



**WASHINGTON LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



WASHINGTON LOCAL SCHOOL DISTRICT  
LUCAS COUNTY

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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 Washington Local School District (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, Lucas County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for 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. We subjected this information 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.

**Jim Petro**  
Auditor of State

January 30, 2002

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**WASHINGTON LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2001**

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b>ASSETS AND OTHER DEBITS:</b>			
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents:	\$17,368,853	\$1,902,037	\$953,899
Receivables:			
Taxes	43,434,160		1,088,244
Accounts	6,537	38,919	
Intergovernmental	55,000	166,516	
Due from Other Funds	286		
Interfund Receivable	7,140		
Prepaid Items	22,182		
Material and Supplies Inventory	131,208		
Restricted Equity in Pooled Cash and Investments	620,748		
Fixed Assets (Net, where applicable, of Accumulated Depreciation)			
<b>Other Debits:</b>			
Amount to be Provided from General Government Resources			
<b>Total Assets and Other Debits</b>	<b>\$61,646,114</b>	<b>\$2,107,472</b>	<b>\$2,042,143</b>



Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$373,991	\$628,323	\$224,667			\$21,451,770
	2,050				44,522,404
60,451					47,506
					281,967
					286
					7,140
90,162					22,182
					221,370
					620,748
172,376			\$35,850,214		36,022,590
				\$5,697,091	5,697,091
<b>\$696,980</b>	<b>\$630,373</b>	<b>\$224,667</b>	<b>\$35,850,214</b>	<b>\$5,697,091</b>	<b>\$108,895,054</b>

(Continued)

**WASHINGTON LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2001  
(Continued)**

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS:</b>			
<b>Liabilities:</b>			
Accounts Payable	\$903,023	\$246,528	
Contracts Payable			\$159,277
Accrued Wages	4,670,990	149,586	
Compensated Absences Payable	86,669		
Intergovernmental Payable	825,836	22,749	
Interfund Payable		7,140	
Deferred Revenue	40,222,958		1,015,935
Due to Other Funds			
Due to Students			
Notes Payable			
General Obligation Bonds Payable			
Total Liabilities	46,709,476	426,003	1,175,212
<b>Fund Equity and Other Credits:</b>			
Investment in General Fixed Assets			
Retained Earnings:			
Unreserved			
Fund Balance:			
Reserved for Encumbrances	2,178,346	292,706	302,206
Reserved for Inventory	131,208		
Reserved for Prepaid Items	22,182		
Reserved for Budget Stabilization	570,806		
Reserved for Capital Maintenance	49,942		
Reserved for Taxes Unavailable for Appropriation	3,261,938		72,309
Unreserved, Undesignated	8,722,216	1,388,763	492,416
Total Fund Equity and Other Credits	14,936,638	1,681,469	866,931
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$61,646,114</b>	<b>\$2,107,472</b>	<b>\$2,042,143</b>

*See accompanying notes to the general-purpose financial statements.*

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$22,911	\$5,574	\$9,993			\$1,188,029
					159,277
					4,820,576
97,981				\$2,896,023	3,080,673
43,775				173,677	1,066,037
					7,140
48,120					41,287,013
		286			286
		109,627			109,627
				67,391	67,391
				2,560,000	2,560,000
212,787	5,574	119,906		5,697,091	54,346,049
			\$35,850,214		35,850,214
484,193	624,799				1,108,992
					2,773,258
					131,208
					22,182
					570,806
					49,942
					3,334,247
		104,761			10,708,156
484,193	624,799	104,761	35,850,214		54,549,005
<b>\$696,980</b>	<b>\$630,373</b>	<b>\$224,667</b>	<b>\$35,850,214</b>	<b>\$5,697,091</b>	<b>\$108,895,054</b>

**WASHINGTON LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental and Similar Fiduciary Fund Types  
For the Fiscal Year Ended June 30, 2001**

