



**Auditor of State
Betty Montgomery**

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington Local School District, Lucas County, (the School District), as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington Local School District, Lucas County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2005, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 the 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.

Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The federal awards expenditure schedule is 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. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

June 15, 2005

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

The discussion and analysis of Washington Local School District's (District) financial performance provides an overall view of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- Total Net Assets were \$43,539,159.
- Total Revenue was \$70,868,429.
- Total Expenses were \$66,248,884.
- Changes in Net Assets were \$4,286,578, virtually all in Governmental Activities.
- Capital Assets, net of Depreciation, increased to \$15,206,282 from \$12,018,036.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Washington Local School 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 non-major funds presented in total in one column. In the case of Washington Local School District, the general fund is by far the most significant fund.

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 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes 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 may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the District is divided into two distinct kinds of activities:

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Continued)**

- **Governmental Activities** - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District adult and community education programs, food service, and uniform school supplies are reported as business activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements 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.

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 into cash. The governmental fund 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 financial statements.

Proprietary Funds - Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

The District as a Whole

Table 1 provides a summary of the District's net assets for 2004. This is the second year the District has prepared financial statements following GASB #34:

	2004		2003		Total	
	Governmental Activities	Business Type-Activities	Governmental Activities	Business Type-Activities	2004	2003
Asset						
Current and Other Assets	\$ 81,969,508	\$ 283,872	\$ 79,493,306	\$ 411,952	\$ 82,253,380	\$ 79,905,258
Capital Assets	14,885,521	320,761	11,684,847	333,189	15,206,282	12,018,036
<i>Total Assets</i>	<u>96,855,029</u>	<u>604,633</u>	<u>91,178,153</u>	<u>745,141</u>	<u>97,459,662</u>	<u>91,923,294</u>

(Continued)

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Continued)**

Table 1 (Continued)
Net Assets

	2004		2003		Total	
	Governmental Activities	Business Type-Activities	Governmental Activities	Business Type-Activities	2004	2003
Liabilities						
Current Liabilities	43,630,144	322,823	40,945,705	221,141	43,952,967	41,166,846
Long Term Liabilities	9,865,235	102,301	11,395,901	107,966	9,967,536	11,503,867
<i>Total Liabilities</i>	<u>53,495,379</u>	<u>425,124</u>	<u>52,341,606</u>	<u>329,107</u>	<u>53,920,503</u>	<u>52,670,713</u>
Net Assets						
Invested in Capital Assets	8,203,892	320,761	5,836,126	333,189	8,524,653	6,169,315
Restricted	9,613,876	-	4,539,239	-	9,613,876	4,539,239
Unrestricted (Deficit)	25,541,882	(141,252)	28,461,182	82,845	25,400,630	28,544,027
<i>Total Net Assets</i>	<u>\$ 43,359,650</u>	<u>\$ 179,509</u>	<u>\$ 38,836,547</u>	<u>\$ 416,034</u>	<u>\$ 43,539,159</u>	<u>\$ 39,252,581</u>

Current and other assets increased in the governmental activities as the result of higher receivables and internal balances in fiscal year 2004. Increases in the capital assets were the result of the School District increased effort to upgrade the District's buildings.

Current and other liabilities increased in the governmental activities as the result of higher accrued wages and deferred revenues related to the taxes receivable.

The majority of the increase of Invested in Capital Assets, net of related debt, resulted from the building improvement project completed during the current fiscal year. Restricted net assets increased and unrestricted net assets decreased as the result of changes in levies.

Current and other assets increased in the business type activities as the result of internal balances in fiscal year 2004, which also resulted in the decrease in unrestricted net assets amount.

Current and other liabilities increased in the business type activities as the result of higher accrued wages and intergovernmental payables.

Table 2 shows the changes in net assets for fiscal year 2004 compared to fiscal year 2003.

Table 2
Changes in Net Assets

	2004		2003		Total	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities	2004	2003
Revenue						
Program Revenues:						
Charges for Services	\$ 1,057,934	\$ 1,619,124	\$ 855,216	\$ 1,552,143	\$ 2,677,058	\$ 2,407,359
Operating Grants	4,484,305	756,867	3,828,306	763,306	5,241,172	4,591,612

(Continued)

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Continued)**

Table 2 (Continued)
Changes in Net Assets

	2004		2003		Total	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities	2004	2003
General Revenue:						
Property Taxes	38,891,690	-	39,282,719	-	38,891,690	39,282,719
Grants and Entitlements	19,689,468	-	19,715,680	-	19,689,468	19,715,680
Other	4,034,390	1,684	4,457,735	4,124	4,036,074	4,461,859
Total Revenues	68,157,787	2,377,675	68,139,656	2,319,573	70,535,462	70,459,229
Program Expenses						
Instruction	36,762,155	-	34,300,073	-	36,762,155	34,300,073
Support Services:						
Pupil and instructional Staff	6,478,013	-	5,614,500	-	6,478,013	5,614,500
Board of Education, Administration, Fiscal, and Business	5,789,106	-	5,495,857	-	5,789,106	5,495,857
Operation and Maintenance	7,135,218	-	6,269,778	-	7,135,218	6,269,778
Pupil Transportation	2,297,397	-	1,868,390	-	2,297,397	1,868,390
Central	2,102,951	-	1,732,933	-	2,102,951	1,732,933
Operation of Non-Instructional Services	1,246,599	-	1,274,192	-	1,246,599	1,274,192
Extracurricular Activities	1,147,453	-	951,642	-	1,147,453	951,642
Facilities Construction	313,527	-	-	-	313,527	-
Interest and Fiscal Charges	362,265	-	411,655	-	362,265	411,655
Food Service	-	1,996,349	-	1,821,884	1,996,349	1,821,884
Uniform Supplies	-	131,797	-	165,754	131,797	165,754
Customer Services	-	9,889	-	7,907	9,889	7,907
Adult and Community Education	-	476,165	-	394,937	476,165	394,937
Total Expenses	63,634,684	2,614,200	57,919,020	2,390,482	66,248,884	60,309,502
Increase (Decrease) in Net Assets	\$ 4,523,103	\$ (236,525)	\$ 10,220,636	\$ (70,909)	\$ 4,286,578	\$ 10,149,727

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is still comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up over 57 percent of revenues for governmental activities for Washington Local School District in fiscal year 2004.

Instruction comprises 58 percent of governmental program expenses. Interest expense was 0.6 percent. Interest expense was attributable to the outstanding bonds and borrowing for capital projects.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Continued)**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 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 entitlements. Comparisons to fiscal year 2003 are shown to the right of fiscal year 2004.

Table 3
Governmental Activities

	2004		2003	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 36,762,155	\$(32,970,401)	\$ 34,300,073	\$(31,383,710)
Support Services:				
Pupil and Instructional Staff	6,478,013	(5,684,015)	5,614,500	(5,047,744)
Board of Education, Administration, Fiscal, and Business	5,789,106	(5,774,330)	5,495,857	(5,465,748)
Operation and Maintenance	7,135,218	(7,134,825)	6,269,778	(6,269,778)
Pupil transportation	2,297,397	(2,297,397)	1,868,390	(1,868,390)
Central	2,102,951	(2,072,085)	1,732,933	(1,705,834)
Non-Instructional Services	1,246,599	(3,180)	1,274,192	(130,997)
Extracurricular Activities	1,147,453	(1,147,453)	951,642	(951,642)
Facilities Construction	313,527	(313,527)		
Interest and Fiscal Charges	362,265	(362,265)	411,655	(411,655)
<i>Total Expenses</i>	<u>\$ 63,634,684</u>	<u>\$(57,759,478)</u>	<u>\$ 57,919,020</u>	<u>\$(53,235,498)</u>

The School District is dependent upon tax revenues for governmental activities. Instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenues support the majority of these expenditures.

