

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

AUDIT REPORT

For the Year Ended June 30, 2008

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



Mary Taylor, CPA
Auditor of State

Board of Education
Washington Local School District
3505 West Lincolnshire Blvd.
Toledo, Ohio 43606

We have reviewed the *Independent Accountants' Report* of the Washington Local School District, Lucas County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 14, 2009

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WASHINGTON LOCAL SCHOOL DISTRICT
AUDIT REPORT
For the Year Ended June 30, 2008

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

INDEPENDENT ACCOUNTANTS' REPORT

Washington Local School District
Lucas County
3505 W. Lincolnshire Blvd.
Toledo, OH 43606-1299

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Local School District, Lucas County, Ohio, (the District), as of and for the year ended June 30, 2008, 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 an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Washington Local School District, Lucas County, Ohio, as of June 30, 2008, and the respective changes in financial position and cash flows, thereof and the budgetary comparison for the General Fund and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2008 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, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Charles E. Harris & Associates, Inc.
December 26, 2008

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

The discussion and analysis of the Washington Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities decreased \$2,923,492 which represents a 4.90% decrease from 2007.
- General revenues accounted for \$63,906,418 in revenue or 82.27% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$13,774,439 or 17.73% total revenues of \$77,680,857.
- The District had \$80,604,349 in expenses related to governmental activities; only \$13,774,439 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$63,906,418 were not adequate to provide for these programs.
- The general fund is the only major fund of the District. The general fund had \$68,040,269 in revenues and other financing sources and \$67,818,706 in expenditures and other financing uses. During fiscal 2008, the general fund's fund balance increased \$221,563 from \$27,458,482 to \$27,680,045.
- The District has \$24,399,558 in capital assets at June 30, 2008. This amount is net of accumulated depreciation in the amount of \$30,211,686. Fiscal year 2008 depreciation expense was \$1,701,274. Total capital assets, net of related debt to acquire or construct the assets were \$21,521,558 at June 30, 2008.
- The District has \$7,080,837 in long-term liabilities outstanding at June 30, 2008. Of this total, \$1,417,578 is due within one year and \$5,663,259 is due in greater than one year.

Using these Basic Financial Statements (BFS)

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund. All other governmental funds are considered nonmajor.

Governmental Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

Proprietary Funds

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

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-53 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2008 and 2007.

	Net Assets		
	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>	Percent <u>Change</u>
<u>Assets</u>			
Current and other assets	\$ 85,597,762	\$ 95,185,974	(10.07) %
Capital assets, net	<u>24,399,558</u>	<u>24,099,283</u>	1.25 %
Total assets	<u>109,997,320</u>	<u>119,285,257</u>	(7.79) %
<u>Liabilities</u>			
Current liabilities	46,143,674	52,102,747	(11.44) %
Long-term liabilities	<u>7,080,837</u>	<u>7,486,209</u>	(5.41) %
Total liabilities	<u>53,224,511</u>	<u>59,588,956</u>	(10.68) %
<u>Net Assets</u>			
Invested in capital assets, net of related debt	21,521,558	20,657,283	4.18 %
Restricted	2,829,452	2,736,146	3.41 %
Unrestricted	<u>32,421,799</u>	<u>36,302,872</u>	(10.69) %
Total net assets	<u>\$ 56,772,809</u>	<u>\$ 59,696,301</u>	(4.90) %

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

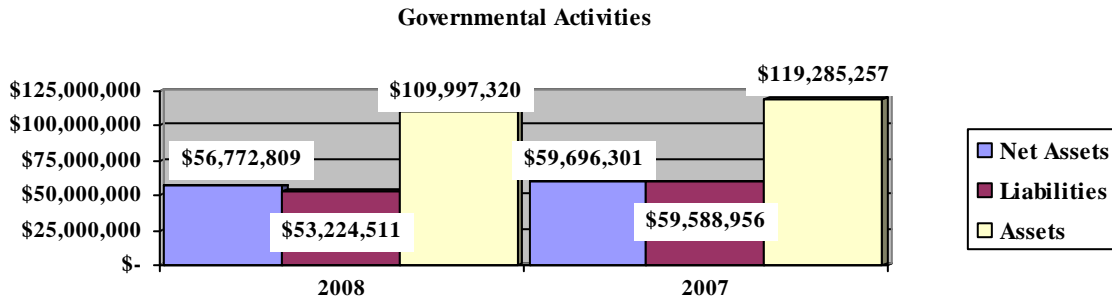
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$56,772,809. Of this total \$2,829,452 is restricted in use and \$21,521,558 is invested in capital assets (net of related debt), resulting in unrestricted net assets of \$32,421,799.

At year-end, capital assets represented 22.18% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$21,521,558. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$2,829,452, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$32,421,799 may be used to meet the District's ongoing obligations to the students and creditors.

The following graph shows the District's assets, liabilities and net assets at June 30, 2008 and 2007:



The table below shows the change in net assets for fiscal years 2008 and 2007.

	Change in Net Assets		
	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>	<u>Percent Change</u>
<u>Revenues</u>			
Program revenues:			
Charges for services and sales	\$ 2,874,151	\$ 2,874,714	(0.02) %
Operating grants and contributions	10,367,012	9,696,673	6.91 %
Capital grants and contributions	533,276	214,748	148.33 %
General revenues:			
Property taxes	31,613,646	45,251,365	(30.14) %
Payment in lieu of taxes	5,843,744	1,729,672	237.85 %
Grants and entitlements	24,203,548	22,038,606	9.82 %
Investment earnings	2,219,037	2,524,393	(12.10) %
Other	26,443	42,504	(37.79) %
Total revenues	<u>77,680,857</u>	<u>84,372,675</u>	(7.93) %