	<b>Governmental Fund Types</b>	
	<b>General</b>	<b>Special Revenue</b>
<b>Revenues:</b>		
Taxes	\$35,493,309	
Intergovernmental	18,288,344	\$3,588,396
Interest	1,320,592	22,065
Tuition	431,188	
Extracurricular Activities		350,318
Revenue in Lieu of Taxes		1,073,295
Miscellaneous	194,405	7,085
Total Revenues	55,727,838	5,041,159
<b>Expenditures:</b>		
Current:		
Instruction:		
Regular	23,382,821	1,044,606
Special	4,583,460	648,056
Vocational	2,318,470	317,847
Adult/Continuing	98,809	225,339
Other	481,792	16,891
Support Services:		
Pupils	2,495,695	144,430
Instructional Staff	2,264,952	558,698
Board of Education	66,756	
Administration	3,706,896	51,070
Fiscal	1,170,911	
Business	458,466	
Operation and Maintenance of Plant	6,120,358	158,332
Pupil Transportation	2,455,098	2,649
Central	863,792	39,388
Operation of Non-Instructional Services	52,850	1,354,284
Extracurricular Activities	515,212	402,408
Capital Outlay	59,149	
Debt Service:		
Principal Retirement	89,920	
Interest and Fiscal Charges	1,697	
Total Expenditures	51,187,104	4,963,998
Excess of Revenues Over (Under) Expenditures	4,540,734	77,161
<b>Other Financing Sources (Uses):</b>		
Proceeds from Sale of Fixed Assets	25,647	
Refund of Prior Year Expenditures	317,009	
Operating Transfers In	381,500	111,191
Operating Transfers Out	(1,050,545)	(9,896)
Total Other Financing Sources (Uses)	(326,389)	101,295
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	4,214,345	178,456
Fund Balances at Beginning of Year- Restated	10,718,084	1,503,013
Increase (Decrease) in Reserve for Inventory	4,209	
<b>Fund Balances at End of Year</b>	<b>\$14,936,638</b>	<b>\$1,681,469</b>

*See accompanying notes to the general-purpose financial statements.*

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trusts	
	\$378,817		\$35,872,126
	152,139		22,028,879
	32,221	\$3,462	1,378,340
			431,188
		24,210	374,528
			1,073,295
		11,903	213,393
	563,177	39,575	61,371,749
			24,427,427
		24,874	5,256,390
			2,636,317
			324,148
			498,683
			2,640,125
		1,308	2,824,958
			66,756
			3,757,966
			1,170,911
			458,466
			6,278,690
			2,457,747
		9,134	912,314
			1,407,134
		6,713	924,333
	206,373		265,522
\$395,000			484,920
155,250			156,947
550,250	206,373	42,029	56,949,754
(550,250)	356,804	(2,454)	4,421,995
			25,647
	44,504		361,513
550,250		17,500	1,060,441
			(1,060,441)
550,250	44,504	17,500	387,160
	401,308	15,046	4,809,155
	465,623	89,715	12,776,435
			4,209
	<b>\$866,931</b>	<b>\$104,761</b>	<b>\$17,589,799</b>

**WASHINGTON LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**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 Fiscal Year Ended June 30, 2001**