\$5.7 million increase in expenditures in the governmental activities was the result of salary and fringe benefit increases for all employees and higher medical, vision and dental insurance premiums. The School District overall financial condition has increased favorably as a result of community support through tax levies and monitoring the budget by the School District administration.

Business-Type Activities

Business-type activities include adult/community education, which includes preschool and after school programs, the food service operation, and the sale of uniform school supplies. These programs had revenues of \$2,375,991 and expenses of \$2,614,200 for fiscal year 2004.

The District's Funds

The District's governmental funds reported a combined fund balance of \$28,326,417. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$67.8 million and expenditures of \$68.1 million. The net change in fund balance for the year was most significant in the General Fund, an increase of \$0.9 million, due to an increase in revenue for fiscal year 2004. Fund Balances for all governmental funds decreased by \$0.2 million.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Continued)**

General Fund Budgeting Highlights

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

During the course of fiscal year 2004 the District amended its general fund budget numerous times.

For the general fund, the temporary budget for revenue was \$45.1 million and the final budget estimate was \$60.3 million. School District passes a temporary budget on the basis of known revenues and final budget once state and federal revenues have been confirmed and awarded. Budgeted revenue adjustments were made to account for increases in revised estimates in taxes, state, federal grants, and tax abatement revenues.

Final appropriations were \$64.1 million. Actual expenditures were \$61.4 million. Significant portion of the increases in the original budget to the final was the result of increases in the salaries, fringe benefits, higher fuel costs, unexpected maintenance repairs, and capital outlay projects.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004 the District had, net of accumulated depreciation, \$15,206,282 invested in land, buildings, equipment, vehicles, and construction in progress, \$14,885,521 in governmental activities. Table 4 shows fiscal year 2004 balances compared to fiscal year 2003:

Table 4
Capital Assets at June 30

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land and Land Improvements	\$ 2,598,060	\$ 2,524,777	\$ -	\$ -	\$ 2,598,060	\$ 2,524,777
Buildings and Improvements	26,453,884	22,664,225	-	-	26,453,884	22,664,225
Furniture and Equipment	4,938,542	4,209,051	931,721	913,149	5,870,263	5,122,200
School Buses and Vehicles	4,366,818	4,941,011	-	-	4,366,818	4,941,011
Construction in Progress	2,355,265	2,231,275	-	-	2,355,265	2,231,275
Less: Accum. Depreciation	25,827,048	24,885,492	610,960	579,960	26,438,008	25,465,452
Totals	\$ 14,885,521	\$ 11,684,847	\$ 320,761	\$ 333,189	\$ 15,206,282	\$ 12,018,036

The primary increase occurred in buildings and improvements which include construction projects for roof replacements, windows, electrical upgrades, and boiler replacements.

Ohio law required school districts to set aside funds for capital improvements and instructional supplies (includes textbooks and equipment). For fiscal year 2004, this amounted to \$986,286 for each set aside. For fiscal year 2004 the District had qualifying disbursements or offsets exceeding these requirements.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Continued)**

Debt

At June 30, 2004 the District had \$5,848,629 million in bonds and notes outstanding, \$914,629 due within one year. Table 5 summarizes the District's debt outstanding as of June 30, 2004.

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2004	2003
General Obligation Bonds:		
Energy Management	\$ 1,240,000	\$ 1,705,000
Notes Payable:		
Permanent Improvement Tax Anticipation	4,599,000	5,000,000
EPA Assistance Note	9,629	28,883
Compensated Absences	3,183,606	3,570,018
Capital Lease	833,000	1,092,000
<i>Total</i>	<u>\$ 9,865,235</u>	<u>\$ 11,395,901</u>
	Business-Type Activities	
	2004	2003
Compensated Absences	<u>\$ 102,301</u>	<u>\$ 107,966</u>

The Tax Anticipation Note was issued for building improvements. It will be paid back over ten years from the Permanent Improvement Fund.

Under current State Statutes, the District's debt issue is subject to a legal limitation, based on 9 percent of the total assessed value of real and personal property. At June 30, 2004, the District's outstanding debt was below the legal limit.

For the Future

As the preceding information shows, the District depends on its property taxpayers. With the passage of the 5.2 mill Dual Purpose levy in November 2000 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 this increase, forcing it to remain nearly constant. Thus management must diligently plan expenses, 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." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Continued)**

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 information contact Jeffery S. Fouke, Treasurer of Washington Local School District, 3505 W. Lincolnshire Boulevard, Toledo, Ohio 43606.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Statement of Net Assets
June 30, 2004**

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	\$ 37,358,279	\$ 319,653	\$ 37,677,932
Receivables:			
Taxes	43,389,829	-	43,389,829
Accounts	234,635	2,465	237,100
Intergovernmental	485,846	89,654	575,500
Accrued Interest	72,620	-	72,620
Internal Balances	250,000	(250,000)	-
Inventory Held for Resale	-	122,100	122,100
Material and Supplies Inventory	178,299	-	178,299
Land	856,402	-	856,402
Capital assets, net of depreciation	14,029,119	320,761	14,349,880
<i>Total Assets</i>	96,855,029	604,633	97,459,662
Liabilities			
Accounts Payable	862,518	22,007	884,525
Contracts Payable	264,114	-	264,114
Accrued Wages	5,468,589	98,819	5,567,408
Intergovernmental Payable	1,594,311	90,461	1,684,772
Deferred Revenue	35,357,268	111,536	35,468,804
Accrued Interest Payable	16,528	-	16,528
Claims Payable	66,816	-	66,816
Long-Term Liabilities:			
Due within one year	1,335,191	5,073	1,340,264
Due in more than one year	8,530,044	97,228	8,627,272
<i>Total Liabilities</i>	53,495,379	425,124	53,920,503
Net Assets			
Invested in capital assets, net of related debt	8,203,892	320,761	8,524,653
Restricted for:			
Capital Projects	2,671,202	-	2,671,202
Set Asides	1,273,900	-	1,273,900
Other Purposes	5,668,774	-	5,668,774
Unrestricted (deficit)	25,541,882	(141,252)	25,400,630
<i>Total Net Assets</i>	\$ 43,359,650	\$ 179,509	\$ 43,539,159

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2004**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Instruction:				
Regular	\$ 26,431,722	\$ 689,214	\$ 786,237	\$ -
Special	7,005,391	368,720	1,568,221	-
Vocational	2,206,689	-	57,586	-
Adult/Continuing	80,371	-	85,801	-
Other	1,037,982	-	-	-
Support Services:				
Pupils	3,225,072	-	190,430	-
Instructional Staff	3,252,941	-	515,892	-
Board of Education	138,118	-	-	-
Administration	3,882,138	-	7,850	-
Fiscal	1,301,391	-	-	-
Business	467,459	-	-	-
Operation and Maintenance	7,135,218	-	393	-
Pupil Transportation	2,297,397	-	-	-
Central	2,102,951	-	30,866	-
Operation of Non-Instructional Services	1,246,599	-	1,241,029	-
Extracurricular Activities	1,147,453	-	-	-
Facilities Acquisition and Construction	313,527	-	-	-
Other	2,423	-	-	-
Interest and Fiscal Charges	359,842	-	-	-
<i>Total governmental activities</i>	<u>63,634,684</u>	<u>1,057,934</u>	<u>4,484,305</u>	<u>-</u>
Business-Type Activities				
Food Service	1,996,349	1,189,849	682,995	-
Uniform Supplies	131,797	141,917	-	-
Customer Services	9,889	15,722	-	-
Adult and Community Services	476,165	271,636	73,872	-
<i>Total Business-Type activities</i>	<u>2,614,200</u>	<u>1,619,124</u>	<u>756,867</u>	<u>-</u>
Totals	<u>\$ 66,248,884</u>	<u>\$ 2,677,058</u>	<u>\$ 5,241,172</u>	<u>\$ -</u>

