

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

AUDIT REPORT

For the Year Ended June 30, 2005

Charles E. Harris & Associates, Inc.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Accountants' Report* of the Washington Local School District, Lucas, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 23, 2006

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WASHINGTON LOCAL SCHOOL DISTRICT
AUDIT REPORT
For the Year Ended June 30, 2005

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Local School District, Lucas County, Ohio, (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Washington Local School District, Lucas County, Ohio, as of June 30, 2005, and the respective changes in financial position and cash flows, thereof and the budgetary comparison for the General Fund and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers* and GASB Statement No. 40, *Deposits and Investment Risk Disclosures*.

The management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2006 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, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Charles E. Harris & Associates, Inc.
March 2, 2006

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The discussion and analysis of the Washington Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities increased \$5,742,256 which represents a 8.47% increase from 2004.
- General revenues accounted for \$67,792,532 in revenue or 88.63% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$8,698,039 or 11.37% of total revenues of \$76,490,571.
- The District had \$70,748,315 in expenses related to governmental activities; only \$8,698,039 of these expenses as offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$67,792,532 were adequate to provide for these programs.
- The general fund is the only major fund of the District. The general fund had \$63,726,204 in revenues and other financing sources and \$64,301,438 in expenditures and other financing uses. During fiscal 2005, the general fund's fund balance decreased \$575,234 from \$28,365,896 to \$27,790,662.
- The District has \$14,291,049 in capital assets at June 30, 2005. This amount is net of accumulated depreciation in the amount of \$27,093,038. Fiscal year 2005 depreciation expense was \$1,258,749. Total capital assets, net of related debt to acquire or construct the assets were \$8,792,049 at June 30, 2005.
- The District has \$8,890,414 in long-term liabilities outstanding at June 30, 2005. Of this total, \$1,529,006 is due within one year and \$7,361,408 is due in greater than one year.

Using these Basic Financial Statements (BFS)

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund. All other governmental funds are considered nonmajor.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

Proprietary Funds

Proprietary funds focus on the District's ongoing activities which are similar to those found in the private sector where net income is necessary or useful to sound financial management. Proprietary funds utilize the *accrual basis* of accounting under which revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. The District's proprietary funds are internal service funds which are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. Proprietary fund statements can be found on pages 20 through 22 of the basic financial statements. For reporting on the statement of net assets and the statement of activities, internal service fund activities are eliminated and consolidated with governmental activities.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for students. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-55 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2005 and 2004.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

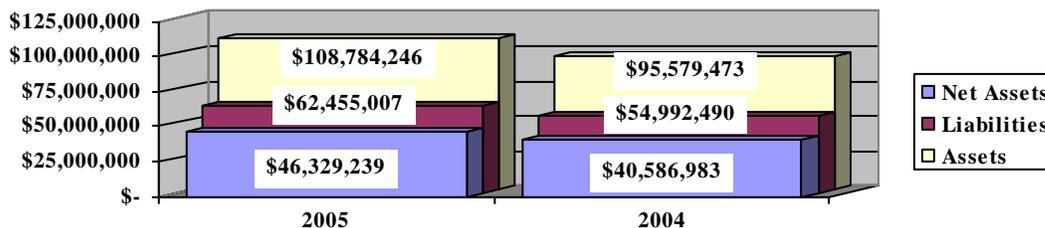
	Net Assets		
	Governmental Activities 2005	Governmental Activities 2004	Percent Change
		<u> </u>	<u> </u>
<u>Assets</u>			
Current and other assets	\$ 94,493,197	\$ 82,253,380	14.88 %
Capital assets, net	<u>14,291,049</u>	<u>13,326,093</u>	7.24 %
Total assets	<u>108,784,246</u>	<u>95,579,473</u>	13.82 %
<u>Liabilities</u>			
Current liabilities	53,554,593	45,024,954	18.94 %
Long-term liabilities	<u>8,890,414</u>	<u>9,967,536</u>	(10.81) %
Total liabilities	<u>62,445,007</u>	<u>54,992,490</u>	13.55 %
<u>Net Assets</u>			
Invested in capital assets, net of related debt	8,792,049	6,644,464	32.32 %
Restricted	1,837,381	9,613,876	(80.89) %
Unrestricted	<u>35,699,809</u>	<u>24,328,643</u>	46.74 %
Total net assets	<u>\$ 46,329,239</u>	<u>\$ 40,586,983</u>	14.15 %

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$46,329,239. Of this total \$1,837,381 is restricted in use and \$8,792,049 is invested in capital assets (net of related debt), resulting in unrestricted net assets of \$35,699,809.

At year-end, capital assets represented 13.14% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$8,792,049. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,837,381, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$35,699,809 may be used to meet the District's ongoing obligations to the students and creditors.

Governmental Activities



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The table below shows the change in net assets for fiscal years 2005 and 2004.

	Change in Net Assets			Percent Change	
	Governmental Activities	Governmental Activities			
	<u>2005</u>	<u>2004</u>			
<u>Revenues</u>					
Program revenues:					
Charges for services and sales	\$ 2,856,914	\$ 2,677,058		6.72	%
Operating grants and contributions	5,776,760	5,241,172		10.22	%
Capital grants and contributions	64,365	-		100.00	%
General revenues:					
Property taxes	42,090,582	38,891,690		8.23	%
Payment in lieu of taxes	3,158,104	3,383,057		(6.65)	%
Grants and entitlements	21,527,215	19,689,468		9.33	%
Investment earnings	973,848	434,516		124.12	%
Gain on sale of capital assets	4,849	16,885		(71.28)	%
Other	<u>37,934</u>	<u>201,616</u>		(81.19)	%
Total revenues	<u>76,490,571</u>	<u>70,535,462</u>		8.44	%
<u>Expenses</u>					
Program expenses:					
Instruction:					
Regular	28,755,203	26,431,722		8.79	%
Special	6,768,850	7,005,391		(3.38)	%
Vocational	2,489,636	2,206,689		12.82	%
Adult/continuing	290,814	556,536		(47.75)	%
Other	1,313,476	1,179,668		11.34	%
Support services:					
Pupil	3,204,299	3,225,072		(0.64)	%
Instructional staff	3,721,070	3,252,941		14.39	%
Board of education	89,378	138,118		(35.29)	%
Administration	4,241,379	3,882,138		9.25	%
Fiscal	1,347,796	1,301,391		3.57	%
Business	557,197	467,459		19.20	%
Operations and maintenance	8,359,165	7,135,218		17.15	%
Pupil transportation	2,921,716	2,297,397		27.18	%
Central	1,950,428	2,102,951		(7.25)	%
Operations of non-instructional services	151,909	1,249,022		(87.84)	%
Food service operations	2,050,266	1,996,349		2.70	%
Extracurricular activities	1,107,697	1,147,453		(3.46)	%
Intergovernmental	1,134,839	313,527		261.96	%
Interest and fiscal charges	<u>293,197</u>	<u>359,842</u>		(18.52)	%
Total expenses	<u>70,748,315</u>	<u>66,248,884</u>		6.79	%
Change in net assets	<u>\$ 5,742,256</u>	<u>\$ 4,286,578</u>		(33.96)	%