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<b>Revenues:</b>			
Taxes	\$35,246,013	\$35,416,444	\$170,431
Intergovernmental	18,076,450	18,240,244	163,794
Earnings on Investments	1,300,000	1,321,025	21,025
Tuition and Fees	475,878	426,628	(49,250)
Extracurricular Activities			
Revenue in Lieu of Taxes			
Miscellaneous	180,000	197,080	17,080
Total Revenues	55,278,341	55,601,421	323,080
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	23,358,840	22,758,095	600,745
Special	5,258,130	4,426,631	831,499
Vocational	2,527,622	2,484,644	42,978
Adult/Continuing Education	197,805	99,484	98,321
Other	575,000	491,375	83,625
Support Services:			
Pupils	2,714,054	2,475,787	238,267
Instructional Staff	2,429,313	2,250,161	179,152
Board of Education	108,000	66,898	41,102
Administration	3,763,864	3,599,947	163,917
Fiscal	1,246,118	1,142,318	103,800
Business	517,408	437,390	80,018
Operation and Maintenance	7,596,697	6,948,108	648,589
Pupil Transportation	3,387,174	3,285,127	102,047
Central	930,528	820,902	109,626
Extracurricular Activities	594,350	547,204	47,146
Community Environment			
Capital Outlay	120,000	102,595	17,405
Debt Service:			
Principal Retirement	89,966	89,920	46
Interest and Fiscal Charges	1,697	1,697	
Total Expenditures	55,416,566	52,028,283	3,388,283
Excess Revenues Over (Under) Expenditures	(138,225)	3,573,138	3,711,363
<b>Other Financing Sources and (Uses):</b>			
Proceeds of Sale of Fixed Assets	13,490	14,397	907
Refund of Prior year Expenditures	25,000	317,009	292,009
Refund of Prior Years Receipts	(200)		200
Advances In	310,900	310,900	
Advances (Out)	(100,000)	(7,140)	92,860
Operating Transfers In	385,500	385,500	
Operating Transfers Out	(1,035,750)	(1,005,545)	30,205
Other Financing Uses			
Total Other Financing Sources and (Uses)	(401,060)	15,121	416,181
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(539,285)	3,588,259	4,127,544
Fund Balances, July 1, 2000	9,852,335	9,852,335	
Prior years encumbrances appropriated	1,467,639	1,467,639	
<b>Fund Balances, June 30, 2001</b>	<b>\$10,780,689</b>	<b>\$14,908,233</b>	<b>\$4,127,544</b>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$4,407,511	\$4,106,305	(\$301,206)			
22,065	22,065				
388,650	350,396	(38,254)			
900,000	1,038,532	138,532			
26,000	7,085	(18,915)			
5,744,226	5,524,383	(219,843)			
1,245,939	1,099,215	146,724			
801,210	682,555	118,655			
381,506	364,305	17,201			
276,828	225,787	51,041			
179,379	147,703	31,676			
765,796	596,251	169,545			
69,055	35,492				
5,000	5,000				
188,661	186,105	2,556			
51,560	46,668	4,892			
476,967	403,088	73,879			
1,643,034	1,622,257	20,777			
			\$395,000	\$395,000	
			155,250	155,250	
6,084,935	5,414,426	670,509	550,250	550,250	
(340,709)	109,957	450,666	(550,250)	(550,250)	
	7,140	7,140			
(310,900)	(310,900)		550,250	550,250	
13,500	62,191	48,691			
(9,896)	(9,896)				
(307,296)	(251,465)	55,831	550,250	550,250	
(648,005)	(141,508)	506,497			
1,013,001	1,013,001				
491,308	491,308				
<b>\$856,304</b>	<b>\$1,362,801</b>	<b>\$506,497</b>			

(Continued)

**WASHINGTON LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**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 Fiscal Year Ended June 30, 2001  
(Continued)**

	<b>Capital Projects Funds</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Taxes	\$383,752	\$371,511	(\$12,241)
Intergovernmental	122,139	152,139	30,000
Earnings on Investments	27,000	32,221	5,221
Tuition and Fees			
Extracurricular Activities			
Revenue in Lieu of Taxes			
Miscellaneous			
Total Revenues	532,891	555,871	22,980
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	181,453	181,453	
Special			
Vocational			
Adult/Continuing Education			
Other			
Support Services:			
Pupils	62,898	11,737	51,161
Instructional Staff			
Board of Education			
Administration			
Fiscal			
Business			
Operation and Maintenance	540,000	384,442	155,558
Pupil Transportation			
Central	72,000	18,000	54,000
Extracurricular Activities	91,000	90,995	5
Community Environment			
Capital Outlay			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	947,351	686,627	260,724
Excess Revenues Over (Under) Expenditures	(414,460)	(130,756)	283,704
<b>Other Financing Sources and (Uses):</b>			
Proceeds of Sale of Fixed Assets			
Refund of Prior year Expenditures	44,504	44,504	
Refund of Prior Years Receipts			
Advances In			
Advances (Out)			
Operating Transfers In			
Operating Transfers Out			
Other Financing Uses			
Total Other Financing Sources and (Uses)	44,504	44,504	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(369,956)	(86,252)	283,704
Fund Balances, July 1, 2000	379,125	379,125	
Prior years encumbrances appropriated	199,542	199,542	
<b>Fund Balances, June 30, 2001</b>	<b>\$208,711</b>	<b>\$492,415</b>	<b>\$283,704</b>