General Revenues

Taxes:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Property taxes, levied for capital projects
- Grants and Entitlements not Restricted to Specific Purposes
- Payment in Lieu of Taxes
- Unrestricted investment earnings
- Gain on sale of Capital Assets
- Miscellaneous

Total general revenues

Change in net assets

Net assets - July 1, 2003

Net assets - June 30, 2004

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (24,956,271)	\$ -	\$ (24,956,271)
(5,068,450)	-	(5,068,450)
(2,149,103)	-	(2,149,103)
5,430	-	5,430
(1,037,982)	-	(1,037,982)
(3,034,642)	-	(3,034,642)
(2,737,049)	-	(2,737,049)
(138,118)	-	(138,118)
(3,874,288)	-	(3,874,288)
(1,301,391)	-	(1,301,391)
(467,459)	-	(467,459)
(7,134,825)	-	(7,134,825)
(2,297,397)	-	(2,297,397)
(2,072,085)	-	(2,072,085)
(5,570)	-	(5,570)
(1,147,453)	-	(1,147,453)
(313,527)	-	(313,527)
(2,423)	-	(2,423)
(359,842)	-	(359,842)
<u>(58,092,445)</u>	<u>-</u>	<u>(58,092,445)</u>
	(123,505)	(123,505)
	10,120	10,120
	5,833	5,833
	<u>(130,657)</u>	<u>(130,657)</u>
<u>-</u>	<u>(238,209)</u>	<u>(238,209)</u>
<u>\$ (58,092,445)</u>	<u>\$ (238,209)</u>	<u>(58,330,654)</u>
37,873,614	-	37,873,614
688,137	-	688,137
329,939	-	329,939
19,689,468	-	19,689,468
3,383,057	-	3,383,057
432,832	1,684	434,516
16,885	-	16,885
201,616	-	201,616
<u>62,615,548</u>	<u>1,684</u>	<u>62,617,232</u>
4,523,103	(236,525)	4,286,578
<u>38,836,547</u>	<u>416,034</u>	<u>39,252,581</u>
<u>\$ 43,359,650</u>	<u>\$ 179,509</u>	<u>\$ 43,539,159</u>

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2004**

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 31,171,355	\$ 3,779,294	\$ 34,950,649
Receivables:		-	
Taxes	42,318,296	1,071,533	43,389,829
Accounts	230,962	2,512	233,474
Intergovernmental	48,863	436,983	485,846
Accrued Interest	72,620	-	72,620
Interfund Receivable	675,000	-	675,000
Material and Supplies Inventory	178,299	-	178,299
Restricted Assets:		-	
Equity in Pooled Cash and Cash Equivalents	1,273,900	-	1,273,900
<i>Total Assets</i>	<u>75,969,295</u>	<u>5,290,322</u>	<u>81,259,617</u>
Liabilities			
Accounts Payable	785,189	77,329	862,518
Contracts Payable	-	264,114	264,114
Accrued Wages	5,266,403	202,186	5,468,589
Interfund Payable	-	425,000	425,000
Pension Obligation Payable	1,325,138	59,126	1,384,264
Deferred Revenue:			
Property Taxes	38,944,635	985,080	39,929,715
Notes Payable	-	4,599,000	4,599,000
<i>Total Liabilities</i>	<u>46,321,365</u>	<u>6,611,835</u>	<u>52,933,200</u>
Fund Balances			
Reserved for Encumbrances	1,617,506	412,855	2,030,361
Reserved for Inventory	178,299	-	178,299
Reserved for Taxes Unappropriated	3,373,661	86,453	3,460,114
Reserved for Budget Stabilization	1,273,900	-	1,273,900
Unreserved , Reported in:			
General Fund	23,204,564	-	23,204,564
Special Revenue Funds	-	449,498	449,498
Capital Projects Funds (Deficit)	-	(2,270,319)	(2,270,319)
<i>Total Fund Balances</i>	<u>29,647,930</u>	<u>(1,321,513)</u>	<u>28,326,417</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 75,969,295</u>	<u>\$ 5,290,322</u>	<u>\$ 81,259,617</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2004**

Total Governmental Fund Balances	\$ 28,326,417
<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.	14,885,521
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds Property Taxes	4,572,447
Some liabilities are not due and payable in the current and therefore are not reported in the funds:	
Pension Obligation Payable	(210,047)
Accrued Interest Payable	(16,528)
Capital Leases Payable	(833,000)
Bonds & Note Payable	(1,249,629)
Compensated Absences Payable	<u>(3,183,606)</u>
Total	(5,492,810)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets	<u>1,068,075</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$ 43,359,650</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004**

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 37,294,618	\$ 975,741	\$ 38,270,359
Intergovernmental	19,587,704	4,586,069	24,173,773
Investment Income	385,077	44,185	429,262
Tuition	465,321	-	465,321
Extracurricular Activities	-	368,720	368,720
Classroom Materials and Fees	223,893	-	223,893
Payment in Lieu of Taxes	3,383,057	-	3,383,057
Miscellaneous	163,647	37,969	201,616
<i>Total Revenue</i>	<u>61,503,317</u>	<u>6,012,684</u>	<u>67,516,001</u>
Expenditures			
Current:			
Instruction:			
Regular	25,824,564	748,677	26,573,241
Special	5,446,664	1,642,915	7,089,579
Vocational	2,155,130	86,508	2,241,638
Adult/Continuing	-	82,224	82,224
Other	1,037,982	-	1,037,982
Support Services:			
Pupils	2,968,366	181,281	3,149,647
Instructional Staff	2,665,413	568,225	3,233,638
Board of Education	138,118	-	138,118
Administration	3,941,473	17,550	3,959,023
Fiscal	1,300,339	16,177	1,316,516
Business	466,591	-	466,591
Operation and Maintenance	7,128,603	2,300	7,130,903
Pupil Transportation	2,298,744	-	2,298,744
Central	1,937,814	41,369	1,979,183
Operation of Non-Instructional	-	1,255,328	1,255,328
Extracurricular Activities	743,452	394,048	1,137,500
Other	2,423	-	2,423
Capital Outlay	1,629,741	2,283,908	3,913,649
Debt Service:			
Principal Retirement	278,254	465,000	743,254
Interest and Fiscal Charges	39,312	318,600	357,912
<i>Total Expenditures</i>	<u>60,002,983</u>	<u>8,104,110</u>	<u>68,107,093</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,500,334</u>	<u>(2,091,426)</u>	<u>(591,092)</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Fixed Assets	16,885	-	16,885
Operating Transfers In	-	1,250,037	1,250,037
Operating Transfers Out	(599,323)	(650,714)	(1,250,037)
<i>Total Other Sources (Uses)</i>	<u>(582,438)</u>	<u>599,323</u>	<u>16,885</u>
<i>Net Change in Fund Balance</i>	917,896	(1,492,103)	(574,207)
<i>Fund Balances (Deficit) at Beginning of Year</i>	28,719,876	170,590	28,890,466
Increase (Decrease) in Reserve for Inventory	10,158	-	10,158
<i>Fund Balances (Deficits) End of Year</i>	<u>\$ 29,647,930</u>	<u>\$ (1,321,513)</u>	<u>\$ 28,326,417</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**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, 2004**

Net Change in Fund Balances -Total Governmental Funds \$ (574,207)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activity the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays was over (under) depreciation in the current period.