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

Governmental Activities

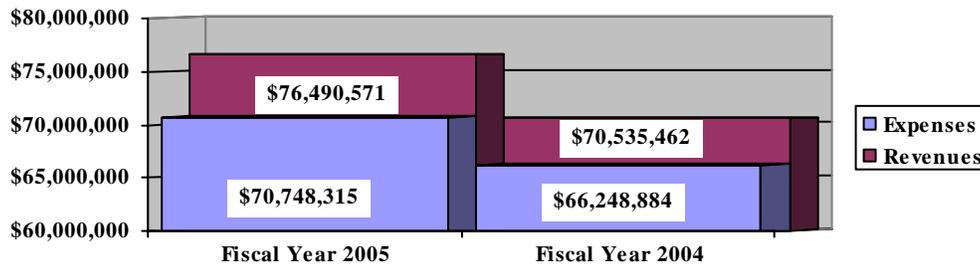
Net assets of the District's governmental activities increased \$5,742,256. Total governmental expenses of \$70,748,315 were offset by program revenues of \$8,698,039 and general revenues of \$67,792,532. Program revenues supported 12.29% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, payments in lieu of taxes and grants and entitlements. These revenue sources represent 87.30% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$39,617,979 or 56.00% of total governmental expenses for fiscal year 2005.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2005 and 2004.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2005	2005	2004	2004
Program expenses				
Instruction:				
Regular	\$ 28,755,203	\$ 27,321,590	\$ 26,431,722	\$ 24,956,271
Special	6,768,850	4,892,983	7,005,391	5,068,450
Vocational	2,489,636	2,364,293	2,206,689	2,149,103
Adult/continuing	290,814	(9,326)	556,536	125,227
Other	1,313,476	1,313,476	1,179,668	1,022,029

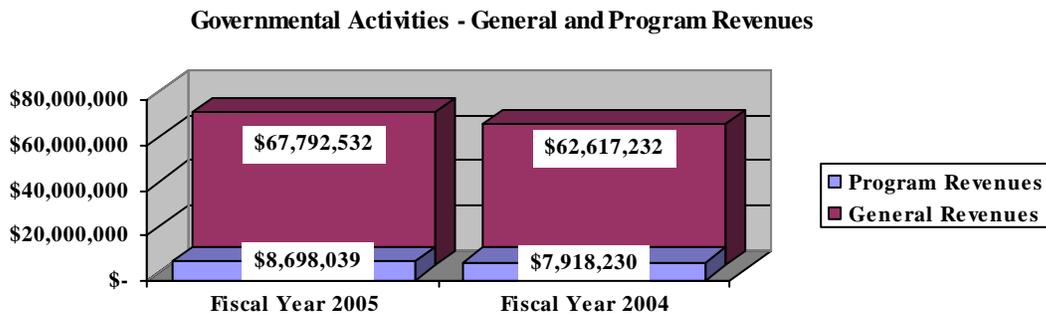
**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Program expenses				
Pupil	\$ 3,204,299	\$ 3,072,495	\$ 3,225,072	\$ 3,034,642
Instructional staff	3,721,070	3,027,037	3,252,941	2,737,049
Board of education	89,378	89,378	138,118	138,118
Administration	4,241,379	4,045,673	3,882,138	3,874,288
Fiscal	1,347,796	1,347,796	1,301,391	1,301,391
Business	557,197	557,197	467,459	467,459
Operations and maintenance	8,359,165	8,240,939	7,135,218	7,134,825
Pupil transportation	2,921,716	2,790,196	2,297,397	2,297,397
Central	1,950,428	1,860,467	2,102,951	2,072,085
Operations of non-instructional services	151,909	7,019	1,249,022	7,993
Food service operations	2,050,266	81,587	1,996,349	123,505
Extracurricular activities	1,107,697	730,204	1,147,453	1,147,453
Intergovernmental pass through	1,134,839	24,075	313,527	313,527
Interest and fiscal charges	293,197	293,197	359,852	359,842
Total expenses	\$ 70,748,315	\$ 62,050,276	\$ 66,248,894	\$ 58,330,654

The dependence upon tax and other general revenues for governmental activities is apparent, 90.57% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87.71%. The District's taxpayers, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2005 and 2004.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$27,151,947, which is higher than last year's total of \$27,005,432. The June 30, 2004 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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		Restated	
	Fund Balance	Fund Balance	
	(deficit)	(deficit)	Increase
	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>(Decrease)</u>
General	\$ 27,790,662	\$ 28,365,896	\$ (575,234)
Other Governmental	(638,715)	(1,360,464)	721,749
Total	\$ 27,151,947	\$ 27,005,432	\$ 146,515

General Fund

The District's general fund balance decreased \$575,234. The table that follows assists in illustrating the financial activities of the general fund.

	2005	Restated	Increase	Percentage
	<u>Amount</u>	<u>Amount</u>	<u>(Decrease)</u>	<u>Change</u>
<u>Revenues</u>				
Taxes	\$ 37,454,441	\$ 37,294,618	\$ 159,823	0.43 %
Tuition	494,193	465,321	28,872	6.20 %
Earnings on investments	888,379	385,077	503,302	130.70 %
Intergovernmental	21,367,290	19,587,704	1,779,586	9.09 %
Payment in lieu of taxes	3,158,104	3,383,057	(224,953)	(6.65) %
Other revenues	337,053	387,540	(50,487)	(13.03) %
Total	\$ 63,699,460	\$ 61,503,317	\$ 2,196,143	3.57 %
<u>Expenditures</u>				
Instruction	\$ 36,376,201	\$ 35,536,972	\$ 839,229	2.36 %
Support services	25,074,161	23,057,286	2,016,875	8.75 %
Operation of non-instructional services	40,185	-	40,185	100.00 %
Extracurricular activities	694,973	743,452	(48,479)	(6.52) %
Facilities acquisition and construction	1,048,302	1,629,741	(581,439)	(35.68) %
Debt service	307,617	317,566	(9,949)	(3.13) %
Total	\$ 63,541,439	\$ 61,285,017	\$ 2,256,422	3.68 %

Earnings on investments increased as the District had more funds to invest in fiscal 2005. Facilities acquisition and construction expenditures were lower in fiscal 2005 as the District purchased fewer capital items during the year. All other revenue and expenditure line items are comparable to fiscal 2004.

General Fund Budgeting Highlights

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

During the course of fiscal 2005, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$66,768,517, which is higher than the original budgeted revenues estimate of \$60,814,152. Actual revenues and other financing sources for fiscal 2005 was \$66,748,476. This represents a \$20,041 decrease from final budgeted revenues. This decrease is primarily due to tax revenues being lower than estimated.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

General fund final appropriations (appropriated expenditures plus other financing uses) were \$69,921,092, which is the same as the original budgeted appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$68,030,012, which was \$1,891,080 less than the final budget appropriations. The District was able to decrease appropriations primarily because salary costs proved to be lower than anticipated in the original and final budget.