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Change in Net Assets

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>	
<u>Expenses</u>			
Program expenses:			
Instruction:			
Regular	\$ 30,452,351	\$ 28,185,570	8.04 %
Special	8,899,468	7,873,642	13.03 %
Vocational	2,564,050	2,519,901	1.75 %
Adult/continuing	284,343	592,241	(51.99) %
Other	3,218,317	2,623,435	22.68 %
Support services:			
Pupil	3,718,573	3,434,244	8.28 %
Instructional staff	3,956,958	3,605,150	9.76 %
Board of education	93,442	99,575	(6.16) %
Administration	5,221,820	4,651,302	12.27 %
Fiscal	1,450,459	1,398,304	3.73 %
Business	620,198	572,990	8.24 %
Operations and maintenance	9,718,643	9,571,729	1.53 %
Pupil transportation	3,625,413	2,916,288	24.32 %
Central	1,857,702	2,345,790	(20.81) %
Food service operations	2,250,090	2,126,099	5.83 %
Operations of non-instructional services	221,131	234,533	(5.71) %
Extracurricular activities	1,241,543	1,270,644	(2.29) %
Intergovernmental	1,059,176	980,962	7.97 %
Interest and fiscal charges	<u>150,672</u>	<u>184,444</u>	(18.31) %
Total expenses	<u>80,604,349</u>	<u>75,186,843</u>	7.21 %
Change in net assets	(2,923,492)	9,185,832	(131.83) %
Net assets at beginning of year	<u>59,696,301</u>	<u>50,510,469</u>	18.19 %
Net assets at end of year	<u>\$ 56,772,809</u>	<u>\$ 59,696,301</u>	(4.90) %

Capital grants and contributions increased from the prior year due to donations received for stadium renovations. Property tax revenue decreased and payment in lieu of taxes revenue increased as discussed on page 10. Franklin Park became a TIF property in fiscal year 2008. In addition, during fiscal 2008, Franklin Park was refunded their taxes for calendar years 2005 and 2006 and then a TIF payment was made to the District in the same amount. This also explains the increase in payment in lieu of taxes revenue. The Lucas County Auditor has reduced property tax values and issued refunds. This also explains the reduction in property tax revenues.

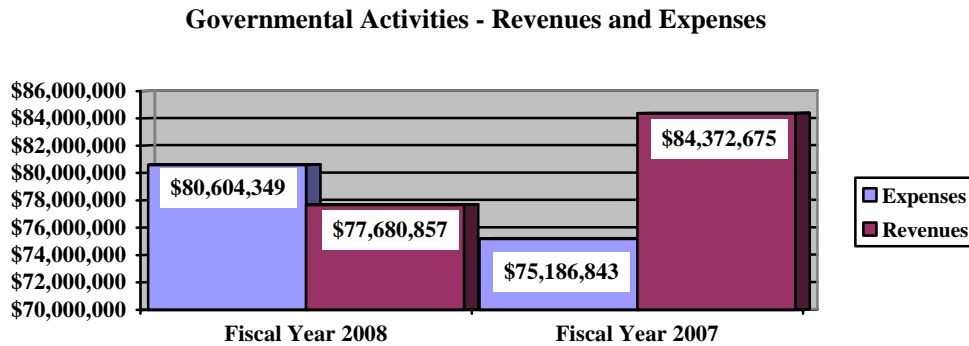
**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Governmental Activities

Net assets of the District's governmental activities decreased \$2,923,492. Total governmental expenses of \$80,604,349 were offset by program revenues of \$13,774,439 and general revenues of \$63,906,418. Program revenues supported 17.09% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes, payments in lieu of taxes and grants and entitlements. These revenue sources represent 79.38% of total governmental revenue. The largest expense of the District is for instructional programs. Instruction expenses totaled \$45,418,529 or 56.35% of total governmental expenses for fiscal year 2008.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2008 and 2007.



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

Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses				
Instruction:				
Regular	\$ 30,452,351	\$ 27,857,042	\$ 28,185,570	\$ 25,439,804
Special	8,899,468	4,492,685	7,873,642	4,086,506
Vocational	2,564,050	2,041,357	2,519,901	2,075,691
Adult/continuing	284,343	54,656	592,241	73,516
Other	3,218,317	2,627,684	2,623,435	2,242,909

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

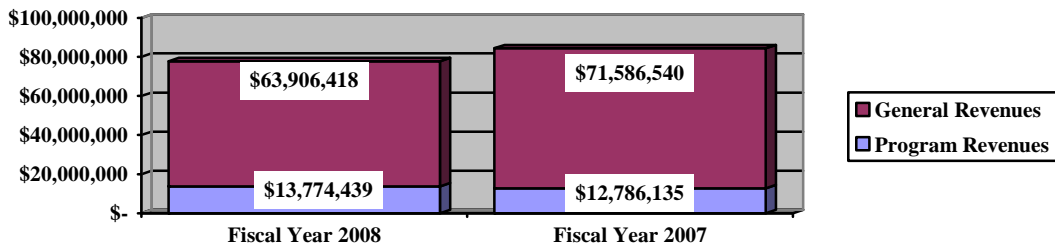
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>
Program expenses				
Support services:				
Pupil	\$ 3,718,573	\$ 3,620,702	\$ 3,434,244	\$ 3,213,503
Instructional staff	3,956,958	3,584,164	3,605,150	3,341,346
Board of education	93,442	93,442	99,575	99,575
Administration	5,221,820	4,994,987	4,651,302	4,628,567
Fiscal	1,450,459	1,450,459	1,398,304	1,398,304
Business	620,198	620,198	572,990	572,990
Operations and maintenance	9,718,643	9,596,663	9,571,729	9,345,547
Pupil transportation	3,625,413	3,253,626	2,916,288	2,485,604
Central	1,857,702	1,827,589	2,345,790	2,319,283
Food service operations	2,250,090	77,783	2,126,099	(9,407)
Operations of non-instructional services	221,131	53,559	234,533	65,121
Extracurricular activities	1,241,543	406,495	1,270,644	878,626
Intergovernmental pass through	1,059,176	26,147	980,962	(41,221)
Interest and fiscal charges	<u>150,672</u>	<u>150,672</u>	<u>184,444</u>	<u>184,444</u>
Total expenses	<u>\$ 80,604,349</u>	<u>\$ 66,829,910</u>	<u>\$ 75,186,843</u>	<u>\$ 62,400,708</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 81.64% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 82.92%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2008 and 2007.