Capital Outlays	4,167,630	
Depreciation Expense	<u>(966,956)</u>	
		3,200,674

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

Property Taxes	621,331
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Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal Payments	743,254
--------------------	---------

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

(1,930)

Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable which represents contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	386,412	
Pension Obligations	(69,130)	
Change in Inventory	<u>10,158</u>	
		327,440

The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

206,541

Change in Net Assets of Governmental Activities

\$ 4,523,103

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual Comparison (Non-GAAP)
General Fund
For the Fiscal Year Ended June 30, 2004**

	Budgeted Amounts			Variance Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Taxes	\$ 29,290,340	\$ 36,514,653	\$ 36,750,646	\$ 235,993
Intergovernmental	14,752,270	19,379,603	19,591,868	212,265
Investment Income	500,000	450,000	442,410	(7,590)
Tuition	303,270	454,635	463,510	8,875
Transportation Fees	52,000	175,000	183,298	8,298
Classroom Materials and Fees	33,460	40,000	40,596	596
Payment in Lieu of Taxes		3,200,000	3,253,284	53,284
Miscellaneous Revenue	200,000	130,000	168,537	38,537
<i>Total Revenue</i>	<u>45,131,340</u>	<u>60,343,891</u>	<u>60,894,149</u>	<u>550,258</u>
Expenditures				
Current:				
Instruction:				
Regular	21,395,270	25,930,128	25,599,084	331,044
Special	4,751,080	5,686,139	5,526,516	159,623
Vocational	1,883,600	2,173,122	2,139,906	33,216
Adult/Continuing	11,500	7,375	7,375	7,375
Other	640,000	1,049,000	1,039,527	9,473
Support Services:				
Pupils	2,134,190	3,187,558	3,065,260	122,298
Instructional Staff	2,085,530	2,761,522	2,648,758	112,764
Board of Education	66,750	153,655	138,039	15,616
Administration	3,024,280	4,025,704	3,888,119	137,585
Fiscal	1,073,600	1,360,703	1,310,385	50,318
Business	465,730	541,428	490,755	50,673
Operation and Maintenance	6,240,270	8,412,873	7,622,734	790,139
Pupil Transportation	2,132,230	2,940,175	2,576,327	363,848
Central	1,563,870	2,211,131	1,955,994	255,137
Operation of Non-Instructional	2,440	18,365	17,424	941
Extracurricular Activities	535,380	822,115	718,213	103,902
Capital Outlay	1,676,000	2,782,346	2,630,286	152,060
Debt Service:				
Repayment of Debt	38,510	19,255	19,255	-
<i>Total Expenditures</i>	<u>49,720,230</u>	<u>64,082,594</u>	<u>61,386,582</u>	<u>2,696,012</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(4,588,890)</u>	<u>(3,738,703)</u>	<u>(492,433)</u>	<u>3,246,270</u>

(Continued)

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual Comparison (Non-GAAP)
General Fund
For the Fiscal Year Ended June 30, 2004
(Continued)**

	Budgeted Amounts			Variance Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Other Financing Sources (Uses)				
Proceeds from Borrowing	1,039,170			-
Proceeds from Sale of Fixed Assets	8,000	10,000	16,885	6,885
Refund of Prior Year Expenditures	64,220	10,000		(10,000)
Refund of Prior Year Receipts	(36,400)	(200)		200
Advances In	24,880	533,028	533,028	-
Advances Out	(426,420)	(675,000)	(675,000)	-
Operating Transfers Out	(521,580)	(653,223)	(626,823)	26,400
<i>Total Other Sources (Uses)</i>	<u>151,870</u>	<u>(775,395)</u>	<u>(751,910)</u>	<u>23,485</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</i>	(4,437,020)	(4,514,098)	(1,244,343)	3,269,755
<i>Fund Balances (Deficit) at Beginning of Year</i>	28,347,897	28,347,897	28,347,897	-
Unexpended Prior Year Encumbrances	<u>3,013,147</u>	<u>3,013,147</u>	<u>3,013,147</u>	-
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$ 26,924,024</u>	<u>\$ 26,846,946</u>	<u>\$ 30,116,701</u>	<u>\$ 3,269,755</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Statement of Net Assets
Proprietary Funds
June 30, 2004**

	Business-Type Activities	Governmental Activities
	Enterprise Funds	Internal Service Fund
Assets		
<i>Current Assets</i>		
Equity in Pooled Cash and Cash Equivalents	\$ 319,653	\$ 1,133,730
Receivables:		
Accounts	2,465	1,161
Intergovernmental	89,654	-
Inventory Held for Resale	122,100	-
<i>Total Current Assets</i>	533,872	1,134,891
Capital Assets, (Net)	320,761	-
<i>Total Assets</i>	854,633	1,134,891
Liabilities		
<i>Current Liabilities</i>		
Accounts Payable	22,007	-
Accrued Wages	98,819	-
Compensated Absences Payable	5,073	-
Interfund Payable	250,000	-
Intergovernmental Payable	90,461	-
Deferred Revenue	111,536	-
Claims Payable	-	66,816
<i>Total Current Liabilities</i>	577,896	66,816
<i>Long-Term Liabilities</i>		
Compensated Absences Payable	97,228	-
<i>Total Long-Term Liabilities</i>	97,228	-
<i>Total Liabilities</i>	675,124	66,816
Net Assets		
Invested in capital assets, net of related debt	320,761	-
Unrestricted	(141,252)	1,068,075
<i>Total Net Assets</i>	\$ 179,509	\$ 1,068,075

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2004**

	Business-Type Activities	Governmental Activities
	Enterprise Funds	Internal Service Fund
Operating Revenues		
Tuition	\$ 271,672	\$ -
Food Services	1,180,857	-
Charges for Services	-	567,319
Classroom Fees	141,881	-
Extracurricular Activities	24,714	-
	<u>1,619,124</u>	<u>567,319</u>
<i>Total Operating Revenues</i>		
Operating Expenses		
Salaries	1,156,853	-
Fringe Benefits	426,562	-
Purchased Services	69,761	21,409
Materials and Supplies	169,610	-
Cost of Sales	759,139	-
Depreciation	31,000	-
Claims	-	342,939
Other	1,275	-
	<u>2,614,200</u>	<u>364,348</u>
<i>Total Operating Expenses</i>		
<i>Operating Income (Loss)</i>	<u>(995,076)</u>	<u>202,971</u>
Non-Operating Revenues (Expenses)		
Federal Donated Commodities	109,073	-
Operating Grants	647,794	-
Interest Income	1,684	3,570
	<u>758,551</u>	<u>3,570</u>
<i>Total Non-Operating Revenues (Expenses)</i>		
<i>Change in Net Assets</i>	<u>(236,525)</u>	<u>206,541</u>
<i>Total Net Assets at Beginning of Year</i>	<u>416,034</u>	<u>861,534</u>
<i>Total Net Assets at End of Year</i>	<u>\$ 179,509</u>	<u>\$ 1,068,075</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2004**