Capital Assets and Debt Administration

Capital Assets

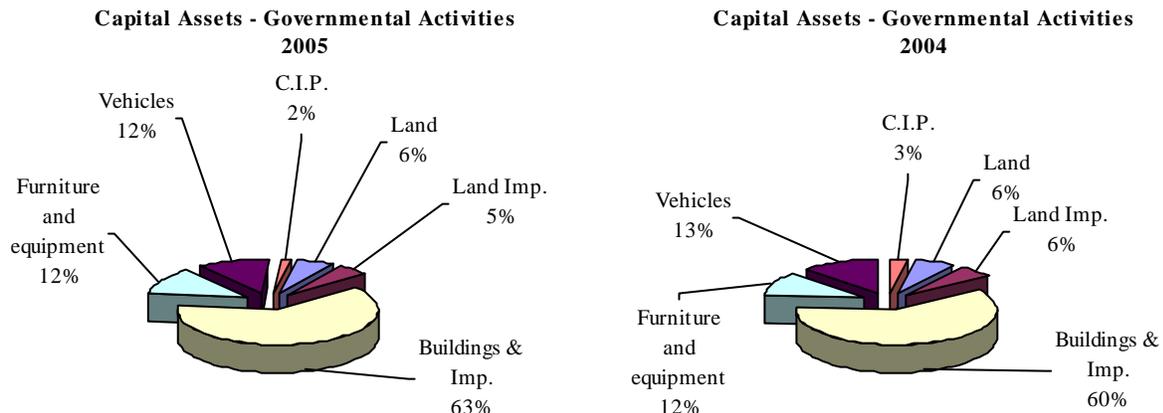
At the end of fiscal 2005, the District had \$14,291,049 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress (CIP). This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

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

	Governmental Activities	
		Restated
	2005	2004
Land	\$ 856,402	\$ 856,402
Land improvements	753,908	823,797
Buildings and improvements	8,990,797	8,047,489
Furniture and equipment	1,785,135	1,533,741
Vehicles	1,672,712	1,710,367
Construction in progress	232,095	354,297
Total	\$ 14,291,049	\$ 13,326,093

Total additions to capital assets for 2005 were \$3,474,849 and total disposals were \$1,251,144 (net of accumulated depreciation). The disposal of CIP of \$1,229,249 represents construction projects which were completed in fiscal year 2005 and transferred to buildings and improvements. The overall increase in capital assets of \$964,956 (net of accumulated depreciation) is primarily due to the construction in progress going on within the District in fiscal 2005.

The graphs below present the District's capital assets for fiscal 2005 and fiscal 2004.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Debt Administration

At June 30, 2005, the District had \$5,499,000 in general obligation bonds, notes payable and capital lease obligations outstanding. Of this total, \$1,233,000 is due within one year and \$4,266,000 is due within greater than one year. The following table summarizes the bonds, notes and lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2005	Governmental Activities 2004
General obligation bonds	\$ 755,000	\$ 1,240,000
Permanent improvement note	4,179,000	4,608,629
Capital lease obligation	565,000	833,000
Total	\$ 5,499,000	\$ 6,681,629

At June 30, 2005, the District's overall legal debt margin was \$100,554,160 with an unvoted debt margin of \$1,125,657.

See Note 10 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

As the preceding information shows, the District depends on its property taxpayers. With the passage of a 3.9 mill dual purpose levy in November 2004, the District will be able to continue its education programs. However, financially the future is not without challenges.

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

Externally, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor equitable". On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school -funding mechanism that is to be thorough and efficient. The School District is unable to determine what effect, if any, this decision will have on future funding from the State. See Note 15 to the basic financial statement for more on this contingent matter.

Both scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

Contacting the District's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 41,778,597
Cash in segregated accounts	1,720
Receivables:	
Taxes	51,034,695
Accounts	71,205
Intergovernmental	1,173,855
Accrued interest	53,120
Prepayments	182,028
Materials and supplies inventory.	197,977
Capital assets:	
Land and construction in progress.	1,088,497
Depreciable capital assets, net.	13,202,552
Capital assets, net	14,291,049
 Total assets.	 108,784,246
Liabilities:	
Accounts payable.	1,072,604
Accrued wages and benefits	5,717,909
Matured compensated absences payable.	1,109,631
Pension obligation payable.	1,572,715
Intergovernmental payable	858,610
Deferred revenue	42,040,819
Accrued interest payable	5,862
Claims payable	1,186,443
Long-term liabilities:	
Due within one year.	1,529,006
Due within more than one year.	7,361,408
Total liabilities	62,455,007
Net Assets:	
Invested in capital assets, net of related debt.	8,792,049
Restricted for:	
Capital projects	192
Set-asides	1,273,900
Locally funded programs	3,742
State funded programs	68,096
Federally funded programs	221,883
Student activities	214,568
Other purposes	55,000
Unrestricted	35,699,809
Total net assets	\$ 46,329,239

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 28,755,203	\$ 653,462	\$ 780,151	\$ -	\$ (27,321,590)
Special	6,768,850	250	1,875,617	-	(4,892,983)
Vocational	2,489,636	59,341	66,002	-	(2,364,293)
Adult/continuing	290,814	179,110	121,030	-	9,326
Other	1,313,476	-	-	-	(1,313,476)
Support services:					
Pupil	3,204,299	-	131,804	-	(3,072,495)
Instructional staff	3,721,070	18,187	675,846	-	(3,027,037)
Board of education	89,378	-	-	-	(89,378)
Administration	4,241,379	147,765	47,941	-	(4,045,673)
Fiscal	1,347,796	-	-	-	(1,347,796)
Business	557,197	-	-	-	(557,197)
Operations and maintenance	8,359,165	118,226	-	-	(8,240,939)
Pupil transportation	2,921,716	131,520	-	-	(2,790,196)
Central	1,950,428	1,084	24,512	64,365	(1,860,467)
Operation of non-instructional services:					
Food service operations	2,050,266	1,160,827	807,852	-	(81,587)
Other non-instructional services	151,909	9,649	135,241	-	(7,019)
Extracurricular activities	1,107,697	377,493	-	-	(730,204)
Intergovernmental	1,134,839	-	1,110,764	-	(24,075)
Interest and fiscal charges	293,197	-	-	-	(293,197)
Total governmental activities	\$ 70,748,315	\$ 2,856,914	\$ 5,776,760	\$ 64,365	(62,050,276)
General Revenues:					
Property taxes levied for:					
General purposes					40,578,864
Debt service					449,786
Capital outlay					1,061,932
Payments in lieu of taxes					3,158,104
Grants and entitlements not restricted					
to specific programs					21,527,215
Investment earnings					973,848
Gain on sale of capital assets					4,849
Miscellaneous					37,934
Total general revenues					67,792,532
Change in net assets					5,742,256
Net assets at beginning of year (restated)					40,586,983
Net assets at end of year					\$ 46,329,239

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and investments	\$ 34,807,405	\$ 4,371,131	\$ 39,178,536
Cash in segregated accounts	1,720	-	1,720
Receivables:			
Taxes	48,668,469	2,366,226	51,034,695
Accounts	28,302	42,903	71,205
Intergovernmental	235,629	938,226	1,173,855
Accrued interest	53,120	-	53,120
Interfund loans	675,000	-	675,000
Prepayments	182,028	-	182,028
Materials and supplies inventory	152,779	45,198	197,977
Restricted assets:			
Equity in pooled cash and investments	1,273,900	-	1,273,900
Total assets	<u>\$ 86,078,352</u>	<u>\$ 7,763,684</u>	<u>\$ 93,842,036</u>
Liabilities:			
Accounts payable	\$ 968,348	\$ 104,256	\$ 1,072,604
Accrued wages and benefits	5,341,068	376,841	5,717,909
Compensated absences payable	1,109,631	-	1,109,631
Pension obligation payable	1,375,572	197,143	1,572,715
Intergovernmental payable	784,783	73,827	858,610
Interfund loan payable	-	675,000	675,000
Claims payable	1,131,862	-	1,131,862
Notes payable	-	4,179,000	4,179,000
Accrued interest payable	-	2,786	2,786
Deferred revenue	47,576,426	2,793,546	50,369,972
Total liabilities	<u>58,287,690</u>	<u>8,402,399</u>	<u>66,690,089</u>
Fund Balances:			
Reserved for encumbrances	3,975,554	191,766	4,167,320
Reserved for budget stabilization	1,273,900	-	1,273,900
Reserved for materials and supplies inventory	152,779	45,198	197,977
Reserved for property tax unavailable for appropriation	1,069,410	34,803	1,104,213
Reserved for prepayments	182,028	-	182,028
Unreserved, undesignated (deficit), reported in:			
General fund	21,136,991	-	21,136,991
Special revenue funds	-	(24,379)	(24,379)
Capital projects funds	-	(886,103)	(886,103)
Total fund balances (deficit)	<u>27,790,662</u>	<u>(638,715)</u>	<u>27,151,947</u>
Total liabilities and fund balances	<u>\$ 86,078,352</u>	<u>\$ 7,763,684</u>	<u>\$ 93,842,036</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