See accompanying notes to the general-purpose financial statements



Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$35,629,765	\$35,787,955	\$158,190
			22,606,100	22,498,688	(107,412)
\$3,475	\$3,463	(\$12)	1,352,540	1,378,774	26,234
23,000	24,210	1,210	498,878	450,838	(48,040)
			388,650	350,396	(38,254)
			900,000	1,038,532	138,532
11,800	11,903	103	217,800	216,068	(1,732)
38,275	39,576	1,301	61,593,733	61,721,251	127,518
			24,786,232	24,038,763	747,469
36,696	24,876	11,820	6,096,036	5,134,062	961,974
			2,909,128	2,848,949	60,179
			474,633	325,271	149,362
			575,000	491,375	83,625
			2,956,331	2,635,227	321,104
			3,195,109	2,846,412	348,697
			108,000	66,898	41,102
			3,832,919	3,635,439	163,917
			1,251,118	1,147,318	103,800
			517,408	437,390	80,018
			8,325,358	7,518,655	806,703
10,000	9,634	366	3,387,174	3,285,127	102,047
7,200	6,713	487	1,064,088	895,204	168,884
			1,169,517	1,048,000	121,517
			1,643,034	1,622,257	20,777
			120,000	102,595	17,405
			484,966	484,920	46
			156,947	156,947	
53,896	41,223	12,673	63,052,998	58,720,809	4,332,189
(15,621)	(1,647)	13,974	(1,459,265)	3,000,442	4,459,707
			13,490	14,397	907
			69,504	361,513	292,009
			310,900	318,040	7,140
10,000	17,500	7,500	(410,900)	(318,040)	92,860
			959,250	1,015,441	56,191
(500)		500	(1,045,646)	(1,015,441)	30,205
			(500)		500
9,500	17,500	8,000	(104,102)	375,910	480,012
(6,121)	15,853	21,974	(1,563,367)	3,376,352	4,939,719
85,019	85,019		11,329,480	11,329,480	
4,696	4,696		2,163,185	2,163,185	
<b>\$83,594</b>	<b>\$105,568</b>	<b>\$21,974</b>	<b>\$11,929,298</b>	<b>\$16,869,017</b>	<b>\$4,939,719</b>

**WASHINGTON LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Combined Statement of Revenues, Expenses and  
Changes in Retained Earnings  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 2001**

	<b>Proprietary Fund Types</b>		<b>Totals (Memorandum Only)</b>
	<b>Enterprise Funds</b>	<b>Internal Service Funds</b>	
<b>Operating Revenues:</b>			
Tuition	\$128,987		\$128,987
Charges for Services	1,118,107	\$3,398,817	4,516,924
Other Operating Revenues	26,376		26,376
<b>Total Operating Revenues</b>	<b>1,273,470</b>	<b>3,398,817</b>	<b>4,672,287</b>
<b>Operating Expenses:</b>			
Salaries	644,229		644,229
Fringe Benefits	248,424	3,335,598	3,584,022
Purchased Services	35,982		35,982
Materials and Supplies	141,683		141,683
Cost of Sales	607,714		607,714
Depreciation	23,112		23,112
Other	117		117
<b>Total Operating Expenses</b>	<b>1,701,261</b>	<b>3,335,598</b>	<b>5,036,859</b>
Operating Income (Loss)	(427,791)	63,219	(364,572)
<b>Non-Operating Revenues (Expenses):</b>			
Federal Donated Commodities	39,662		39,662
Operating Grants	486,072		486,072
Interest Income	10,281	19,192	29,473
Miscellaneous	15,483		15,483
<b>Total Non-Operating Revenues (Expenses)</b>	<b>551,498</b>	<b>19,192</b>	<b>570,690</b>
Net Income (Loss)	123,707	82,411	206,118
Retained Earnings at July 1, 2000	360,486	542,388	902,874
<b>Retained Earnings at June 30, 2001</b>	<b>\$484,193</b>	<b>\$624,799</b>	<b>\$1,108,992</b>

*See accompanying notes to the general-purpose financial statements.*

**WASHINGTON LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Combined Statement of Cash Flows  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 2001**

	<u>Proprietary Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$1,275,553	\$3,396,767	\$4,672,320
Cash Payments to Employees for Services	(667,480)		(667,480)
Cash Payments for Employee Benefits	(253,592)	(3,328,440)	(3,582,032)
Cash Payments to Suppliers for Goods and Services	(731,017)		(731,017)
Net Cash Provided (Used) by Operating Activities	(376,536)	68,327	(308,209)
<b>Cash Flows from Noncapital Financing Activities:</b>			
Operating Grants Received	425,621		425,621
Contributions and Donations	15,483		15,483
Net Cash Provided by Noncapital Financing Activities	441,104		441,104
<b>Cash Flows from Investing Activities:</b>			
Interest on Investments	10,281	19,192	29,473
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Payments for Capital Acquisitions	(75,670)		(75,670)
Net Increase (Decrease) in Cash and Cash Equivalents	(821)	87,519	86,698
Cash and Cash Equivalents at Beginning of Year	374,812	540,804	915,616
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$373,991</b>	<b>\$628,323</b>	<b>\$1,002,314</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	(\$427,791)	\$63,219	(\$364,572)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Depreciation	23,112		23,112
Donated Commodities Received During Year	39,662		39,662
Changes in Assets and Liabilities:			
(Increase)/Decrease in Accounts Receivable	2,083	(466)	1,617
(Increase)/Decrease in Inventory Held for Resale	9,868		9,868
Increase/(Decrease) in Accounts Payable	16,023	5,574	21,597
Increase/(Decrease) in Compensated Absences Payable	(23,251)		(23,251)
Increase/(Decrease) in Intergovernmental Payable	(5,168)		(5,168)
Increase/(Decrease) in Deferred Revenue	(11,074)		(11,074)
Total Adjustments	51,255	5,108	56,363
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>(\$376,536)</b>	<b>\$68,327</b>	<b>(\$308,209)</b>