	Business-Type Activities	Governmental Activities
	Enterprise Funds	Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 1,324,410	\$ 567,319
Cash Received from Tuition Payments	269,902	-
Cash Received from Extracurricular Activities	24,714	-
Cash Payments to Suppliers for Goods and Services	(934,715)	(21,409)
Cash Payments to Employees for Services	(1,137,997)	-
Cash Payments for Claims	-	(359,534)
Cash Payments for Employee Benefits	(399,997)	-
Cash Payments for Other Expenses	(1,275)	-
	(854,958)	186,376
<i>Net Cash Provided by (Used in) Operating Activities</i>		
Cash Flows from Capital & Related Financing Activities:		
Payments for Capital Acquisitions	(11,127)	-
	(11,127)	-
<i>Net Cash Provided by Capital and Related Financing Activities</i>		
Cash Flows from Noncapital Financing Activities:		
Operating Grants Received	727,723	-
Short-Term Loans to Other Funds	(100,000)	-
Short-Term Loans from Other Funds	250,000	-
	877,723	-
<i>Net Cash Provided by Noncapital Financing Activities</i>		
Cash flows from Investing Activities:		
Interest on Investments	1,684	3,570
	1,684	3,570
<i>Net Cash Provided by Investing Activities</i>		
<i>Net Increase in Cash and Cash Equivalents</i>	13,322	189,946
<i>Cash and Cash Equivalents Beginning of Year</i>	306,331	943,784
<i>Cash and Cash Equivalents End of Year</i>	\$ 319,653	\$ 1,133,730

(Continued)

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2004
(Continued)**

	Business-Type Activities	Governmental Activities
	Enterprise Funds	Internal Service Fund
Provided by (Used in) Operating Activities		
Operating Income (Loss)	\$ (995,076)	\$ 202,971
Adjustments:		
Net Cash from Operating Activities:		
Depreciation	31,000	-
Donated Commodities Revenue	109,073	-
(Increase) Decrease in Assets:		
Accounts Receivable	(1,330)	(1,161)
Inventory Held for Resale	(79,144)	-
Intergovernmental	(8,053)	-
Increase (Decrease) in Liabilities:		
Accounts Payable	430	-
Accrued Wages	24,521	-
Compensated Absences Payable	(5,665)	-
Intergovernmental Payable	26,565	-
Claims Payable	-	(15,434)
Deferred Revenue	50,166	-
Capital Assets purchased through Accounts Payable	(7,445)	-
Total Adjustments	140,118	(16,595)
Net Cash Provided by Operating Activities	\$ (854,958)	\$ 186,376

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004**

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 101,731	\$ 136,594
Account Receivable	1,020	2,507
<i>Total Assets</i>	<u>\$ 102,751</u>	<u>\$ 139,101</u>
Liabilities		
Accounts Payable	\$ 7,147	\$ 341
Due to Students	-	138,760
<i>Total Liabilities</i>	<u>7,147</u>	<u>139,101</u>
Net Assets		
Held in Trust for Scholarships	<u>95,604</u>	<u>-</u>
<i>Total Net Assets</i>	<u>\$ 95,604</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2004**

	Private Purpose Trust
	Scholarship
<u>Additions</u>	
Extracurricular Activities	\$ 4,039
Interest Income	578
Other Operating Revenue	25,915
<i>Total Additions</i>	30,532
<u>Deductions</u>	
Scholarships	29,588
<i>Total Deductions</i>	29,588
Change in Net Assets	944
<i>Net Assets Beginning of Year</i>	94,660
<i>Net Assets End of Year</i>	\$ 95,604

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

Average daily membership (ADM) as of October 1, 2003 was 6,963. The District employed 529 certificated employees and 329 non-certificated employees. Local school districts are supervised by the county board of education, a separate entity.

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

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financials are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District.

Component units are legally separate organizations for 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 the District is able to significantly influence the programs or services performed or provided by the organization; the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Components units may also include organizations that fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. The District has no component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (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 also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the District's accounting policies:

A. Basis of Presentation

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. The activity of the internal service fund is eliminated to avoid "doubling up"

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. 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 charges paid by the recipient of the 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 which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

FUND FINANCIAL STATEMENTS

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting Funds by type. Each major fund is presented in a single column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are classified into three categories: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds focus 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 be 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 General Fund is the only major governmental fund:

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.

The other governmental funds of the District account for grants and other resources, debt service and capital projects of the district whose uses are restricted to a particular purpose.

**WASHINGTON LOCAL SCHOOL DISTRICT
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**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

PROPRIETARY FUNDS

Proprietary funds focus on the determination of the changes in net assets, financial position, and cash flows and are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's enterprise funds are used for specifically for food service operations, school supplies and adult education operations.

Internal Service Funds - Internal service funds account for the financing of 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 only Internal Service fund of the District accounts for a self-insurance program which provides dental benefits to employees.

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 a scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Monies are due to students for activities they have participated in.

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and others financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of 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 activities.

The private purpose trust is reported using the economic resources measurement focus.

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

**WASHINGTON LOCAL SCHOOL DISTRICT
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**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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.

Non-exchange 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. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used of 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 non-exchange 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, student fees, and rentals.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, 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 used during the fiscal year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the

**WASHINGTON LOCAL SCHOOL DISTRICT
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**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the object level within each fund and function.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were adopted.

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 budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

F. Cash and Investments

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

During fiscal year 2004, investments were limited to U.S. Government money market mutual funds, 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 the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2004. 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, 2004.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$459,219, which includes \$30,513 assigned from other funds.

**WASHINGTON LOCAL SCHOOL DISTRICT
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**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year, restricted assets totaled \$1,273,900.

G. Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in/first-out (FIFO) basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as expenditure in the governmental fund types when purchased. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

H. Bond Discounts, Premiums, and Issuance Costs

When the proceeds from general obligation bonded debt are placed in a governmental type fund, any bond issuance costs are shown as capital outlay expenditures. Any premium or discount is included in "Other Financing Sources - Bond Proceeds" on the Statement of Revenues, Expenditures and Changes in Fund Balance. The long-term debt that appears in the Government Wide Financial Statements would always be reported at the bond's face value.

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally 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. Capital assets utilized by the Food Service enterprise fund are reported both in the business-type activities column of the government-wide statement of net assets and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed 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. Interest incurred during the construction of capital assets is also capitalized.

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**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful life 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>	<u>Business-Type Activities Estimated Lives</u>
Land Improvements	15	
Buildings and Improvements	40	
Furniture and Equipment	5	5
Vehicles	8	

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' 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. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for all employees age fifty (50) or greater with at least ten years of service.

The total liability for vacation and severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments. The entire compensated absence liability is reported on the government-wide financial statements.

L. 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 proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases,

**WASHINGTON LOCAL SCHOOL DISTRICT
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**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund statements only to the extent they will be paid with current, expendable, available resources. In general, payments made within thirty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists 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 adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. 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 balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, material and supply inventories, property taxes, and budget stabilization in the governmental funds.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles 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.

O. Operating Revenues and Expense

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are tuition for adult education classes, sales for food service and uniform school supplies, and charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund.

P. Interfund Transactions

Transfers between governmental and business-type activities on the governmental-wide statements are reported in the same manner as general revenues.