Total governmental fund balances		\$ 27,151,947
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		14,291,049
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 7,829,397	
Intergovernmental revenue	<u>499,756</u>	
Total		8,329,153
An internal service fund is used by management to charge the costs of dental insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		1,271,580
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	755,000	
Compensated absences	3,391,414	
Capital lease obligation	565,000	
Accrued interest payable	<u>3,076</u>	
Total		<u>(4,714,490)</u>
Net assets of governmental activities		<u>\$ 46,329,239</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 37,454,441	\$ 1,379,191	\$ 38,833,632
Payment in lieu of taxes	3,158,104	-	3,158,104
Tuition	494,193	332,059	826,252
Charges for services	-	1,160,827	1,160,827
Transportation fees	131,520	-	131,520
Earnings on investments	888,379	65,300	953,679
Extracurricular	-	378,329	378,329
Classroom materials and fees	38,771	145,886	184,657
Other local revenues	166,762	61,100	227,862
Intergovernmental - Intermediate	-	19,094	19,094
Intergovernmental - State	20,459,586	2,036,564	22,496,150
Intergovernmental - Federal	907,704	3,444,249	4,351,953
Total revenue	<u>63,699,460</u>	<u>9,022,599</u>	<u>72,722,059</u>
Expenditures:			
Current:			
Instruction:			
Regular	27,840,429	809,813	28,650,242
Special	4,889,137	1,845,252	6,734,389
Vocational	2,339,849	145,662	2,485,511
Adult/continuing	6,943	271,826	278,769
Other	1,299,843	-	1,299,843
Support Services:			
Pupil	3,049,044	135,322	3,184,366
Instructional staff	3,065,154	686,175	3,751,329
Board of education	87,766	-	87,766
Administration	4,079,995	229,475	4,309,470
Fiscal	1,373,868	21,353	1,395,221
Business	536,941	-	536,941
Operations and maintenance	8,238,882	-	8,238,882
Pupil transportation	2,854,556	-	2,854,556
Central	1,787,955	125,559	1,913,514
Operation of non-instructional services:			
Food service operations	-	2,032,973	2,032,973
Other non-instructional services	40,185	136,812	176,997
Intergovernmental pass through	-	1,134,839	1,134,839
Extracurricular activities	694,973	397,437	1,092,410
Facilities acquisition and construction	1,048,302	326,690	1,374,992
Debt service:			
Principal retirement	277,629	485,000	762,629
Interest and fiscal charges	29,988	276,661	306,649
Total expenditures	<u>63,541,439</u>	<u>9,060,849</u>	<u>72,602,288</u>
Excess of revenues over (under) expenditures	<u>158,021</u>	<u>(38,250)</u>	<u>119,771</u>
Other financing sources (uses):			
Transfers in	-	759,999	759,999
Transfers (out)	(759,999)	-	(759,999)
Proceeds from sale of capital assets	26,744	-	26,744
Total other financing sources (uses)	<u>(733,255)</u>	<u>759,999</u>	<u>26,744</u>
Net change in fund balances	(575,234)	721,749	146,515
Fund balances (deficit)			
at beginning of year (restated)	28,365,896	(1,360,464)	27,005,432
Fund balances (deficit) at end of year	<u>\$ 27,790,662</u>	<u>\$ (638,715)</u>	<u>\$ 27,151,947</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds	\$	146,515
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.		
Capital asset additions	\$ 2,245,600	
Current year depreciation	<u>(1,258,749)</u>	
Total		986,851
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(21,895)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		13,452
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	3,256,950	
Interest	13,212	
Intergovernmental	<u>486,544</u>	
Total		3,756,706
Repayment of bond, notes and capital lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:		
Bonds	485,000	
Notes	9,629	
Capital lease	<u>268,000</u>	
Total		762,629
The internal service fund used by management to charge the costs of dental insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		203,505
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		<u>(105,507)</u>
Change in net assets of governmental activities	\$	<u>5,742,256</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 36,353,769	\$ 39,913,197	\$ 39,722,847	\$ (190,350)
Tuition	451,630	495,850	494,193	(1,657)
Transportation	113,853	125,000	131,520	6,520
Earnings on investments	796,968	875,000	876,605	1,605
Classroom materials and fees	36,433	40,000	39,916	(84)
Other local revenues	122,050	134,000	164,380	30,380
Intergovernmental	22,310,983	24,495,470	24,547,586	52,116
Total revenue	<u>60,185,686</u>	<u>66,078,517</u>	<u>65,977,047</u>	<u>(101,470)</u>
Expenditures:				
Current:				
Instruction:				
Regular	28,365,959	27,920,374	27,381,062	539,312
Special	5,633,011	5,158,011	4,980,952	177,059
Vocational	2,483,423	2,454,106	2,373,502	80,604
Adult continuing	3,450	4,450	2,483	1,967
Other	1,300,000	1,300,000	1,299,843	157
Support Services:				
Pupil	3,462,384	3,323,884	3,222,549	101,335
Instructional staff	2,900,326	2,945,326	2,849,570	95,756
Board of education	120,725	157,275	139,803	17,472
Administration	4,352,117	4,232,117	4,069,590	162,527
Fiscal	1,384,457	1,396,457	1,347,706	48,751
Business	608,524	588,524	524,069	64,455
Operations and maintenance	8,912,294	8,912,344	8,723,145	189,199
Pupil transportation	3,242,977	3,203,977	3,149,803	54,174
Central	1,937,994	1,922,945	1,822,522	100,423
Operation of non-instructional services	18,600	35,968	27,590	8,378
Extracurricular activities	736,650	749,000	688,901	60,099
Facilities acquisition and construction	3,115,544	4,081,880	3,902,295	179,585
Debt service:				
Principal retirement	19,254	19,254	9,628	9,626
Total expenditures	<u>68,597,689</u>	<u>68,405,892</u>	<u>66,515,013</u>	<u>1,890,879</u>
Excess of revenues over (under) expenditures	<u>(8,412,003)</u>	<u>(2,327,375)</u>	<u>(537,966)</u>	<u>1,789,409</u>
Other financing sources (uses):				
Refund of prior year expenditure	4,554	5,000	9,685	4,685
Refund of prior year receipts	(200)	(200)	-	200
Transfers (out)	(648,203)	(780,000)	(779,999)	1
Advances in	614,804	675,000	735,000	60,000
Advances (out)	(675,000)	(735,000)	(735,000)	-
Proceeds from sale of capital assets	9,108	10,000	26,744	16,744
Total other financing sources (uses)	<u>(694,937)</u>	<u>(825,200)</u>	<u>(743,570)</u>	<u>81,630</u>
Net change in fund balance	(9,106,940)	(3,152,575)	(1,281,536)	1,871,039
Fund balance at beginning of year	30,112,703	30,112,703	30,112,703	-
Prior year encumbrances appropriated	2,402,695	2,402,695	2,402,695	-
Fund balance at end of year	<u>\$ 23,408,458</u>	<u>\$ 29,362,823</u>	<u>\$ 31,233,862</u>	<u>\$ 1,871,039</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Current assets:	
Equity in pooled cash and investments	\$ 1,326,161
Total assets	<u>1,326,161</u>
Liabilities:	
Claims payable	<u>54,581</u>
Total liabilities	<u>54,581</u>
Net assets:	
Unrestricted.	<u>1,271,580</u>
Total net assets	<u><u>\$ 1,271,580</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Governmental Activities - Internal Service Fund
Operating revenues:	
Sales/charges for services.	\$ 571,763
Total operating revenues	<u>571,763</u>
Operating expenses:	
Purchased services.	23,794
Claims.	<u>351,421</u>
Total operating expenses	<u>375,215</u>
Operating income	196,548
Nonoperating revenues:	
Interest revenue	<u>6,957</u>
Total nonoperating revenues.	<u>6,957</u>
Change in net assets	203,505
Net assets at beginning of year.	<u>1,068,075</u>
Net assets at end of year	<u><u>\$ 1,271,580</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from sales/charges for services	\$ 572,924
Cash payments for contractual services	(23,794)
Cash payments for claims	<u>(363,656)</u>
Net cash provided by operating activities	<u>185,474</u>
Cash flows from investing activities:	
Interest received	<u>6,957</u>
Net cash provided by investing activities	<u>6,957</u>
Net increase in cash and cash equivalents	192,431
Cash and cash equivalents at beginning of year . . .	<u>1,133,730</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,326,161</u></u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 196,548
Changes in assets and liabilities:	
Increase in accounts receivable	1,161
(Increase) in claims payable	<u>(12,235)</u>
Net cash provided by operating activities	<u><u>\$ 185,474</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 91,922	\$ 134,055
Receivables:		
Accounts	-	4,312
	91,922	138,367
Total assets	91,922	\$ 138,367
Liabilities:		
Due to students	-	\$ 138,367
	-	\$ 138,367
Total liabilities	-	\$ 138,367
Net Assets:		
Held in trust for scholarships	91,922	
	91,922	
Total net assets	\$ 91,922	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 1,096
Extracurricular activities.	2,694
Gifts and contributions.	16,515
Total additions.	20,305
Deductions:	
Scholarships awarded	23,987
Change in net assets	(3,682)
Net assets at beginning of year.	95,604
Net assets at end of year	\$ 91,922

