees must have five years service and accumulated sick leave of sixty (60) days sick leave.

C. Severance Pay

Non-certified employees are eligible for severance pay after the Board of Education accepts the employee's resignation. Severance pay is based on a percentage (10% for each year of service up to 100%) times their daily rate of accumulated sick leave which cannot exceed 120 days. Employees must have five years service and have accumulated at least sixty (60) days sick leave.

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 time of resignation based on \$32.50 per day times the value of the employee's eligible (300 days maximum) accrued but unused sick leave days. Employees must have five years service and have accumulated at least sixty (60) days sick leave.

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 time of resignation based on twenty-five percent of the daily rate times the accumulated sick leave times a percentage (10% for each year of service up to 100%). Employees must have five years service and have accumulated at least sixty (60) days sick leave.

NOTE 13 - PENSION AND RETIREMENT PLANS

The employees of the Washington Local School District are covered by either the School District Employees Retirement System of Ohio (SERS) or the State Teachers Retirement System of Ohio (STRS). The State of Ohio accounts for the activities of the retirement systems and the amounts of these funds are not reflected in the accompanying financial statements.

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-363 or by calling (614) 222-5853.

**WASHINGTON LOCAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions to SERS for the years ending June 30, 1999, 1998, and 1997, were \$925,398, \$878,900, and \$811,151, respectively; 78.2 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999, in the amount of \$203,736 is recorded as a liability within respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a public available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio, 43215-3771 or by calling (614)-227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 12 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions to STRS for the years ending June 30, 1999, 1998 and 1997 were \$3,290,393, \$3,151,271, and \$3,077,856, respectively; 84.4 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999, in the amount of \$514,158 is recorded as a liability within respective funds and the general long-term obligations account group.

C. Social Security Tax

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. The Board's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, and prescription drugs. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. The balance in the Health Care Reserve Fund was \$2,783 million at June 30, 1999. The Health Care Reserve allocation for the year June 30, 1999, was 8% of covered payroll.

**WASHINGTON LOCAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$249,929,000. As of July 1, 1998, eligible benefit recipients totaled 95,796. For the School District, the amount contributed for postemployment benefits equaled \$1,410,168 during the 1999 fiscal year.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. For this fiscal year, employer contributions to fund health care benefits were 6.30% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay had been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. For the fiscal year ended June 30, 1999, net health care costs paid by SERS were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits was \$188 million. The number of participants currently receiving health care benefits is 51,000. For the School District, the amount contributed for postemployment benefits equaled \$508,969 during the 1999 fiscal year.

NOTE 15 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The school district contracts with Brooks Insurance Agency for general liability insurance with a \$1,000,000 single occurrence limit and a \$5,000,000 aggregate. Property is protected by a blanket building and contents policy for \$109,024,061. There is a property care, custody and control limit of \$50,000 and a \$1,000 deductible for each claim or suit. Real property and contents are 90%coinsured.

Vehicle policies include liability coverage for bodily injury and property damage or up to \$1,000,000 for each occurrence with a deductible of \$100 for comprehensive and \$200 for collision.

The School District also has a Pollution Control Policy up to \$1,000,000 with a \$1,000 deductible.

Settled claims have not exceeded the commercial coverages in the past three years.

Beginning in July, 1996, the school district contracted with Paramount Health and Care Insurance Company for medical and prescription insurance. Prior to that, the school district was self insured in this area and carried a liability for incurred but not reported claims.

NOTE 16 - CONTINGENT LIABILITIES

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1999.

The School District attorney and management is aware of no other claims.

**WASHINGTON LOCAL SCHOOL DISTRICT
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
 (Continued)**

NOTE 17 - SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$11,979,523 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County is currently reviewing the new laws to determine whether they are constitutional under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme court and on May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue upholding the decision of the Perry County Court of Common Pleas. The Court stayed the effect of its ruling until June 15, 2001 to allow the State's legislature to design a plan to remedy the perceived defects in the system., and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 18 - STATUTORY RESERVES

The School District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Balance 7/1/98			\$294,796	\$294,796
Required Set-Aside	\$763,430	\$868,726	434,400	2,066,556
Offset Credits			(294,796)	(294,796)
Qualifying Expenditures	<u>(763,430)</u>	<u>(868,726)</u>		<u>(1,632,156)</u>
Balance 6/30/99	<u>=====</u>	<u>=====</u>	<u>\$434,400</u>	<u>\$430,400</u>

NOTE 19 - COMPLIANCE

The School District expenditures and encumbrances have exceeded appropriations for the following fund functions:

General Fund	
Special	\$8,944
Special Revenue Funds	
Central	1,245
Community Environment	179,495
Expendable Trust Funds	
Special	347