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 non-operating

**WASHINGTON LOCAL SCHOOL DISTRICT
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**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

revenues/expense in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. Estimates

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

R. 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 2004.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP) and Actual presented for each major governmental 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 GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

**WASHINGTON LOCAL SCHOOL DISTRICT
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For the Fiscal Year Ended June 30, 2004
(Continued)**

Net Change in Fund Balance	General
Budget Basis	\$ (1,244,343)
Adjustments:	
Revenue Accruals:	
Accrued FY2003, Received in Cash FY2004	(3,034,823)
Accrued FY2004, Not Yet Received in Cash	3,643,992
Expenditure Accruals:	
Accrued FY2003, Paid in Cash FY2004	6,377,160
Accrued FY2004, Not Yet Paid in Cash	(7,368,757)
Encumbrances	2,402,695
Other Financial Sources/Uses:	
Advances (Net)	141,972
GAAP Basis	\$ 917,896

NOTE 4 - DEPOSITS AND INVESTMENTS

Deposits

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

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

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

Interim Deposits: those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

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

**WASHINGTON LOCAL SCHOOL DISTRICT
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**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of 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.

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

Deposits: At fiscal year end, the carrying amount of the School's deposits was \$223,729 and the bank balance was \$748,947. Of the bank balance, \$200,000 was covered by federal depository insurance and \$548,947 was covered by collateral held by the pledging financial institution in the name of the District.

Investments: The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name.

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**Notes to the Basic Financial Statements
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(Continued)**

Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investments in STAR Ohio and mutual funds are unclassified because they are not evidenced by securities that exist in physical or book form.

	Category 3	Fair Value	Carrying Amount
Money Market Mutual Funds		\$ 10,717,717	\$ 10,717,717
Federal Agency Securities	\$ 9,848,553	9,848,553	9,848,553
STAR Ohio - Not categorized		17,126,258	17,126,258
Total Investments		<u>\$ 37,692,528</u>	<u>\$ 37,692,528</u>

Reconciliation between the classifications of pooled cash and cash equivalents and investments on the Combined Balance Sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$ 37,916,257	\$ -
Investments which are part of		
Repurchase Agreements	(10,717,717)	10,717,717
Federal Agency Securities	(9,848,553)	9,848,553
STAR Ohio - Not categorized	(17,126,258)	17,126,258
GASB Statement 3	<u>\$ 223,729</u>	<u>\$ 37,692,528</u>

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes for 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real for 2004 were levied after April 1, 2003, on the assessed values as of December 31, 2003, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Tangible personal property tax revenues received in calendar year 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes for 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent of true value for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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 Counties by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2004 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as 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 is deferred.

The amount available as an advance at June 30, 2004, was \$3,373,661 in the General Fund, \$52,073 in the Debt Service Bond Retirement Fund and \$34,380 in the Permanent Improvement Fund.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 First-Half Collections		2004 Second-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Public Utility	\$ 821,868,040	80.00%	\$ 931,927,230	83.52%
Tangible Personal Property	204,779,870	20.00%	183,774,336	16.48%
Total Assessed Value	\$ 1,026,647,910	100.00%	\$ 1,115,701,566	100.00%
Tax rate per \$1,000 of assessed valuation	\$65.90		\$65.90	

NOTE 6 - INTERFUND RECEIVABLE/INTERFUND PAYABLE

Interfund balances at June 30, 2004, consist of the following individual fund receivables and payables:

**WASHINGTON LOCAL SCHOOL DISTRICT
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**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Fund	Receivable	Payable
General	\$ 675,000	\$ -
Special Revenue:		
Vocational Ed Enhancement		25,000
High Schools That Work		15,000
Adult Basic Education		25,000
Title VI-B		75,000
Title III, Limited English Professional		25,000
Vocational Education		60,000
Title I		75,000
Title V		25,000
Drug Free		25,000
Title II Teacher Quality		50,000
Miscellaneous Federal Grants		25,000
Enterprise Fund:		
Adult Continuing Education	-	250,000
Totals	\$ 675,000	\$ 675,000

NOTE 7 - ACCOUNTABILITY

At June 30, 2004, the Permanent Improvement Fund had a deficit fund balance of \$1,927,998 and three non-major funds, including, Disadvantaged Pupils Impact Aid, School Development and Student Intervention has deficit balances of \$39,317, \$52, and \$5,016, respectively. This was created by the application of generally accepted accounting principles.

The General Fund provides transfers to cover deficit balance; however, this is done when cash is needed rather when accruals occur.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2004, consisted of taxes, interest, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Receivables	Amount
<u>Governmental Type Activities:</u>	
Taxes:	
General Fund	\$ 42,318,296
Permanent Improvement Funds	428,955
Other Governmental Funds	642,578
Total Taxes Receivable	43,389,829
Accounts:	
General Fund	230,962
Other Governmental Funds	3,673
Total Accounts Receivable	234,635
Intergovernmental:	
General Fund	48,863
Other Governmental Funds	436,983
Total Intergovernmental Receivables	485,846
Accrued Interest:	
General Fund	72,620
Total Governmental Type Activities	44,182,930
<u>Business-Type Activities:</u>	
Accounts	2,465
Intergovernmental	89,654
Total Business-Type Activities	92,119
<u>Fiduciary:</u>	
Accounts	3,527
Grand Total	\$ 44,278,576

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

	Balance 6/30/2003	Additions	Deductions	Balance 6/30/2004
<u>Governmental Activities</u>				
Land	\$ 856,402	\$ -	\$ -	\$ 856,402
Land Improvements	1,668,375	73,283	-	1,741,658
Buildings and Improvements	22,664,225	3,789,659	-	26,453,884
Furniture and Equipment	4,209,051	157,767	-	4,366,818
School Buses & Vehicles	4,941,011	22,931	25,400	4,938,542
Construction in Progress	2,231,275	123,990	-	2,355,265
Totals at Historical Cost	<u>36,570,339</u>	<u>4,167,630</u>	<u>25,400</u>	<u>40,712,569</u>
Less Accumulated Depreciation:				
Land Improvements	906,459	40,407	-	946,866
Buildings and Improvements	17,912,383	247,034	-	18,159,417
Furniture and Equipment	3,192,864	288,726	-	3,481,590
Vehicles	2,873,786	390,789	25,400	3,239,175
Total Accumulated Depreciation	<u>24,885,492</u>	<u>966,956</u>	<u>25,400</u>	<u>25,827,048</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 11,684,847</u>	<u>\$ 3,200,674</u>	<u>\$ -</u>	<u>\$ 14,885,521</u>
<u>Business-Type Activities</u>				
Furniture and Equipment	913,149	18,572	-	931,721
Less Accumulated Depreciation	<u>579,960</u>	<u>31,000</u>	<u>-</u>	<u>610,960</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 333,189</u>	<u>\$ (12,428)</u>	<u>\$ -</u>	<u>\$ 320,761</u>

*Depreciation expense was charged to governmental functions as follows:

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Instruction:		
Regular	\$	182,292
Special		8,514
Vocational		54,922
Support Service:		
Pupil		70,026
Instructional Staff		7,854
Administration		4,999
Fiscal		6,102
Business		3,115
Operation and Maintenance of Plant		134,287
Pupil Transportation		46,161
Central		124,845
Operation of Non-Instructional Services		252
Extracurricular Activities		10,060
Facilities Acquisition and Construction		313,527
		<hr/>
Total Depreciation Expense	\$	<u>966,956</u>

NOTE 10 - RISK MANAGEMENT

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

The District provides employee health care coverage through commercially obtained policies.