Governmental Activities - General and Program Revenues



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$30,552,256, which is higher than last year's total of \$30,046,364.

The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	<u>Fund Balance</u> <u>June 30, 2008</u>	<u>Fund Balance</u> <u>June 30, 2007</u>	<u>Increase</u>
General	\$ 27,680,045	\$ 27,458,482	\$ 221,563
Other Governmental	<u>2,872,211</u>	<u>2,587,882</u>	<u>284,329</u>
Total	<u>\$ 30,552,256</u>	<u>\$ 30,046,364</u>	<u>\$ 505,892</u>

General Fund

The District's general fund balance increased \$221,563. The table that follows assists in illustrating the financial activities of the general fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 33,276,436	\$ 42,784,372	\$ (9,507,936)	(22.22) %
Tuition	622,771	604,369	18,402	3.04 %
Earnings on investments	2,124,240	2,163,216	(38,976)	(1.80) %
Intergovernmental	26,035,531	23,842,426	2,193,105	9.20 %
Payment in lieu of taxes	5,630,449	1,729,672	3,900,777	225.52 %
Other revenues	<u>335,334</u>	<u>304,912</u>	<u>30,422</u>	9.98 %
Total	<u>\$ 68,024,761</u>	<u>\$ 71,428,967</u>	<u>\$ (3,404,206)</u>	(4.77) %
<u>Expenditures</u>				
Instruction	\$ 38,448,826	\$ 36,027,081	\$ 2,421,745	6.72 %
Support services	28,217,410	27,450,679	766,731	2.79 %
Operation of non-instructional services	34,255	12,647	21,608	170.85 %
Extracurricular activities	768,584	788,426	(19,842)	(2.52) %
Facilities acquisition and construction	130,740	5,376,313	(5,245,573)	(97.57) %
Debt service	<u>-</u>	<u>297,332</u>	<u>(297,332)</u>	(100.00) %
Total	<u>\$ 67,599,815</u>	<u>\$ 69,952,478</u>	<u>\$ (2,352,663)</u>	(3.36) %

Taxes decreased as the District experienced a 67% decrease in personal property tax. In addition, Franklin Park became a TIF property further reducing tax revenues but increasing payment in lieu of taxes revenue. Lastly, the District had fewer taxes available as an advance at fiscal year-end for 2008 than in 2007. Advances from the county can vary based on when tax bills are sent out. Earnings on investments decreased due to lower interest rates and the District had more funds to invest in fiscal 2008. Intergovernmental revenues increased as the District received reimbursements from the State of Ohio for lost personal property tax revenue. Instruction and support services expenditures increased due to normal and customary wages and benefit increases.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Facilities acquisition and construction expenditures were lower in fiscal 2008 as the District performed fewer construction projects in 2008 than in 2007. Debt service expenditures decreased as the District retired the capital lease obligation in fiscal year 2007. All other revenue and expenditure line items are comparable to fiscal 2007.

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 2008, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$71,403,342, which is higher than the original budgeted revenues estimate of \$69,740,208. Actual revenues and other financing sources for fiscal 2008 was \$71,481,736. This represents a \$78,394 increase from final budgeted revenues. This increase is primarily due to tax revenues being higher than estimated.

General fund final appropriations (appropriated expenditures plus other financing uses) were \$71,673,032, which is \$25,000 higher than the original budgeted appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$69,700,177, which was \$1,972,855 less than the final budget appropriations. The District was able to decrease actual expenditures primarily because salary costs proved to be lower than anticipated in the original and final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008, the District had \$24,399,558 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress (CIP). This entire amount is reported in governmental activities. The following table shows fiscal 2008 balances compared to 2007:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Land	\$ 856,402	\$ 856,402
Land improvements	2,092,393	945,226
Buildings and improvements	16,589,307	14,953,158
Furniture and equipment	2,475,020	2,713,356
Vehicles	1,854,813	1,705,477
Construction in progress	<u>531,623</u>	<u>2,925,664</u>
Total	<u>\$ 24,399,558</u>	<u>\$ 24,099,283</u>

Total additions to capital assets for 2008 were \$2,066,395. The District had \$1,701,274 in depreciation expense during 2008. The disposal of CIP of \$3,671,179 represents construction projects which were completed in fiscal year 2008 and transferred to buildings and improvements or land improvements. The overall increase in capital assets of \$300,275 (net of accumulated depreciation) is primarily due to the construction in progress going on within the District in fiscal 2008.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Debt Administration

At June 30, 2008, the District had \$2,878,000 in general obligation bonds and notes payable obligations outstanding. Of this total, \$592,000 is due within one year and \$2,286,000 is due within greater than one year. The following table summarizes the bonds and notes obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2008	Governmental Activities 2007
General obligation bonds	\$ 85,000	\$ 165,000
Permanent improvement note	2,793,000	3,277,000
Total	<u>\$ 2,878,000</u>	<u>\$ 3,442,000</u>

See Note 9 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

As the preceding information shows, the District depends on its property taxpayers. With the passage of a 3.9 mill dual purpose levy in November 2008, the District has been able to continue its education programs. However, financially the future is not without challenges.

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

The passage of House Bill No. 66 poses another challenge for the District. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2007-2010, the District is expected to be fully reimbursed for the lost revenue by the State of Ohio. In calendar years 2011-2017, the reimbursements will be phased out.