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District ranks as the 40th largest by enrollment among the 614 public school districts in the state. The District employs 309 non-certified and 560 certified full-time and part-time employees to provide services to approximately 6,992 students in grades K through 12.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

The following organization is described due to its relationship to the District:

JOINTLY GOVERNED ORGANIZATION

Northwest Ohio Computer Association (NWOCA)

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (b) for food service, uniform school supplies and community and adult education programs; and (c) for debt service principal and interest on long-term obligations and (d) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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

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

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

D. Basis of Accounting

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

E. Budgets

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

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commissions' certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts from the certificate of estimated resources that was in effect at the time the original permanent appropriations covering the entire fiscal year were passed by the Board of Education. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts from the certificate of amended resources that was in effect at the time the final appropriations were passed by the Board of Education.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

Appropriations:

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

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

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

Lapsing of Appropriations:

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the basic financial statements.

During fiscal year 2005, investments were limited to overnight repurchase agreements, federal agency securities and investments in the State Asset Treasury Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2005. 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, 2005.

**WASHINGTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$888,379, which includes \$68,512 assigned from other District funds.

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

G. Inventory

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

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

H. Capital Assets

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

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	15-20 years
Buildings and improvements	20-40 years
Furniture and equipment	5-20 years
Vehicles	8 years

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

I. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." Interfund balances between governmental funds are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

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

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

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

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and notes are recognized as a liability on the fund financial statements when due.

L. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set-aside for budget stabilization. See Note 16 for additional information regarding set-asides.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

M. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, debt service, prepayments, property taxes unavailable for appropriation, and budget stabilization. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenue and expenditures.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

O. Prepayments

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

P. Estimates

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Transfers between governmental funds are eliminated for reporting on the government-wide statement of activities.

R. Nonpublic Schools

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2005.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Restatement of Fund Balances

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers". The District also is reporting a prior period adjustment to report the liability under the District's Workers' Compensation retrospective rating program at June 30, 2004. In addition, funds previously reported as enterprise funds have been reclassified as governmental funds to better reflect their activities and purpose in accordance with GASB Statement No. 34.

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2, the prior period adjustment for the Workers' Compensation liability and the fund reclassifications had the following effect on the fund balances of the major and non-major governmental funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ 29,647,930	\$ (1,321,513)	\$ 28,326,417
GASB Technical Bulletin No. 2004-2	(210,047)	(58,878)	(268,925)
Fund reclassifications	-	19,927	19,927
Adjustment for workers' compensation liability	<u>(1,071,987)</u>	<u>-</u>	<u>(1,071,987)</u>
Restated Fund Balance, June 30, 2004	<u>\$ 28,365,896</u>	<u>\$ (1,360,464)</u>	<u>\$ 27,005,432</u>

B. Restatement of Net Assets

Net assets of the governmental activities have been restated to account for the effect of reclassifying former enterprise funds (business-type activities) to governmental activities, to record the effect of the prior period adjustment to report the District's liability under the Workers' Compensation Retrospective Rating Program and to report corrections for errors and omissions in the amounts reported as capital assets in the previous fiscal year. Net assets of governmental and business-type activities have been restated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u> <u>Enterprise Funds</u>
Net assets, June 30, 2004	\$ 43,359,650	\$ 179,509
Fund reclassifications	179,509	(179,509)
Adjustments for capital assets	(1,880,189)	-
Adjustment for worker's compensation liability	<u>(1,071,987)</u>	<u>-</u>
Restated Fund Balance, June 30, 2004	<u>\$ 40,586,983</u>	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Deficit Fund Balances

Fund balances at June 30, 2005 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Governmental Funds</u>	
Adult Education	\$ 43,362
Management Information System	1,381
Disadvantaged Pupil Impact Aid	33,168
School Net Professional Development	145
Student Intervention	2,106
Adult Basic Education	7,792
IDEA, Part B, Education of Handicapped Children	215,181
Vocational Education	13,202
Title III	486
Title I, Disadvantaged Children/Targeted Assistance	45,565
Title V	734
Drug Free School Grant	744
Improving Teacher Quality	17,873
Miscellaneous Federal Grants	325
Permanent Improvement	849,992

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances are a result of adjustments for accrued liabilities.

The deficit balance in the Permanent Improvement fund is the result of recording a fund liability for a long-term tax anticipation note payable (see Note 10.A.). Tax anticipation notes are required to be reported as liabilities of the fund which initially receives the proceeds of the note issuance.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (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;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash in Segregated Accounts

The District reports "cash in segregated accounts" for the Athletic Department checking account which is maintained separately from the District's internal investment pool. The balance of the cash in segregated accounts was \$1,720 at June 30, 2005 and is included in "Deposits with Financial Institutions" below.