Effective July 1, 2001, 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 \$1,000 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 Governmental Accounting Standards Board 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 indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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, 2004, including incurred but not reported claims, is actuarially estimated to be \$66,816.

The claims liability for the last two fiscal years was:

Fiscal Year	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2002	\$ -	\$ 601,901	\$ 542,261	\$ 59,640
2003	\$ 59,640	\$ 371,776	\$ 349,166	\$ 82,250
2004	82,250	327,505	342,939	66,816

NOTE 11 - 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 administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

For the fiscal year ended June 30, 2004, plan members were required to contribute 9 percent of their annual covered salary and the District was required to contribute an actuarially determined rate. The rate for fiscal year 2004 was 14 percent of annual covered payroll; 9.09 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ending June 30, 2004, 2003, and 2002 were \$783,857, \$620,274, and \$1,089,762 respectively; 94.05 percent has been contributed for fiscal year 2004, and 100 percent for fiscal years 2003 and 2002.

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 to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent 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 fifty and termination of employment. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and the employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one-time irrevocable decision to transfer their account balances from the existing DBP into the DCP or the CP. This option expired on December 31, 2001.

A DBP or CP 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 DCP 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.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10.0 percent of their annual covered salary and the District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contribution for pension obligations for the fiscal years ended June 30, 2004, 2003, and 2002 were \$3,653,514, \$3,249,539, and \$3,555,608, respectively; 82.42 percent has been contributed for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has 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 law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year June 30, 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$281,040 for the fiscal year ended June 30, 2004.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.8 million at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000 and STRS had 108,294 eligible benefit recipients.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year ending June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the District, the amount to fund health care benefits, including surcharge, equaled \$548,637 for the fiscal year ended June 30, 2004.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2003 (the latest information available), were \$204,930,737, and the target level was \$307.4 million. At June 30, 2003, SERS net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 13 - COMPENSATED ABSENCES

Sick Leave

Each full time professional staff member is entitled to fifteen (15) days sick leave with pay for each year under contract and accrues sick leave at the rate of one and one-fourth (1¼) days for each calendar month under contract. Sick leave is cumulative from three hundred sixty days to three hundred seventy-five depending on whether administrator, certified or classified.

Service Retirement

Certified Employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the certified employee's accrued but unused sick leave days at the time of retirement based on \$75 per day for the first 300 days and \$80 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 ten 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 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.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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 rate times the 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 time of resignation based on one half 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 time of resignation based on twenty-five percent 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 service and have accumulated at least sixty (60) days sick leave.

NOTE 14 - SET ASIDES

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. Amount not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In addition, the District is required to set aside money for budget stabilization.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2004:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance 7/1/03	\$ (1,879,601)		\$ 1,273,900	\$ (605,701)
Required Set-Aside	986,286	986,286		1,972,572
Qualifying Expenditures	(1,511,492)	(2,740,735)		(4,252,227)
Balance 6/30/04	<u>\$ (2,404,807)</u>	<u>\$ (1,754,449)</u>	<u>\$ 1,273,900</u>	<u>\$ (2,885,356)</u>
Amount Carried Forward to Fiscal Year 2005	<u>\$ (2,404,807)</u>		<u>\$ 1,273,900</u>	
Total Restricted Assets				<u>\$ 1,273,900</u>

Although the School District has off-sets and qualifying disbursements during the year that reduced the set-aside below zero, the amount for capital maintenance may not be used to reduce the set-aside requirements of future years.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

NOTE 15 - LONG-TERM LIABILITIES

The changes in the District's long-term obligations during the fiscal year consist of the following:

	Outstanding 06/30/03	Additions	Reductions	Outstanding 06/30/04	Due In One Year
<u>Governmental Activities</u>					
Energy Management Bonds, 5.50%; Matures 06/1/2005	\$ 1,250,000	\$ -	\$ 395,000	\$ 855,000	\$ 415,000
School Energy Conservation, 4.5 to 4.7%; Matures 12/1/2008	455,000	-	70,000	385,000	70,000
Permanent Improvement Tax Anticipation Note; 4.8%; Matures 12/26/12	5,000,000	-	401,000	4,599,000	420,000
EPA Assistance Aware Note No Interest; Matures 6/30/2005	28,883	-	19,254	9,629	9,629
Compensated Absences	3,570,018	-	386,412	3,183,606	152,562
Capital Lease per above	1,092,000	-	259,000	833,000	268,000
Total Governmental Activities Long-Term Liabilities	<u>\$11,395,901</u>	<u>\$ -</u>	<u>\$ 1,530,666</u>	<u>\$ 9,865,235</u>	<u>\$ 1,335,191</u>
<u>Business-Type Activities</u>					
Compensated Absences Payable	<u>\$107,966</u>	<u>\$0</u>	<u>\$ 5,665</u>	<u>\$102,301</u>	<u>\$ 5,073</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 conclude no later than June 30, 2005. Proceeds from the note were used to remove friable asbestos from school buildings in order to meet federal mandates.

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

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

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.

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

The annual requirements to amortize all debt outstanding as of June 30, 2004, including interest are as follows:

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Fiscal Year Ending June 30	Energy Management Bonds	EPA Assistance Award Note	School Conservation Bonds	Permanent Improvement Tax Anticipation Note
2005	\$ 462,452	\$ 9,629	\$ 85,750	\$ 630,672
2006	464,420	-	87,488	630,032
2007	-	-	84,113	630,384
2008	-	-	85,625	629,680
2009	-	-	86,913	628,896
2010-2013	-	-	-	2,512,080
Total	926,872	9,629	429,889	5,661,744
Less: Amount Representing Interest	71,872	-	44,889	1,062,744
Totals	<u>\$ 855,000</u>	<u>\$ 9,629</u>	<u>\$ 385,000</u>	<u>\$ 4,599,000</u>

NOTE 16 - CAPITALIZED LEASES - LESSEE DISCLOSURE

The District has entered into capitalized leases for the acquisition of reproduction equipment and computers.

The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards 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. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Governmental Funds. Capital assets acquired by lease have been capitalized if they exceed the threshold of \$2,500. A liability was recorded in the Government Wide Financial Statements for \$1,316,000. Principal payments in the fiscal year 2004 totaled \$259,000. This amount is reflected as "Debt Service Principal" in the General Fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2004:

Year Ending June 30	Capital Lease Liability
2005	\$ 297,988
2006	298,340
2007	297,332
Total Minimum Lease Payments	893,660
Less: Amount Representing Interest	(60,660)
Present Value of Future Minimum Lease Payment	<u>\$ 833,000</u>

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

NOTE 17 - CONTINGENT LIABILITIES

A. Grants

The District receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2004.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. School Funding Decision

On December 11, 2003, 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 on its financial operations.