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

Contacting the District's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 45,234,066
Cash in segregated accounts.	2,911
Receivables:	
Taxes	39,060,663
Accounts	23,360
Intergovernmental	810,257
Accrued interest	104,313
Prepayments	153,045
Materials and supplies inventory.	209,147
Capital assets:	
Land and construction in progress.	1,388,025
Depreciable capital assets, net.	23,011,533
Capital assets, net	24,399,558
Total assets.	109,997,320
 Liabilities:	
Accounts payable.	1,202,899
Accrued wages and benefits	6,977,973
Pension obligation payable.	1,651,364
Intergovernmental payable	705,530
Accrued interest payable	2,021
Claims payable	1,607,098
Unearned revenue	33,996,789
Long-term liabilities:	
Due within one year.	1,417,578
Due in more than one year	5,663,259
Total liabilities	53,224,511
 Net Assets:	
Invested in capital assets, net of related debt.	21,521,558
Restricted for:	
Capital projects	2,427,423
Locally funded programs	4,902
State funded programs	183,866
Federally funded programs	12,078
Student activities	146,183
Other purposes	55,000
Unrestricted	32,421,799
Total net assets	\$ 56,772,809

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 30,452,351	\$ 578,041	\$ 1,969,954	\$ 47,314	\$ (27,857,042)
Special	8,899,468	190,817	4,215,966	-	(4,492,685)
Vocational	2,564,050	91,108	431,585	-	(2,041,357)
Adult/continuing	284,343	119,596	110,091	-	(54,656)
Other	3,218,317	-	590,633	-	(2,627,684)
Support services:					
Pupil	3,718,573	-	97,871	-	(3,620,702)
Instructional staff	3,956,958	15,551	357,243	-	(3,584,164)
Board of education	93,442	-	-	-	(93,442)
Administration	5,221,820	183,511	43,322	-	(4,994,987)
Fiscal	1,450,459	-	-	-	(1,450,459)
Business	620,198	-	-	-	(620,198)
Operations and maintenance	9,718,643	121,980	-	-	(9,596,663)
Pupil transportation	3,625,413	124,502	223,595	23,690	(3,253,626)
Central	1,857,702	2,881	27,232	-	(1,827,589)
Operation of non-instructional services:					
Food service operations	2,250,090	1,054,910	1,117,397	-	(77,783)
Other non-instructional services	221,131	19,678	147,894	-	(53,559)
Extracurricular activities	1,241,543	371,576	1,200	462,272	(406,495)
Intergovernmental	1,059,176	-	1,033,029	-	(26,147)
Interest and fiscal charges	150,672	-	-	-	(150,672)
Total governmental activities	\$ 80,604,349	\$ 2,874,151	\$ 10,367,012	\$ 533,276	(66,829,910)
General Revenues:					
Property taxes levied for:					
General purposes					30,150,618
Debt service					594,680
Capital outlay					868,348
Payments in lieu of taxes					5,843,744
Grants and entitlements not restricted to specific programs					24,203,548
Investment earnings					2,219,037
Miscellaneous					26,443
Total general revenues					63,906,418
Change in net assets					(2,923,492)
Net assets at beginning of year					59,696,301
Net assets at end of year					\$ 56,772,809

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 36,871,058	\$ 7,013,510	\$ 43,884,568
Cash in segregated accounts	2,911	-	2,911
Receivables:			
Taxes	37,109,004	1,951,659	39,060,663
Accounts	19,913	3,447	23,360
Intergovernmental	66,946	743,311	810,257
Accrued interest	104,313	-	104,313
Interfund loans	500,000	-	500,000
Prepayments	153,045	-	153,045
Materials and supplies inventory	162,104	47,043	209,147
Total assets	<u>\$ 74,989,294</u>	<u>\$ 9,758,970</u>	<u>\$ 84,748,264</u>
Liabilities:			
Accounts payable	\$ 569,899	\$ 633,000	\$ 1,202,899
Accrued wages and benefits	6,264,552	713,421	6,977,973
Compensated absences payable	412,437	-	412,437
Pension obligation payable	1,525,271	126,093	1,651,364
Intergovernmental payable	633,022	72,508	705,530
Interfund loan payable	-	500,000	500,000
Claims payable	1,544,609	-	1,544,609
Notes payable	-	2,793,000	2,793,000
Accrued interest payable	-	1,862	1,862
Deferred revenue	4,139,816	269,729	4,409,545
Unearned revenue	32,219,643	1,777,146	33,996,789
Total liabilities	<u>47,309,249</u>	<u>6,886,759</u>	<u>54,196,008</u>
Fund Balances:			
Reserved for encumbrances	1,131,287	2,307,985	3,439,272
Reserved for materials and supplies inventory	162,104	47,043	209,147
Reserved for property tax unavailable for appropriation	455,357	16,723	472,080
Reserved for prepayments	153,045	-	153,045
Unreserved:			
Designated for budget stabilization	1,800,000	-	1,800,000
Undesignated, reported in:			
General fund	23,978,252	-	23,978,252
Special revenue funds	-	383,843	383,843
Capital projects funds	-	116,617	116,617
Total fund balances	<u>27,680,045</u>	<u>2,872,211</u>	<u>30,552,256</u>
Total liabilities and fund balances	<u>\$ 74,989,294</u>	<u>\$ 9,758,970</u>	<u>\$ 84,748,264</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total governmental fund balances		\$ 30,552,256
<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.		24,399,558
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 4,239,696	
Interest	50,308	
Intergovernmental revenue	119,541	
Total		4,409,545
An internal service fund is used by management to charge the costs of dental insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		1,287,009
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	85,000	
Compensated absences	3,790,400	
Accrued interest payable	159	
Total		(3,875,559)
Net assets of governmental activities		\$ 56,772,809