See accompanying notes to the general-purpose financial statements.

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**WASHINGTON LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended June 30, 2001**

**NOTE 1 - DESCRIPTION OF THE ENTITY**

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

Average daily membership (ADM) as of October 1, 2000 was 7,071. 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 District 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 District in that the District approves the budget, the issuance of debt or the levying of taxes for the organization. The 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 (School District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The

**WASHINGTON LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Year Ended June 30, 2001  
(Continued)**

Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental 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.

*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 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).

*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  
LUCAS COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended June 30, 2001  
(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 District, or to other governments.

*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 and Agency Funds.

*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.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for Governmental, Expendable Trust Funds and agency funds. The full accrual basis of accounting is followed by the Proprietary Funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or

**WASHINGTON LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Year Ended June 30, 2001  
(Continued)**

are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within thirty days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditures requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivable that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**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.



**WASHINGTON LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended June 30, 2001  
(Continued)**

**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 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.

**WASHINGTON LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended June 30, 2001  
(Continued)**

**D. Cash and Investments**

To improve cash management, all cash received by the 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 the 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 2001, investments were limited to repurchase agreements and STAR Ohio. Except for nonparticipating 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. Nonparticipating 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 District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2001. STAR Ohio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

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 2001 amounted to \$1,320,592. Of that amount, \$190,431 was the amount allocated by 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 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 set aside to establish a budget stabilization reserve and a capital maintenance reserve. These reserves are required by State statute and can only be used for certain purposes. At June 30, 2001, restricted assets totaled \$620,748.

**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.

**WASHINGTON LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended June 30, 2001  
(Continued)**

**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.

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

**WASHINGTON LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Year Ended June 30, 2001  
(Continued)**

(50) or greater or 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.

**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, materials and supplies inventory, prepaid items, budget stabilization, capital maintenance, and tax revenue unavailable for appropriation. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

**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

**WASHINGTON LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Year Ended June 30, 2001  
(Continued)**

*NON-REIMBURSABLE GRANTS*

*Special Revenue Funds*  
Career Enhancement  
Management Information Systems  
Ohio READS  
Title I  
Title VI-B  
Eisenhower  
Goals 2000  
Pre-school for the Handicapped  
Title IV - Safe/Drug Free

*Capital Project Funds*  
School Net

*REIMBURSABLE GRANTS*

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

*Capital Project Funds*  
Vocational Education Equipment

**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 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

**WASHINGTON LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Year Ended June 30, 2001  
(Continued)**

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 - CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2001, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. For the District, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the fiscal year ended June 30, 2000.

**NOTE 4 - 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.

*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 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.

**WASHINGTON LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Year Ended June 30, 2001  
(Continued)**

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 States 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.

**Cash on Hand** - At year end, the District had \$2,050 in undeposited cash on hand which is included on the balance sheet of the 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.

**Deposits** - At fiscal year end, the carrying amount of the District's deposits was (\$430,296) and the bank balance was \$343,482. Of the bank balance, \$200,000 was covered by federal depository insurance and \$143,482 was covered by collateral held by the pledging financial institution in the name of the District.

**WASHINGTON LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Year Ended June 30, 2001  
(Continued)**

**B. Investments**

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

	Category 3	Carrying Value	Fair Value
Repurchase Agreements	\$598,539	\$598,539	\$598,539
STAR Ohio - Not categorized		21,902,225	21,902,225
Total		\$22,500,764	\$22,500,764

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 Nonexpendable 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 as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$22,072,518	
Cash on Hand	(2,050)	
Investments:		
STAR Ohio	(21,902,225)	21,902,225
Repurchase Agreement	(598,539)	598,539
GASB Statement No. 3	(\$430,296)	\$22,500,764

**NOTE 5 - 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. 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 25% of true value.