**WASHINGTON LOCAL SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Grant Number	Receipts	Non-Cash Receipts	Disburse- ment	Non-Cash Disburse- ment
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education</i>						
Food Distribution	10.550			\$ 106,861		\$ 106,861
<i>Child Nutrition Cluster:</i>						
National School Breakfast	10.553	05-PU-98	\$14,532		\$14,532	
		05-PU-99	49,817		49,817	
Total - National School Breakfast			64,349		64,349	
National School Lunch	10.555	03-PU-98	19,369		19,369	
		03-PU-99	61,788		61,788	
		04-PU-98	83,057		83,057	
		04-PU-99	259,006		259,006	
Total - National School Lunch			423,220		423,220	
<i>Total Department of Agriculture - Child Nutrition Cluster</i>			487,569		487,569	
Total Department of Agriculture			487,569	106,861	487,569	106,861
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education</i>						
<i>Special Education:</i>						
Handicapped Preschool and School Programs, Title VI-B	84.027	6B-SF-98P	89,799		122,376	
		6B-SF-99P	103,020		208,113	
<i>Total Special Education</i>			192,819		330,489	
Title I	84.010	C1-S1-98	69,338		75,750	
		C1-S1-99	240,674		326,360	
<i>Total - Title I</i>			310,012		402,110	
Vocational Educational Basic Grant	84.048	20-C1-00	64,283		58,582	
Goals 2000	84.276	G2-S2-99	60,139		66,636	
Innovative Educational Program Strategy	84.298	C2-S1-97			183	
		C2-S1-98	2,654		38,366	
		C2-S1-99	13,039		7,476	
<i>Total - Innovative Educational Program Strategy</i>			15,693		46,025	
Eisenhower, ISAS Title II	84.281	MS-S1-99	24,300		2,466	
Total Department of Education			667,246		906,308	
TOTAL FEDERAL ASSISTANCE			\$1,154,815	\$106,861	\$1,393,877	\$106,861

The accompanying notes are an integral part of this schedule.

**WASHINGTON LOCAL SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

Certain federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL 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 the financial statements of Washington Local School District, Lucas County, Ohio, (the School District) as of and for the year ended June 30, 1999, and have issued our report thereon dated May 31, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated May 31, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-10148-001 and 1999-10148-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider 1999-10148-001 to be a material weakness. We also noted other matters involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the School District in a separate letter dated May 31, 2000.

This report is intended for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State

May 31, 2000



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of Washington Local School District, Lucas County, Ohio, (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal program for the year ended June 30, 1999. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the period ended June 30, 1999.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Board of Education, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than specified parties.



Jim Petro
Auditor of State

May 31, 2000

**WASHINGTON LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster CFDA # 10.553; #10.555 Title 1 Reading Program CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 1999-10148-001

Material Weakness - Fixed Assets

The following control weaknesses over fixed assets exist:

1. The School District has not developed a fixed asset accounting system which maintains total fixed asset listings, by location, with tag identification numbers and other supplemental information.
2. The School District has not accurately developed and implemented procedures to assist in recording assets as additions when purchased, and deletions when disposed of throughout the fiscal year.
3. The School District has not implemented procedures to perform periodic inventory of assets.

**FINDING NUMBER 1999-10148-001
(Continued)**

Failure to obtain timely records or employ adequate controls over the acquisition and disposal of fixed assets could result in misappropriation of assets and misstatements of recorded assets.

To maintain adequate safeguards over fixed assets, and to reduce the risk that the School District's assets will be misstated, we recommend:

1. The Governing Board develop and implement procedures to be performed throughout the year, for the recording and updating of fixed assets. These procedures should include tagging all assets meeting the School District's capitalization criteria. Further, addition and disposal forms should be completed by the School District and approved by management when assets are acquired or disposed. This information should then be entered on the fixed asset accounting system, recording such information as the tag number, a description of the item, the cost, the acquisition date, location and any other supporting documentation.
2. The School District develop and implement procedures for performing periodic (annual) physical inventories. The physical inventories can be performed by submitting a list of all fixed assets recorded to each location and having individuals responsible for that location perform the inventory of all assets in that location. The assets in each location should be compared to the listing provided, and any assets no longer used should be deleted and any assets not included on the listing should be added and any significant deficiencies should be investigated.

FINDING NUMBER 1999-10148-002

Reportable Condition - Budgetary

The Board of Education amended their estimated resources during the fiscal year. The amendment was filed with the Lucas County Auditor. However, the School District did not update financial records to reflect the amendments. By not updating the district records, the budgetary statements did not reflect the legislatively approved budgetary figures. Audit adjustments were necessary to correctly state the Budget versus Actual Statements. We recommend the School District post all Board approved budgetary amendments to the School District's ledgers.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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WASHINGTON LOCAL SCHOOL DISTRICT

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 27, 2000**