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
From local sources:			
Taxes	\$ 33,276,436	\$ 1,608,852	\$ 34,885,288
Payment in lieu of taxes	5,630,449	213,295	5,843,744
Tuition	622,771	307,863	930,634
Charges for services	-	1,054,910	1,054,910
Transportation fees	124,502	-	124,502
Earnings on investments	2,124,240	230,727	2,354,967
Extracurricular	-	377,158	377,158
Classroom materials and fees	45,451	130,290	175,741
Contributions and donations	-	485,459	485,459
Other local revenues	165,381	72,268	237,649
Intergovernmental - Intermediate	-	16,733	16,733
Intergovernmental - State	26,032,517	4,084,924	30,117,441
Intergovernmental - Federal	3,014	4,369,062	4,372,076
Total revenue	<u>68,024,761</u>	<u>12,951,541</u>	<u>80,976,302</u>
Expenditures:			
Current:			
Instruction:			
Regular	27,361,402	2,018,743	29,380,145
Special	6,107,189	2,525,429	8,632,618
Vocational	2,401,538	155,004	2,556,542
Adult/continuing	9,340	267,564	276,904
Other	2,569,357	570,664	3,140,021
Support Services:			
Pupil	3,355,611	190,688	3,546,299
Instructional staff	3,510,313	357,708	3,868,021
Board of education	90,164	-	90,164
Administration	4,587,266	304,318	4,891,584
Fiscal	1,383,696	28,581	1,412,277
Business	599,110	-	599,110
Operations and maintenance	9,414,286	36,910	9,451,196
Pupil transportation	3,575,798	25,635	3,601,433
Central	1,701,166	127,816	1,828,982
Operation of non-instructional services:			
Food service operations	-	2,216,437	2,216,437
Other non-instructional services	34,255	173,053	207,308
Intergovernmental pass through	-	1,059,176	1,059,176
Extracurricular activities	768,584	441,532	1,210,116
Facilities acquisition and construction	130,740	2,155,863	2,286,603
Debt service:			
Principal retirement	-	80,000	80,000
Interest and fiscal charges	-	150,982	150,982
Total expenditures	<u>67,599,815</u>	<u>12,886,103</u>	<u>80,485,918</u>
Excess of revenues over expenditures	<u>424,946</u>	<u>65,438</u>	<u>490,384</u>
Other financing sources (uses):			
Transfers in	-	848,571	848,571
Transfers (out)	(218,891)	(629,680)	(848,571)
Sale of capital assets	15,508	-	15,508
Total other financing sources (uses)	<u>(203,383)</u>	<u>218,891</u>	<u>15,508</u>
Net change in fund balances	221,563	284,329	505,892
Fund balance at at beginning of year	<u>27,458,482</u>	<u>2,587,882</u>	<u>30,046,364</u>
Fund balances at end of year	<u>\$ 27,680,045</u>	<u>\$ 2,872,211</u>	<u>\$ 30,552,256</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds \$ 505,892

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.

Capital asset additions	\$ 2,066,395	
Current year depreciation	(1,701,274)	
Total		365,121

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (64,846)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 310

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

Taxes	(3,271,642)	
Interest	(158,457)	
Intergovernmental	100,765	
Total		(3,329,334)

Repayment of bond and capital lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:

Bonds	80,000	
Total		80,000

The internal service fund used by management to charge the costs of dental insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (6,810)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (473,825)

Change in net assets of governmental activities \$ (2,923,492)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 35,252,065	\$ 36,092,741	\$ 36,122,306	\$ 29,565
Payment in lieu of taxes	5,529,816	5,661,689	5,670,670	8,981
Tuition	617,279	632,000	626,223	(5,777)
Transportation fees	97,671	100,000	115,842	15,842
Earnings on investments	2,099,922	2,150,000	2,111,665	(38,335)
Classroom materials and fees	38,092	39,000	45,471	6,471
Other local revenues	131,856	135,000	162,180	27,180
Intergovernmental - Intermediate	9,767	10,000	15,508	5,508
Intergovernmental - State	25,465,283	26,072,568	26,076,527	3,959
Intergovernmental - Federal	2,944	3,014	3,014	-
Total revenue	<u>69,244,695</u>	<u>70,896,012</u>	<u>70,949,406</u>	<u>53,394</u>
Expenditures:				
Current:				
Instruction:				
Regular	28,401,516	27,633,728	27,198,656	435,072
Special	6,101,101	6,847,707	6,508,044	339,663
Vocational	2,552,078	2,530,078	2,453,362	76,716
Adult continuing	3,666	8,666	8,562	104
Other	2,239,060	2,629,060	2,577,613	51,447
Support Services:				
Pupil	3,474,570	3,460,658	3,389,036	71,622
Instructional staff	3,469,288	3,509,640	3,460,349	49,291
Board of education	130,616	99,916	94,599	5,317
Administration	5,021,220	4,913,172	4,796,996	116,176
Fiscal	1,538,961	1,437,149	1,423,739	13,410
Business	606,796	611,697	598,907	12,790
Operations and maintenance	10,911,909	10,579,880	10,034,021	545,859
Pupil transportation	3,807,333	3,806,607	3,742,441	64,166
Central	1,481,164	1,712,519	1,658,360	54,159
Operation of non-instructional services	2,789	20,789	19,269	1,520
Extracurricular activities	717,926	739,352	700,914	38,438
Facilities acquisition and construction	314,927	279,927	201,425	78,502
Total expenditures	<u>70,774,920</u>	<u>70,820,545</u>	<u>68,866,293</u>	<u>1,954,252</u>
Excess of revenues over (under) expenditures	<u>(1,530,225)</u>	<u>75,467</u>	<u>2,083,113</u>	<u>2,007,646</u>
Other financing sources (uses):				
Refund of prior year expenditure	7,159	7,330	7,330	-
Refund of prior year receipts	(52,487)	(52,487)	(52,287)	200
Transfers (out)	(320,625)	(275,000)	(256,597)	18,403
Advances in	488,354	500,000	525,000	25,000
Advances (out)	(500,000)	(525,000)	(525,000)	-
Total other financing sources (uses)	<u>(377,599)</u>	<u>(345,157)</u>	<u>(301,554)</u>	<u>43,603</u>
Net change in fund balance	(1,907,824)	(269,690)	1,781,559	2,051,249
Fund balance at beginning of year	31,050,121	31,050,121	31,050,121	-
Prior year encumbrances appropriated	2,447,921	2,447,921	2,447,921	-
Fund balance at end of year	<u>\$ 31,590,218</u>	<u>\$ 33,228,352</u>	<u>\$ 35,279,601</u>	<u>\$ 2,051,249</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 1,349,498
Total assets	<u>1,349,498</u>
Liabilities:	
Claims payable	<u>62,489</u>
Total liabilities	<u>62,489</u>
Net assets:	
Unrestricted.	<u>1,287,009</u>
Total net assets	<u><u>\$ 1,287,009</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Governmental Activities - Internal Service Fund
Operating revenues:	
Sales/charges for services	\$ 434,344
Total operating revenues	<u>434,344</u>
Operating expenses:	
Purchased services	32,265
Claims	<u>442,778</u>
Total operating expenses	<u>475,043</u>
Operating loss	<u>(40,699)</u>
Nonoperating revenues:	
Interest revenue	<u>33,889</u>
Total nonoperating revenues	<u>33,889</u>
Change in net assets	(6,810)
Net assets at beginning of year	<u>1,293,819</u>
Net assets at end of year	<u><u>\$ 1,287,009</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from sales/charges for services	\$ 434,344
Cash payments for purchased services	(32,265)
Cash payments for claims	<u>(437,406)</u>
Net cash used in operating activities	<u>(35,327)</u>
Cash flows from investing activities:	
Interest received	<u>33,889</u>
Net cash provided by investing activities	<u>33,889</u>
Net decrease in cash and cash equivalents	(1,438)
Cash and cash equivalents at beginning of year . . .	<u>1,350,936</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,349,498</u></u>
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (40,699)
Changes in assets and liabilities:	
Increase in claims payable	<u>5,372</u>
Net cash used in operating activities	<u><u>\$ (35,327)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents.	\$ 105,942	\$ 144,598
Receivables:		
Accounts	-	2,178
	105,942	146,776
Total assets.	105,942	\$ 146,776
Liabilities:		
Accounts payable.	-	\$ 467
Due to students	-	146,309
	-	146,776
Total liabilities	-	\$ 146,776
Net Assets:		
Held in trust for scholarships	105,942	
Total net assets	\$ 105,942	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 2,289
Extracurricular activities	1,215
Gifts and contributions.	22,124
Total additions.	25,628
Deductions:	
Scholarships awarded	23,442
Change in net assets	2,186
Net assets at beginning of year	103,756
Net assets at end of year	\$ 105,942