B. Deposits with Financial Institutions

At June 30, 2005, the carrying amount of all District deposits was \$21,039,140, exclusive of the \$2,020,242 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$21,187,304 of the District's bank balance of \$21,587,304 was exposed to custodial risk as discussed below, while \$400,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	Balance at <u>Fair Value</u>	<u>Investment Maturities</u>			
		6 months or <u>less</u>	7 to 12 <u>months</u>	13 to 18 <u>months</u>	19 to 24 <u>months</u>
Repurchase Agreement	\$ 2,020,242	\$ 2,020,242	\$ -	\$ -	\$ -
STAR Ohio	13,946,260	13,946,260	-	-	-
FHLB	3,003,264	996,250	1,504,800	502,214	-
FHLMC	999,530	999,530	-	-	-
FNMA	997,858	502,388	495,470	-	-
	<u>\$ 20,967,154</u>	<u>\$ 18,464,670</u>	<u>\$ 2,000,270</u>	<u>\$ 502,214</u>	<u>\$ -</u>

The weighted average maturity of investments at June 30, 2005 was 0.12 years.

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

Credit Risk: The District's investments, except for STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District.

Concentration of Credit Risk: The District's investment policy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	2,020,242	9.64%
STAR Ohio	13,946,260	66.51%
FHLB	3,003,264	14.32%
FHLMC	999,530	4.77%
FNMA	997,858	4.76%
Total	<u>\$ 20,967,154</u>	<u>100.00%</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 21,039,140
Investments	20,967,154
Total	\$ 42,006,294
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 41,780,317
Private-purpose trust fund	91,922
Agency fund	134,055
Total	\$ 42,006,294

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund loans receivable/payable consisted of the following at June 30, 2005, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 675,000

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2005 are reported on the statement of net assets.

- B.** Interfund transfers for the fiscal year ended June 30, 2005, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers from general fund to:	
Nonmajor governmental funds	\$ 759,999

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Lucas County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2006 operations. The amount available as an advance at June 30, 2005 was \$1,069,410 in the general fund and \$34,803 in the Permanent Improvement capital projects fund (a nonmajor governmental fund). The amount that was available for advance at June 30, 2004 was \$3,373,661 in the general fund, \$52,073 in the debt service fund (a nonmajor governmental fund) and \$34,380 in the Permanent Improvement capital projects fund (a nonmajor governmental fund). The amount available for advance can vary depending upon when tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second		2005 First	
	Half Collections		Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 931,927,230	83.53	\$ 934,986,970	83.07
Public Utility Personal	18,000,000	1.61	18,962,080	1.68
Tangible Personal Property	<u>165,774,336</u>	<u>14.86</u>	<u>171,708,189</u>	<u>15.25</u>
Total	<u>\$ 1,115,701,566</u>	<u>100.00</u>	<u>\$ 1,125,657,239</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation				
Operations	\$ 63.70		\$ 67.60	
Permanent improvement	2.20		2.20	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities	
Property taxes	\$ 51,034,695
Accounts	71,205
Accrued interest	53,120
Intergovernmental	<u>1,173,855</u>
Total	<u>\$ 52,332,875</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During a prior fiscal year, the District entered into capital lease agreements for reproduction equipment and computers. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE – (Continued)

Capital lease payments have been reclassified and are reflected as debt service expenditures in the statement of revenues, expenditures and changes in fund balances - general fund. These expenditures are reflected as program/function expenditures on a budgetary basis. As of June 30, 2005 general capital assets acquired by leases have been capitalized to the extent that they exceeded the District's capitalization threshold of \$2,500. A corresponding liability of \$565,000 has been recorded in the statement of net assets. Principal and interest payments in the 2005 fiscal year totaled \$268,000 and \$29,988, respectively. This amount is reflected as debt service principal retirement in the general fund and as a reduction to the long-term liabilities reported on the statement of net assets.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2005:

Year Ending <u>June 30</u>	<u>Amount</u>
2006	\$ 298,340
2007	<u>297,332</u>
Total minimum lease payment	595,672
Less: amount representing interest	<u>(30,672)</u>
Present value of minimum lease payments	<u>\$ 565,000</u>

NOTE 9 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated by \$(1,880,189) due the inclusion of funds previously reported as enterprise funds and due to errors and omissions in the amounts previously reported, primarily in the area of construction in progress. The restatement had the following effect on capital asset balances as previously reported:

	Balance <u>06/30/04</u>	<u>Adjustments</u>	Restated Balance <u>06/30/04</u>
Governmental Activities			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 856,402	\$ -	\$ 856,402
Construction in progress	<u>2,355,265</u>	<u>(2,000,968)</u>	<u>354,297</u>
Total capital assets, not being depreciated	<u>3,211,667</u>	<u>(2,000,968)</u>	<u>1,210,699</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	1,741,658	-	1,741,658
Building and improvements	26,453,884	(281,913)	26,171,971
Furniture and equipment	5,298,539	95,729	5,394,268
Vehicles	4,938,542	(30,185)	4,908,357
Total capital assets, being depreciated	<u>38,432,623</u>	<u>(216,369)</u>	<u>38,216,254</u>
Less: accumulated depreciation	<u>(26,438,008)</u>	<u>337,148</u>	<u>(26,100,860)</u>
Governmental activities capital assets, net	<u>15,206,282</u>	<u>(1,880,189)</u>	<u>13,326,093</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 9 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Restated Balance			Balance
	<u>06/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/05</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 856,402	\$ -	\$ -	\$ 856,402
Construction in progress	354,297	1,107,047	(1,229,249)	232,095
Total capital assets, not being depreciated	<u>1,210,699</u>	<u>1,107,047</u>	<u>(1,229,249)</u>	<u>1,088,497</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,741,658	-	-	1,741,658
Building and improvements	26,171,971	1,471,928	-	27,643,899
Furniture and equipment	5,394,268	484,421	(3,054)	5,875,635
Vehicles	4,908,357	411,453	(285,412)	5,034,398
Total capital assets, being depreciated	<u>38,216,254</u>	<u>2,367,802</u>	<u>(288,466)</u>	<u>40,295,590</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(917,861)	(69,889)	-	(987,750)
Building and improvements	(18,124,482)	(528,620)	-	(18,653,102)
Furniture and equipment	(3,860,527)	(233,027)	3,054	(4,090,500)
Vehicles	(3,197,990)	(427,213)	263,517	(3,361,686)
Total accumulated depreciation	<u>(26,100,860)</u>	<u>(1,258,749)</u>	<u>266,571</u>	<u>(27,093,038)</u>
Governmental activities capital assets, net	<u>\$ 13,326,093</u>	<u>\$ 2,216,100</u>	<u>\$ (1,251,144)</u>	<u>\$ 14,291,049</u>

The construction in progress represents costs incurred on various building improvement projects which were started before fiscal year-end but that will not be completed until the next fiscal year.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 9 - CAPITAL ASSETS - (Continued)

C. Depreciation expense was charged to governmental functions as follows:

Regular	\$ 326,328
Special	78,969
Vocational	27,046
Adult/continuing	4,593
Other	13,633
<u>Support Services:</u>	
Pupil	36,262
Instructional staff	39,101
Board of Education	1,612
Administration	61,998
Fiscal	18,341
Business	5,883
Operations and maintenance	143,676
Pupil transportation	402,548
Central	27,102
Extracurricular activities	15,419
Operation of non-instructional	16,759
Food service operations	<u>39,479</u>
Total depreciation expense	<u>\$ 1,258,749</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 10 - LONG-TERM OBLIGATIONS

- A. The balance of the governmental activities long-term obligations has been restated by \$102,301 from \$9,865,235 to \$9,967,536 to include compensated absences for fund reclassifications reported in fiscal year 2005. During fiscal year 2005, the following changes occurred in governmental activities long-term obligations:

	<u>Balance at</u> 06/30/04	<u>Additions</u>	<u>Disposals</u>	<u>Balance at</u> 06/30/05	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
<u>General Obligation Bonds</u>					
Energy Management Bonds 5.50%; matures 6/1/06	\$ 855,000	\$ -	\$ (415,000)	\$ 440,000	\$ 440,000
School Energy Conservation 4.5 - 4.7%; matures 12/1/08	<u>385,000</u>	<u>-</u>	<u>(70,000)</u>	<u>315,000</u>	<u>75,000</u>
Total G.O. Bonds	<u>1,240,000</u>	<u>-</u>	<u>(485,000)</u>	<u>755,000</u>	<u>515,000</u>
<u>Notes Payable</u>					
Permanent Improvement TAN 4.8% matures 12/26/12	4,599,000	-	(420,000)	4,179,000	440,000
EPA Asbestos Note No interest,; matures 6/30/05	<u>9,629</u>	<u>-</u>	<u>(9,629)</u>	<u>-</u>	<u>-</u>
Total Notes Payable	<u>4,608,629</u>	<u>-</u>	<u>(429,629)</u>	<u>4,179,000</u>	<u>440,000</u>
<u>Other Long-Term Obligations</u>					
Capital lease obligation	833,000	-	(268,000)	565,000	278,000
Compensated absences	<u>3,285,907</u>	<u>592,122</u>	<u>(486,615)</u>	<u>3,391,414</u>	<u>296,006</u>
Total Other Long-Term Obligations	<u>4,118,907</u>	<u>592,122</u>	<u>(754,615)</u>	<u>3,956,414</u>	<u>574,006</u>
Total	<u>9,967,536</u>	<u>592,122</u>	<u>(1,669,244)</u>	<u>8,890,414</u>	<u>1,529,006</u>

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 concluded in fiscal year 2005. Proceeds from the note were used to remove friable asbestos from school buildings in order to meet federal mandates. The final principal payment of \$9,629 was made from the general fund in fiscal 2005.

Energy Conservation Improvement Bonds were issued in the amount of \$3,492,000 during fiscal year 1997 for paying costs of installations, modifications and remodeling of school building to conserve energy. The District made \$415,000 in principal payments during fiscal 2005 from the debt service fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

School Energy Conservation Bonds were issued in the amount of \$700,000 during fiscal year 1999 for paying costs of modifications and remodeling of school buildings to conserve energy. The District made \$70,000 in principal payments during fiscal 2005 from the debt service fund.

In fiscal year 2003, tax anticipation notes were issued in the amount of \$5,000,000 for permanent improvements of the various buildings of the District. This long-term note is reported as a fund liability of the Permanent Improvement fund, the fund which received the proceeds of the issue. The District made \$420,000 in principal payments during fiscal 2005 which reduced the fund liability.

Compensated absences will be paid from the fund which the employees' salaries are paid.

- B.** Principal and interest requirements to retire general obligation bonds and notes outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 515,000	\$ 36,908	\$ 551,908	\$ 440,000	\$ 190,032	\$ 630,032
2007	75,000	9,113	84,113	462,000	168,384	630,384
2008	80,000	5,625	85,625	484,000	145,680	629,680
2009	85,000	1,913	86,913	507,000	121,896	628,896
2010	-	-	-	531,000	96,984	627,984
2011 - 2013	-	-	-	1,755,000	129,096	1,884,096
Total	\$ 755,000	\$ 53,559	\$ 808,559	\$ 4,179,000	\$ 852,072	\$ 5,031,072

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$101,309,160 and an unvoted debt margin of \$1,125,657.

NOTE 11 - COMPENSATED ABSENCES

A. Sick Leave

Each full time professional staff member is entitled to fifteen (15) days sick leave with pay for each year under the 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 from three hundred sixty (360) days to three hundred seventy-five (375) depending on whether administrator, certified or classified.

**WASHINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 11 - COMPENSATED ABSENCES - (Continued)

B. Service Retirement

Certified Employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Employees who notified the District of the retirement by fiscal year-end will receive service retirement pay equal to the certified employee's accrued but unused sick leave days at the time of retirement based on \$80 per day for the first 300 days and \$90 per day for days 301-375. 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 forty-five percent (45%) of sick leave days accumulated up to three hundred sixty (360) days maximum multiplied by 10 percent (10%) for each year of service. Employees must have five years service and accumulated sick leave of forty-five (45) 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 the sick leave days accumulated from the two hundred first day (201) through the three hundredth fortieth (340) day, and seventy-five percent (75%) of sick leave days accumulated from the three hundred forty first (341) day through the three hundred and seventy-fifth (375) day with a \$60,000 maximum payment. Employees must have five years service and accumulated sick leave of sixty (60) days sick leave.

C. Severance Pay

Classified employees are eligible for severance pay after the Board of Education accepts the employee's resignation. Severance pay is based on a percentage (10 percent for each year of service up to 100 percent) times their daily rate of twenty-five percent (25%) of the daily rates times accumulated sick leave balance 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 the time of resignation based on one-half (1/2) of the retirement formula. Employees must have five years service and have accumulated at least sixty (60) days sick leave.

Administration employees are eligible for severance pay after the Board of Education accepts the employee's resignation. Severance pay is based on the employee's accrued but unused sick leave days at the time of resignation based on twenty-five percent (25%) of the daily rate times the accumulated sick leave times a percentage (10 percent for each year of service up to 100 percent). Employees must have five years of service and have accumulated at least sixty (60) days sick leave.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District contracts with Brooks Insurance Agency for general liability insurance with a \$1,000,000 single occurrence limit and a \$5,000,000 aggregate. Property is protected by a blanket building and contents policy for \$146,688,006. 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 percent 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 \$1,000 for comprehensive and collision. The District also has a Pollution Control Policy up to \$1,000,000 with a \$1,000 deductible.

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

B. Dental Insurance

The District provides employee dental coverage through a self-insured program. The District established a Self-Insurance fund (an internal service fund) to account for and finance employee dental benefits. Under this program the Self-Insurance fund provides coverage up to a maximum of \$1,250 for each individual.

All funds of the District participate in the program and make payments to the Self-Insurance fund based on actuarial estimates of the amounts needed to pay prior and current year claims. Claims payable is based on the requirements of GASB Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicate that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at June 30, 2005, including incurred but not reported claims, is actuarially estimated to be \$54,581. Claims activity for the past two fiscal years follows:

	Beginning	Claims and Changes	Claims	Ending
<u>Fiscal Year</u>	<u>Balance</u>	<u>in Estimates</u>	<u>Payments</u>	<u>Balance</u>
2005	\$ 66,816	\$ 351,421	\$ (363,656)	\$ 54,581
2004	82,250	327,505	(342,939)	66,816

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 12 - RISK MANAGEMENT – (Continued)

C. Group Health Insurance

The District provides employee medical/surgical benefits through commercially obtained policies. The entire risk of loss transfers to the insurance carrier upon payment of the employees premiums.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

D. Workers' Compensation

The District has participated in the Ohio Bureau of Workers' Compensation (Bureau) Retrospective Rating Plan since 1995. The alternative rating program requires the District to pay only administrative charges to the Bureau, and in turn the district assumes the responsibility of paying all claims incurred during the policy period for up to ten years. After the tenth year, the Bureau will assume any existing claim for its duration. The District will be charged an actuarial amount for the claims transferred to the Bureau. The District's stop-loss coverage through the plan is limited to \$300,000 per claim stop-loss coverage with an annual aggregate.