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**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2004**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>		
Team Nutrition Grant	-	10.574
<u>Child Nutrition Cluster:</u>		
Food Donation	-	10.550
School Breakfast Program	-	10.553
National School Lunch Program	-	10.555
Total U.S. Department of Agriculture - Child Nutrition Cluster		
Total U.S. Department of Agriculture		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES <i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i> <i>Passed through Lucas County Department of Mental Retardation and Developmental Disabilities:</i>		
Medical Assistance Program - Title XIX	-	93.778
U.S. DEPARTMENT OF EDUCATION <i>Passed through Ohio Department of Education</i>		
Grants to Local Educational Agencies - Title I-A	C1-S1-03 C1-S1-04	84.010
Total Grants to Local Educational Agencies		
Special Education Grants to States	6B-SD-04P 6B-SF-0 6B-SF-04	84.027
Total Special Education		
Vocational Education Basic Grants to States - Title I	20-C1-03 20-C1-04	84.048
Total Vocational Education		

<u>Receipts</u>	<u>Noncash Receipts</u>	<u>Disbursements</u>	<u>Noncash Disbursements</u>
2,000		2,000	
\$ 81,390	\$ 101,145	\$ 81,390	\$ 101,145
540,215		540,215	
621,605	101,145	621,605	101,145
623,605	101,145	623,605	101,145
106,234		106,234	
91,988		90,329	
885,293		912,111	
977,281		1,002,440	
6,000		13,656	
130,549		141,692	
836,816		842,536	
973,365		997,884	
27,701		32,865	
43,438		89,780	
71,139		122,645	

(Continued)

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2004
(Continued)**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
U.S. DEPARTMENT OF EDUCATION (Continued)		
Safe and Drug Free Schools and Communities State Grants Title IV-A	DR-S1-03 DR-S1-04	84.186
Total Safe and Drug Free Schools and Communities		
Innovative Education Program Strategies - Title VI	C2-S1-03 C2-S1-04	84.298
Total Innovative Education Program Strategies		
Education Technology State Grants - Title II-D	TJ-S1-03 TJ-S1-04	84.318
Total Education Technology State Grants		
Comprehensive School Reform Demonstration - Title I-E	RF-S2-02 RF-S1-03 RF-S1-04	84.332
Total Comprehensive School Reform Demonstration		
Adult Education State Grant Program	AB-S1-03 AB-S1-04 AB-S2-03 AB-S2-04	84.002
Total Adult Education		
School Renovation Grants	1810-0642	84.352
English Language Acquisition Grants - Title III-A	T3-S1-03 T3-S1-04	84.365
Total English Language Acquisition Grants		
Improving Teacher Quality State Grants - Title II-A	TR-S1-03 TR-S1-04	84.367
Total Improving Teacher Quality State Grants		
America's Career Resource Network	ACRN-04-C6-03	84.346
Total U.S. Department of Education		
Total Federal Assistance		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

<u>Receipts</u>	<u>Noncash Receipts</u>	<u>Disbursements</u>	<u>Noncash Disbursements</u>
4,322		1,305	
<u>24,866</u>		<u>25,464</u>	
29,188		26,769	
8,950		2,128	
<u>52,760</u>		<u>52,843</u>	
61,710		54,971	
26,561		113	
<u>26,561</u>		<u>24,641</u>	
		24,754	
8,434		3,284	
<u>43,404</u>		<u>27,585</u>	
51,838		45,163	
		76,032	
44,991		6,638	
		54,132	
		2,186	
<u>30,261</u>		<u>32,669</u>	
75,252		95,625	
		1,590	
222			
<u>39,170</u>		<u>39,992</u>	
39,392		39,992	
34,504		34,915	
<u>260,302</u>		<u>260,379</u>	
294,806		295,294	
1,500		4,115	
<u>2,602,032</u>		<u>2,742,111</u>	
<u>\$ 3,331,871</u>	<u>\$ 101,145</u>	<u>\$ 3,471,950</u>	<u>\$ 101,145</u>

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Federal Awards Expenditures Schedule
Fiscal Year Ended June 30, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - MATCHING REQUIREMENTS

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



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Washington Local School District, Lucas County, Ohio (the School District), as of and for the year ended June 30 2004, which collectively comprise the School District's basic financial statements and have issued our report thereon dated June 15, 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001 and 2004-002.

A material weakness is a reportable 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above material weaknesses. In a separate letter to the School District's management dated June 15, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the School District's management dated June 15, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management, and Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

June 15, 2005



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Washington Local School District, Lucas County, (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the Washington Local School District, Lucas County, complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2004. In a separate letter to the School District's management date June 15, 2005, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program 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 reportable 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 timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of management, and Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

June 15, 2005

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Schedule of Findings
OMB Circular A -133 § .505
June 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster, CFDA Nos. 10.550, 10.553 and 10.555 and Title I-A Grants to Local Educational Agencies, CFDA No. 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2004-001

Capital Asset Records

The following conditions over capital asset controls and procedures exist:

- The School District has not accurately developed and implemented procedures to assist in recording assets (tagging) as additions when purchased, and deletions when disposed of throughout the year.
- The School District has not implemented procedures to assure all additions and deletions information is provided to the appraisal company so they can accurately update and calculate the capital asset amounts.

**FINDING NUMBER 2004-001
(Continued)**

- The appraisal company is not consistent in calculating the depreciation within the same classification of assets; and the first year of placing in operation the appraisal company utilizes only half year depreciation while the School District's calculation is based on full year depreciation.
- The appraisal company is not utilizing the School District's policy of useful lives of capital assets.

Failure to establish and employ adequate controls over the acquisitions and disposal of capital assets could result in misappropriation of assets and misstatements of recorded assets to go undetected.

To maintain adequate safeguard over capital assets, and to reduce the risk that School District assets will be misstated, we recommend:

- The School District establish written guidelines and procedures on the recording and tagging of assets and these be given to the warehouse personnel responsible for tagging additions and noting deletions. Along with tagging the item, information should be maintained as to tag number, a description of the item, the cost, the acquisition date, location, depreciable life, function assigned to, and any other supporting documentation. A copy of the invoice for the capital asset should be maintained in a capital asset additions file. Addition and disposal forms should be completed by District personnel and approved by management when assets are acquired and/or disposed.
- The School District should develop and implement procedures that will ensure all capital asset addition and deletion information, for all categories, is supplied to the appraisal company. Also, every few years the School District should verify the accuracy of the appraisal listing by conducting a physical inventory. The physical inventory can be performed by submitting a list of all capital assets recorded to each location. The assets in each location should be compared to the listing provided, any assets no longer used should be deleted, and any assets not included on the listing should be added. This master listing of all assets can then be reconciled to the appraisal listing and any changes given to the appraisal company.
- The School District should notify the appraisal company as to their determination of depreciation, whether it is a full year or half year when the asset is placed into operation. The School District should review the appraisal company's reports and verify that the same asset classification's depreciation is consistent.
- The School District should notify the appraisal company as to their policy's determination of useful life of capital assets. The listing of useful life should be consistent within the classification in order to calculate the depreciation and accumulated depreciation.

FINDING NUMBER 2004-002

Monthly Blanket Purchase Order Encumbrances

Control testing of the cash disbursement cycle disclosed that 12% of the transaction tested had the expenditures charged against the monthly blanket purchase order encumbrances that exceeded the amounts encumbered by the School Treasurer. The School District internal controls policy requires administrative approval when the charges against the amount encumbered from a purchase order are exceeded. No administrative approval was noted on these transactions tested.

Management was advised that the failure to exercise effective monitoring controls over the cash disbursement cycle has resulted in the payment of disbursements to be made without required administrative approval established by the School District.

**FINDING NUMBER 2004-002
(Continued)**

We recommend that all cash disbursements made that exceeds the original amounts encumbered be appropriately approved by the School District Treasurer before payment is officially made to ensure these disbursements are properly approved and allowable.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY

Schedule of Prior Audit Findings
June 30, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Fixed Asset Records not correctly recording all additions and deletions	No	Not corrected. Repeated as Finding Number 2004-001



**Auditor of State
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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
JULY 18, 2005**