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District ranks as the 39th largest by enrollment among the 896 public school districts and community schools in the State. The District employs 320 non-certified and 551 certified full-time and part-time employees to provide services to approximately 6,969 students in grades K through 12.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATION

Northwest Ohio Computer Association (NWOCA)

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

INSURANCE PURCHASING POOL

Ohio Schools Plan

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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

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

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

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

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

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

D. Basis of Accounting

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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

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

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue.

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

E. Budgets

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

Estimated Resources:

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

Appropriations:

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

Lapsing of Appropriations:

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

F. Cash and Investments

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

During fiscal year 2008, investments were limited to an overnight repurchase agreement, nonnegotiable certificates of deposit 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 nonnegotiable certificates of deposit and repurchase agreements, are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2008. 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 shares price which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$2,124,240, which includes \$234,591 assigned from other District funds.

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

G. Inventory

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

H. Capital Assets

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

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

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

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

I. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

J. Interfund Balances

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Nonpublic Schools

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

M. Fund Balance Reserves and Designations

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

N. Net Assets

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

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

O. Prepayments

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

P. Estimates

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

Q. Interfund Activity

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

R. 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 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Governmental Funds</u>	
Management Information System	\$ 366
Adult Basic Education	570
IDEA, Part B, Education of Handicapped Children	72,220
Title I, Disadvantaged Children/Targeted Assistance	31,948
Title V	2
Drug-Free School Grant	366
Improving Teacher Quality	6,408

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances are a result of advances-in (short-term interfund loans) being recorded as fund liabilities rather than as an "other financing source".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash in Segregated Accounts

The District reports "cash in segregated accounts" for the Athletic Department checking account which is maintained separately from the District's internal investment pool. The balance of the cash in segregated accounts was \$2,911 at June 30, 2008 and is included in "Deposits with Financial Institutions" below.

B. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$8,488,937, exclusive of the \$102,000 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$8,586,003 of the District's bank balance of \$8,990,070 was exposed to custodial risk as discussed below, while \$404,067 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase Agreement	\$ 102,000	\$ 102,000
STAR Ohio	<u>36,896,580</u>	<u>36,896,580</u>
	<u>\$ 36,998,580</u>	<u>\$ 36,998,580</u>

The weighted average maturity of investments at June 30, 2008 was one day.

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

Credit Risk: *Credit Risk:* The federal agency securities underlying the District's repurchase agreement were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$102,000 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District's investment policy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 102,000	0.28
STAR Ohio	<u>36,896,580</u>	<u>99.72</u>
Total	<u>\$ 36,998,580</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of cash and investment to the statement of net assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 8,488,937
Investments	<u>36,998,580</u>
Total	<u>\$ 45,487,517</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 45,236,977
Private-purpose trust fund	105,942
Agency fund	<u>144,598</u>
Total	<u>\$ 45,487,517</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund loans receivable/payable consisted of the following at June 30, 2008, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 500,000

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- B.** Interfund transfers for the fiscal year ended June 30, 2008, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers from general fund to:	
Nonmajor governmental funds	\$ 218,891
Transfers from nonmajor governmental funds to:	
Nonmajor governmental funds	<u>629,680</u>
Total	<u>\$ 848,571</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

The \$629,680 transfer from the debt service fund (a nonmajor governmental fund) to the permanent improvement fund (a nonmajor governmental fund) was required to move resources to the permanent improvement fund to make required principal and interest payments on the tax anticipation note (see Note 10) which is reported as a liability in the permanent improvement fund.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Lucas County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available as an advance at June 30, 2008 was \$455,357 in the general fund and \$16,723 in the permanent improvement capital projects fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount that was available for advance at June 30, 2007 was \$1,389,270 in the general fund and \$88,677 in the permanent improvement capital projects fund (a nonmajor governmental fund). The amount available for advance can vary depending upon when tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 1,103,578,540	88.08	\$ 1,033,394,480	91.05
Public Utility Personal	16,647,500	1.33	16,152,350	1.43
Tangible Personal Property	<u>132,677,322</u>	<u>10.59</u>	<u>85,376,811</u>	<u>7.52</u>
Total	<u>\$ 1,252,903,362</u>	<u>100.00</u>	<u>\$ 1,134,923,641</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation				
Operations	\$	67.60	\$	67.60
Permanent improvement		2.20		2.20