**WASHINGTON LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Year Ended June 30, 2001  
(Continued)**

The assessed value upon which the 2001 taxes were collected was \$1,024,058,532 of which real and public utility property represented 81% (\$820,807,980) of the total and tangible personal property represented 19% (\$203,250,552). The full tax rate for all School District operations applied to real property for fiscal year ended June 30, 2001 was \$65.90 per \$1,000 of assessed valuation.

After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$31.49 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$42.25 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, 2001. 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 2001/2002 operations. Any taxes received after June 30 were not considered to be available to finance 2000/2001 operations and were therefore offset by a credit to deferred revenue.

**NOTE 6 - BUDGETARY BASIS OF ACCOUNTING**

While the 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).
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:

**WASHINGTON LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Year Ended June 30, 2001  
(Continued)**

Excess of Revenues and Other Sources Over (Under) Expenditures/Expenses and Other Financing Uses					
	General	Special Revenue	Debt Service	Capital Project	Expendable Trusts
Budget Basis	\$3,588,259	(\$141,508)		(\$86,252)	\$15,853
Adjustments:					
Revenue Accruals	(177,235)	(441,364)		7,307	
Expenditure Accruals	(2,278,048)	222,094		18,770	(1,307)
Encumbrances	3,081,369	539,234		461,483	500
GAAP Basis	\$4,214,345	\$178,456		\$401,308	\$15,046

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2001, consisted of taxes, interest, 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>
General Fund:	
Taxes - Current	\$ 40,197,203
Taxes - Delinquent	3,236,957
Accounts Receivable	6,537
Intergovernmental Receivable	55,000
Special Revenue:	
Accounts Receivable	38,919
Intergovernmental Receivable	166,516
Capital Projects:	
Taxes - Current	988,132
Taxes - Delinquent	100,112
Enterprise:	
Intergovernmental Receivable	60,451
Internal Service:	
Accounts Receivable	2,050

**NOTE 8 - FIXED ASSETS**

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

	Balance at 7/1/00	Additions	Retirements	Balance at 6/30/01
Land	\$856,402			\$856,402
Land Improvement	512,311	\$35,808		548,119
Buildings	19,987,273	30,169		20,017,442
Furniture/Equipment	8,556,536	1,646,886		10,203,422
Vehicles	3,592,869	631,960		4,224,829
Total General Fixed Assets	\$33,505,391	\$2,344,823		\$35,850,214

**WASHINGTON LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended June 30, 2001  
(Continued)**

The following is a summary of proprietary fund-type fixed assets at June 30, 2001:

	Enterprise Funds
Machinery and Equipment	\$765,131
Less: Accumulated Depreciation	592,755
Net Fixed Assets	\$172,376

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

Buildings	40 years
Equipment	10 years
Vehicles	3-5 years

**NOTE 9 - LONG-TERM OBLIGATIONS**

Long-term obligations of the District as of June 30, 2001 were as follows:

General Long-Term Account Group:	Outstanding 7/01/00	Additions	Deductions	Outstanding 6/30/01
Energy Management Bonds 5.50%; Matures 06/01/2005	\$2,315,000		\$335,000	\$1,980,000
School Energy Conservation Bonds 4.5 to 4.7%; Matures 12/01/2013	640,000		60,000	580,000
EPA Assistance Aware Note No Interest; Matures 6/30/2005	86,645		19,254	67,391
Compensated Absences	3,041,340		145,317	2,896,023
Capital Lease	70,666		70,666	
Intergovernmental Payable	157,741	\$15,936		173,677
Totals	\$6,311,392	\$15,936	\$630,237	\$5,697,091

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 were used to remove friable asbestos from school buildings in order to meet federal mandates.

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 buildings to conserve energy.

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 buildings 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 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

**WASHINGTON LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Year Ended June 30, 2001  
(Continued)**

minimum lease payments as of the date of its inception. The lease was paid off during the fiscal year ended June 30, 2001.