The District's Workers' Compensation program is accounted for in the general fund which pays for all claims, claim reserves and administrative costs of the program. The general fund generates revenues by charging each fund a percentage rate determined by the Bureau for the payroll during the reporting period. The claims liability is recorded based on an actuarial determination of future claims, review of five years of claim liabilities and claim payment trends including the settlement to the Bureau after the tenth year. Changes in claims activity for the past fiscal year are as follows:

<u>Fiscal</u> <u>Year</u>	<u>Beginning</u> <u>Balance</u>	<u>Current</u> <u>Year Claims</u>	<u>Claims</u> <u>Payments</u>	<u>Ending</u> <u>Balance</u>
2005	\$ 1,071,987	\$ 417,453	\$ (357,578)	\$ 1,131,862

NOTE 13 - DEFINED BENEFIT PENSION PLANS

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. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$948,502, \$783,857 and \$620,274, respectively; 44.84% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$523,224 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

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 and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone 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 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$3,875,860, \$3,653,514, and \$3,249,539, respectively; 83.19% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$651,723 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$37,876 made by the District and \$82,839 made by plan members.

NOTE 14 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory 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 Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$298,143 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 14 - POSTEMPLOYMENT BENEFITS – (Continued)

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2005 were \$178.221 million. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million and SERS had 58,123 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$433,025 during the 2005 fiscal year.

NOTE 15 - CONTINGENCIES

A. Grants

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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material adverse effect on the financial position of the District.

B. Litigation

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

C. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks/instructional materials, capital acquisition/maintenance and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks/ Instructional Materials	Capital Acquisition/ Maintenance	Budget Stabilization
Set-aside cash balance as of June 30, 2004	\$ (2,404,807)	\$ -	\$ 1,273,900
Current year set-aside requirement	1,009,601	1,009,601	-
Qualifying disbursements	(1,283,234)	(2,805,925)	-
Total	\$ (2,678,440)	\$ (1,796,324)	\$ 1,273,900
Balance carried forward to FY 2006	\$ (2,678,440)	\$ -	\$ 1,273,900

A schedule of the governmental fund restricted assets at June 30, 2005 follows:

Amount restricted for budget stabilization	\$ 1,273,900
--	--------------

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

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

Net Change in Fund Balance		<u>General Fund</u>
Budget basis		\$ (1,281,536)
Net adjustment for revenue accruals		(2,277,587)
Net adjustment for expenditure accruals		(1,903,525)
Net adjustment for other sources/uses		10,315
Adjustment for encumbrances		<u>4,877,099</u>
GAAP basis		<u>\$ (575,234)</u>

Washington Local School District
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2005

Federal Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts Recognized	Program Expenditures
<u>U.S. Department of Education:</u>				
<u>Passed through the Ohio Department of Education:</u>				
Title I - Educationally Deprived Children, FY 2004	048231-C1S1-2004	84.010	\$ 82,882	\$ 74,494
Title I - Educationally Deprived Children, FY 2005	048231-C1S1-2005	84.010	684,237	798,771
Total Educationally Deprived Children			767,119	873,265
Title II-A Improving Teacher Quality State Grant, FY 2004	048231-TRS1-2004	84.367	17,995	17,918
Title II-A Improving Teacher Quality State Grant, FY 2005	048231-TRS1-2005	84.367	160,370	172,794
Total Improving Teacher Quality State Grant			178,365	190,712
Title IV Safe and Drug-Free Schools and Communities	048231-DRS1-2004	84.186	4	-
Title IV Safe and Drug-Free Schools and Communities	048231-DRS1-2005	84.186	26,755	29,644
Total Safe and Drug-Free Schools and Communities			26,759	29,644
Title V - Innovative Education Program	048231-C2S1-2005	84.298	49,071	49,142
Total Innovative Education Program			49,071	49,142
Title VI-B-ACCESS 2004	048231-6BSD-2004-P	84.027	7,656	14,083
Title VI-B-ACCESS 2005	048231-6BSD-2005	84.027	12,953	14,047
Title VI-B-IDEA Part B, FY 2004	048231-6BSF-2004	84.027	143,349	137,629
Title VI-B-IDEA Part B, FY 2005	048231-6BSF-2005	84.027	1,247,413	1,257,898
Total Title VI-B			1,411,371	1,423,657
Title II-D, Technology FY 2004	048231-TJS1-2004	84.318	55	1,974
Title II-D, Technology FY 2005	048231-TJS1-2005	84.318	26,162	26,162
Total Title II-D, Technology			26,217	28,136
Adult and Community Education 2004	048231-ABS1-2004	84.002	23,824	12,275
Adult and Community Education 2005	048231-ABS1-2005	84.002	48,915	79,778
Total Adult and Community Education			72,739	92,053
Carl Perkins	048231-20C1-2004	84.048	54,900	8,558
Carl Perkins	048231-20C1-2005	84.048	81,527	78,160
Total Carl Perkins			136,427	86,718
Title III LEP 2004	048231-T3S1-04	84.365	1,093	271
Title III LEP 2005	048231-T3S1-05	84.365	36,851	40,519
Total Title III			37,944	40,790
America Career Resource	048231-OE00-2004	84.346	3,472	856
Total America Career Resource			3,472	856
Advance Placement Program	048231-AVTF-2005	84.330	104	104
Total Advance Placement Program			104	104
Total U. S. Department of Education			2,709,588	2,815,077
<u>U.S. Department of Agriculture</u>				
<u>Pass through Ohio Department of Education</u>				
<u>Nutrition Cluster:</u>				
Food Distribution Program	N/A	10.550	126,324	126,324
School Breakfast Program	048231-05PU-2005	10.553	88,133	88,133
School Lunch Program	048231-LLP4-2004	10.555	561,978	561,978
Total Nutrition Cluster			776,435	776,435
Total Department of Agriculture			776,435	776,435
TOTAL FEDERAL FINANCIAL ASSISTANCE PROGRAMS			\$ 3,486,023	\$ 3,591,512

See notes to the Schedule of Federal Awards Expenditures.

WASHINGTON LOCAL SCHOOL DISTRICT
Lucas County, Ohio
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2005

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the Washington Local School District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Non-monetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2005, the District had immaterial food commodities in inventory recorded in the Food Service Fund.

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INDEPENDENT ACCOUNTANT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Local School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon date March 2, 2006, wherein we noted the District implemented GASB Technical Bulletin No. 2004-2 and GASB Statement No. 40. 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.

Internal Controls 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 opinions on the financial statements and not to provide an opinion 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 caused by error or fraud 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 other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated March 2, 2006.

Compliance and Other Matters

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, grant agreements and other matters, 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*.

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.

Charles E. Harris & Associates, Inc.
March 2, 2006

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the Washington Local School District with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2005. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe 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 its major federal program for the year ended June 30, 2005.

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 caused by error or fraud 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 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.

Charles E. Harris & Associates, Inc.
March 2, 2006

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**Washington Local School District
Lucas County
June 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Title VI-B - CFDA # 84.027
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Schedule of Prior Audit Findings
June 30, 2005**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2004-1	Failure to provide accurate fixed assets addition and deletion information to appraisal company to update and calculate the fixed asset amount.	Yes	Fully corrected. Finding no longer valid.
2004-2	Failure to exercise effective monitoring controls over the cash disbursement cycle.	Yes	Fully corrected. Finding no longer valid.



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WASHINGTON LOCAL SCHOOL DISTRICT

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 06, 2006**