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities

Property taxes	\$ 39,060,663
Accounts	23,360
Accrued interest	104,313
Intergovernmental	<u>810,257</u>
Total	<u>\$ 39,998,593</u>

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

Governmental Activities	<u>Balance 06/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/08</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 856,402	\$ -	\$ -	\$ 856,402
Construction in progress	2,925,664	1,277,138	(3,671,179)	531,623
Total capital assets, not being depreciated	<u>3,782,066</u>	<u>1,277,138</u>	<u>(3,671,179)</u>	<u>1,388,025</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,090,777	1,264,707	-	3,355,484
Building and improvements	34,834,564	2,415,472	-	37,250,036
Furniture and equipment	6,869,246	171,605	(187,894)	6,852,957
Vehicles	5,311,191	608,652	(155,101)	5,764,742
Total capital assets, being depreciated	<u>49,105,778</u>	<u>4,460,436</u>	<u>(342,995)</u>	<u>53,223,219</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,145,551)	(117,540)	-	(1,263,091)
Building and improvements	(19,881,406)	(779,323)	-	(20,660,729)
Furniture and equipment	(4,155,890)	(345,095)	123,048	(4,377,937)
Vehicles	(3,605,714)	(459,316)	155,101	(3,909,929)
Total accumulated depreciation	<u>(28,788,561)</u>	<u>(1,701,274)</u>	<u>278,149</u>	<u>(30,211,686)</u>
Governmental activities capital assets, net	<u>\$ 24,099,283</u>	<u>\$ 4,036,300</u>	<u>\$ (3,736,025)</u>	<u>\$ 24,399,558</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 477,971
Special	127,567
Vocational	42,194
Adult/continuing	6,689
Other	39,483

Support Services:

Pupil	57,350
Instructional staff	60,786
Board of Education	1,878
Administration	78,586
Fiscal	23,079
Business	9,336
Operations and maintenance	191,967
Pupil transportation	469,503
Central	38,375

Operation of non-instructional services:

Food service operations	42,390
Other non-instructional services	12,407
Extracurricular activities	21,713
Total depreciation expense	<u>\$ 1,701,274</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2008, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u> <u>06/30/07</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>06/30/08</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
<u>General Obligation Bonds</u>					
School Energy Conservation 4.5 - 4.7%; matures 12/1/08	\$ 165,000	\$ -	\$ (80,000)	\$ 85,000	\$ 85,000
Total G.O. Bonds	<u>165,000</u>	<u>-</u>	<u>(80,000)</u>	<u>85,000</u>	<u>85,000</u>
<u>Notes Payable</u>					
Permanent Improvement TAN 4.8% matures 12/26/12	3,277,000	-	(484,000)	2,793,000	507,000
Total Notes Payable	<u>3,277,000</u>	<u>-</u>	<u>(484,000)</u>	<u>2,793,000</u>	<u>507,000</u>
<u>Other Long-Term Obligations</u>					
Compensated absences	4,044,209	801,787	(643,159)	4,202,837	825,578
Total Other Long-Term Obligations	<u>4,044,209</u>	<u>801,787</u>	<u>(643,159)</u>	<u>4,202,837</u>	<u>825,578</u>
Total	<u>\$ 7,486,209</u>	<u>\$ 801,787</u>	<u>\$ (1,207,159)</u>	<u>\$ 7,080,837</u>	<u>\$ 1,417,578</u>

School Energy Conservation Bonds were issued in the amount of \$700,000 during fiscal year 1999 for paying costs of modifications and remodeling of school buildings to conserve energy. The District made \$80,000 in principal payments during fiscal 2008 from the debt service fund (a nonmajor governmental fund).

In fiscal year 2002, tax anticipation notes were issued in the amount of \$5,000,000 for permanent improvements of the various buildings of the District. This long-term note is reported as a fund liability of the permanent improvement fund (a nonmajor governmental fund), the fund which received the proceeds of the issue. The District made \$484,000 in principal payments during fiscal 2008 which reduced the fund liability.

Compensated absences will be paid from the general fund and the following nonmajor governmental funds: food service and adult education.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

- B.** Principal and interest requirements to retire general obligation bonds and notes outstanding at June 30, 2008, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 85,000	\$ 1,913	\$ 86,913	\$ 507,000	\$ 121,896	\$ 628,896
2010	-	-	-	531,000	96,984	627,984
2011	-	-	-	557,000	70,872	627,872
2012	-	-	-	584,000	43,488	627,488
2013	-	-	-	614,000	14,736	628,736
Total	<u>\$ 85,000</u>	<u>\$ 1,913</u>	<u>\$ 86,913</u>	<u>\$ 2,793,000</u>	<u>\$ 347,976</u>	<u>\$ 3,140,976</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$93,812,075 and an unvoted debt margin of \$1,043,301.

NOTE 10 - COMPENSATED ABSENCES

Compensated absences consist of sick leave, service retirement and severance payments. The extent to which these amounts are accrued for reporting purposes is disclosed in Note 2.I. to the financial statements. To be eligible for retirement or severance payments, an employee must have five years service at the District. Administrators can receive a maximum payment of \$75,000 for fiscal year 2008. The following is a description of the District's compensated absences:

A. Sick Leave

Each full time professional staff member is entitled to 15 days sick leave with pay for each year under the contract and accrues sick leave at the rate of one and one-fourth (1¼) days for each calendar month under contract. Sick leave is cumulative from 375 days to 390 days depending on whether the employee is an administrator, or a certified or classified employee.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 10 - COMPENSATED ABSENCES - (Continued)

B. Service Retirement

Certified Employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Employees who notified the District of the retirement by fiscal year-end will receive service retirement pay equal to the certified employee's accrued but unused sick leave days at the time of retirement based on \$80 per day for the first 300 days and \$90 per day for days 301-390.

Classified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is 50% of sick leave days accumulated up to 390 days maximum times a percentage multiplied by 10% for each year of service.

Administration employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is 30% of the first 120 sick leave days accumulated and 50% of sick leave days accumulated from the 121st day through the 200th day and 65% of the sick leave days accumulated from the 201st day through the 340th day and 80% of sick leave days accumulated from the 341st day through the 375th day times a percentage (10% for each year of service up to 100%) times their daily rate of pay.