The annual requirements to amortize all note and bond debt outstanding as of June 30, 2001, including interest is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Energy Management Bonds</u>	<u>EPA Assistance Note</u>	<u>School Conservation Bonds</u>
2002	\$464,712	\$19,254	\$84,503
2003	465,188	19,255	86,784
2004	464,376	19,255	88,848
2005	462,452	9,627	85,750
2006	464,420		87,488
2007-2009			256,651
Total	<u>2,321,148</u>	<u>67,391</u>	<u>690,024</u>
Less: Amount representing Interest	341,148		110,024
Totals	<u><u>\$1,980,000</u></u>	<u><u>\$67,391</u></u>	<u><u>\$580,000</u></u>

**NOTE 10 - INTERFUND RECEIVABLE/INTERFUND PAYABLE**

Interfund balances at June 30, 2001, consist of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Due From</u>	<u>Payable</u>	<u>Due To</u>
General	\$7,140	\$286		
Special Revenue:				
Career Education			\$4,746	
Post Secondary Vocational Education			1,500	
Vocational Education			894	
Payroll Agency Fund				\$286
Totals	<u><u>\$7,140</u></u>	<u><u>\$286</u></u>	<u><u>\$7,140</u></u>	<u><u>\$286</u></u>

**NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The 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, 2001 is presented below:

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating Revenues	\$1,116,024	\$157,446	1,273,470
Operating Expenses	1,543,072	158,189	1,701,261
Depreciation Expense	23,112		23,112

**WASHINGTON LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended June 30, 2001  
(Continued)**

	Food Service	Uniform School Supplies	Total
Operating (Loss)	(427,048)	(743)	(427,791)
Operating Grants	486,072		486,072
Net Income (Loss)	124,450	(743)	123,707
Fixed Assets Additions	75,670		75,670
Net Cash Flow	(11,982)	11,161	(821)
Net Working Capital	261,787	148,011	409,798
Total Assets	537,065	159,915	696,980
Total Equity	336,182	148,011	484,193

**NOTE 12 - COMPENSATED ABSENCES**

**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.

**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 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 \$39,000 maximum payment. Employees must have five years service and accumulated sick leave of sixty (60) days sick leave.

**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.

**WASHINGTON LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended June 30, 2001  
(Continued)**

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 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 defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

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; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. 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 District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$1,059,470, \$997,126, and \$925,398, respectively; 74.17 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$273,653 is recorded as a liability within the 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 retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio, 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to

**WASHINGTON LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Year Ended June 30, 2001  
(Continued)**

exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contribution for pension obligations to STRS for the years ended June 30, 2001, 2000 and 1999 were \$3,584,395, \$3,370,933, and \$3,290,393, respectively; 82.74 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$618,680 is recorded as a liability within the respective funds.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation 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.

The State Teachers Retirement Board has authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$1,093,940.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to 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 the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. 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 2001, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including the surcharge, was \$735,232 for fiscal year 2001.

The surcharge, 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. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340, and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 15 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District contracts with Brooks Insurance Agency for general liability insurance with a \$1,000,000 single occurrence limit and a \$5,000,000

**WASHINGTON LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended June 30, 2001  
(Continued)**

aggregate. Property is protected by a blanket building and contents policy for \$137,695,693. 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 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.

**NOTE 16 - STATUTORY RESERVES**

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2001, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2001.

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance 7/1/00	\$104,698		\$888,400	\$993,098
Required Set-Aside	1,270,380	\$1,270,380		2,540,760
Legislative Reduction			(317,594)	(317,594)
Offset Credits				
Qualifying Expenditures	(1,439,119)	(1,220,438)		(2,659,557)
Balance 6/30/01	<u>(\$64,041)</u>	<u>\$49,942</u>	<u>\$570,806</u>	<u>\$556,707</u>
Cash Balance Carried Forward to Fiscal Year 2001		<u>\$49,942</u>	<u>\$570,806</u>	<u>\$620,748</u>

The District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years. The total reserve balance for set asides at the end of the fiscal year was \$620,748.

**NOTE 17 - 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, 2001.



**WASHINGTON LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Year Ended June 30, 2001  
(Continued)**

**NOTE 18 - SCHOOL FUNDING DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years. The total reserve balance for set asides at the end of the fiscal year was \$19,843.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of January 30, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

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**WASHINGTON LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE PERIOD ENDED JUNE 30, 2001**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>		
<i>Passed through Ohio Department of Education:</i>		
<u>Child Nutrition Cluster:</u>		
Food Distribution Program	-	10.550
School Breakfast Program	-	10.553
National School Lunch Program	-	10.555
Total U.S. Department of Agriculture - Child Nutrition Cluster		
<b>UNITED STATES DEPARTMENT OF HEALTH</b>		
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>		
<i>Passed through Lucas County Department of Mental Retardation and Developmental Disabilities:</i>		
Community Alternative Funding Program	-	93.778
<b>UNITED STATES DEPARTMENT OF LABOR</b>		
<i>Passed through Ohio Department of Education:</i>		
Employment Services and Job Training Pilot and Demonstration Program	WK-BE-01	17.249
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>		
<i>Passed through Ohio Department of Education:</i>		
Title 1- Grants to Local Educational Agencies	C1-S1-99 C1-S1-00 C1-S1-01	84.010
Total Title 1		
Title VI-B - Special Education Grants to States for Education of Handicapped Children	6B-SF-00 6B-SF-01	84.027
Total Title VI-B		
Vocational Education- Basic Grants to States	20-C1-00 20-C1-01	84.048
Total Vocational Education		
Safe and Drug Free Schools and Communities- State Grant	DR-S1-00 DR-S1-01	84.186
Total Safe and Drug Free Schools and Communities		

Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
	\$91,092		\$91,828
\$56,596		\$56,596	
343,257		343,257	
<b>399,853</b>	<b>91,092</b>	<b>399,853</b>	<b>91,828</b>
<b>26,768</b>		<b>26,768</b>	
<b>100,000</b>		<b>100,000</b>	
9,596		9,596	
154,252		84,879	
336,915		311,229	
500,763		405,704	
290,788		147,016	
414,018		302,765	
704,806		449,781	
10,491		44,526	
79,510		73,542	
90,001		118,068	
21,582		30,872	
29,148			
50,730		30,872	

(Continued)

**WASHINGTON LOCAL SCHOOL DISTRICT  
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**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE PERIOD ENDED JUNE 30, 2001  
(Continued)**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
Eisenhower Professional Development State Grant	MS-S1-00	84.281
Total Eisenhower Professional Development State Grant	MS-S1-01	
Innovative Education Program Strategies	C2-S1-99	84.298
Total Innovative Education Program Strategies	C2-S1-00 C2-S1-01	
Class Size Reduction- Title VI-R	CR-S1-00	84.340
Total Title VI-R	CR-S1-01	
Adult Education State Grant Program	AB-S1-00	84.002
Total Adult Education State Grant Program	AB-S1-01	
Goals 2000- Subsidy 3	G2-S3-98	84.276
Total Goals 2000	G2-S6-01	

**Total U.S. Department of Education**

**Total Federal Assistance**

The completeness of this Schedule was determined through a review of the minutes for the current audit period, a comparison of the current programs to the programs from the last fiscal year, discussion with the Treasurer and testing of the DTL received from the State of Ohio, the Department of Education, and the Department of Mental Retardation and Developmental Disabilities.

*The accompanying notes are an integral part of this schedule.*

Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
163		3,660	
22,278			
<u>22,441</u>		<u>3,660</u>	
		31,931	
33,600		39,972	
24,974		3,317	
<u>58,574</u>		<u>75,220</u>	
		40,302	
82,400		101,786	
<u>119,075</u>		<u>142,088</u>	
		6,740	
30,271		57,720	
<u>57,720</u>		<u>64,460</u>	
		2,206	
14,578		2,206	
<u>13,200</u>			
<u>27,778</u>			
<b>1,744,559</b>		<b>1,292,059</b>	
<b>\$2,271,180</b>	<b>\$91,092</b>	<b>\$1,818,680</b>	<b>\$91,828</b>

**WASHINGTON LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2001**

**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**

Non-monetary 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, 2001, the District had \$5,632 in food commodities 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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OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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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 (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated January 30, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the 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*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 30, 2002.

Washington Local School District  
Lucas County  
Report of Independent Accountants on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

January 30, 2002



STATE OF OHIO  
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL PROGRAMS 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 (the 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 programs for the year ended June 30, 2001. The 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 each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 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 District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

**Internal Control Over Compliance**

The management of the 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 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 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

January 30, 2002

**WASHINGTON LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2001**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster: Food Distribution Program CFDA #10.550 School Breakfast Program CFDA #10.553 School Lunch Program CFDA #10.555 Title VI-R Class Size Reduction CFDA #84.340
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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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  
FEBRUARY 21, 2002**