C. Severance Pay

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

Certified employees are eligible for severance pay after the Board of Education accepts the employee's resignation. Severance pay is based on the employee's accrued but unused sick leave days at the time of resignation based on one-half (1/2) of the retirement formula.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District obtains insurance coverage through the Ohio Schools Plan (see Note 2.A). Through the Ohio Schools Plan, the District is insured for general liability with a \$5,000,000 single occurrence limit and a \$7,000,000 aggregate. Property is protected by a blanket building and contents policy for \$185,512,747. Real property and contents are 90 percent coinsured.

Vehicle policies include liability coverage for bodily injury and property damage or up to \$5,000,000 for each occurrence with a deductible of \$1,000 for comprehensive and collision.

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

B. Dental Insurance

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

All funds of the District participate in the program and make payments to the Self-Insurance fund based on actuarial estimates of the amounts needed to pay prior and current year claims. Claims payable is based on the requirements of GASB Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicate that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at June 30, 2008, including incurred but not reported claims, is actuarially estimated to be \$62,489. Claims activity for the past two fiscal years follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2008	\$ 57,117	\$ 442,778	\$ (437,406)	\$ 62,489
2007	58,202	412,697	(413,782)	57,117

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 11 - RISK MANAGEMENT - (Continued)

C. Group Health Insurance

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

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

D. Workers' Compensation

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

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2008	\$ 1,012,337	\$ 1,202,067	\$ (669,795)	\$ 1,544,609
2007	1,073,435	407,241	(468,339)	1,012,337

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

**WASHINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 12 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$920,041, \$963,916 and \$907,084, respectively; 44.98 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all 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 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 12 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$4,228,549, \$4,111,130 and \$3,998,420, respectively; 82.61 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$83,447 made by the District and \$144,737 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$565,532, \$506,128 and \$494,401, respectively; 44.98 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$66,291, \$65,546 and \$72,196 respectively; 44.98 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$325,273, \$316,241 and \$307,571, respectively; 82.61 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 14 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material adverse effect on the financial position of the District.

B. Litigation

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 15 - STATUTORY RESERVES

The District is required by state statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years.

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

	Textbooks/ Instructional <u>Materials</u>	Capital Acquisition/ <u>Maintenance</u>
Set-aside balance as of June 30, 2007	\$ (3,998,659)	\$ -
Current year set-aside requirement	1,080,805	1,080,805
Qualifying disbursements	<u>(1,631,944)</u>	<u>(2,455,870)</u>
Total	<u>\$ (4,549,798)</u>	<u>\$ (1,375,065)</u>
Balance carried forward to FY 2009	<u>\$ (4,549,798)</u>	<u>\$ -</u>

The District had qualifying disbursements during the fiscal year that reduced the textbooks/instructional materials set-aside amount below zero. This amount may be used to reduce the set-aside requirement of future years. The negative amount is therefore being carried forward to the next fiscal year.

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition/maintenance reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

The District has elected to establish a budget stabilization reserve which has a \$1,800,000 cash balance at June 30, 2008. This budget stabilization reserve was established by the Board of Education and can be reduced or eliminated at the Board's discretion. These funds are reported as designated fund balance in the general fund since they are not restricted by state statute.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance	<u>General Fund</u>
Budget basis	\$ 1,781,559
Net adjustment for revenue accruals	(2,924,645)
Net adjustment for expenditure accruals	(324,979)
Net adjustment for other sources/uses	98,171
Adjustment for encumbrances	<u>1,591,457</u>
GAAP basis	<u>\$ 221,563</u>

WASHINGTON LOCAL SCHOOL DISTRICT
Schedule of Federal Awards Expenditures
For The Fiscal Year Ended June 30, 2008

Federal Grantor/Pass Trough Grantor Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements
U.S. DEPARTMENT OF EDUCATION				
(Passed Through Ohio Department of Education):				
Adult Education -State Grants	84.002	ABS1-07	\$ 10,045	\$ 9,726
Adult Education -State Grants	84.002	ABS1-08	57,919	94,639
Adult Education -State Grants	84.002	ABS2-07	125	176
Adult Education -State Grants	84.002	ABS2-08	33,854	36,638
Total Adult Education-State Grants			<u>101,943</u>	<u>141,179</u>
Title I	84.010	CI-SI-07	132,890	128,004
Title I	84.010	CI-SI-08	933,904	1,007,467
Total Title I			<u>1,066,794</u>	<u>1,135,471</u>
Special Education-IDEA	84.027	6BSF-07	400,247	343,931
Special Education-IDEA	84.027	6BSF-08	1,313,612	1,356,146
Total Special Education			<u>1,713,859</u>	<u>1,700,077</u>
Drug Free Schools	84.186	DRS1-07	2,306	-
Drug Free Schools	84.186	DRS1-08	23,394	23,394
Total Drug Free Schools			<u>25,700</u>	<u>23,394</u>
Carl Perks Grants/Vocational Education Basic Grants to States	84.048	20C1-07	12,605	10,606
Carl Perks Grants/Vocational Education Basic Grants to States	84.048	20C1-08	87,773	103,112
Total Carl Perks Grants			<u>100,378</u>	<u>113,718</u>
Title V-Innovative Programs	84.298	C2-SI-07	1,474	15
Title V-Innovative Programs	84.298	C2-SI-08	7,291	21,238
Total Title V Innovative Programs			<u>8,765</u>	<u>21,253</u>
Title II-D	84.318	TJ-SI-07	62	7
Title II-D	84.318	TJ-SI-08	8,878	8,878
Total Title II-D			<u>8,940</u>	<u>8,885</u>
English Language Acquisition Grants	84.365	T3S1-07	1,943	415
English Language Acquisition Grants	84.365	T3S1-08	31,633	31,304
Total English Language Acquisition Grants			<u>33,576</u>	<u>31,719</u>
Title II-A	84.367	TR-SI-07	54,907	50,465
Title II-A	84.367	TR-SI-08	208,687	221,057
Total Title II-A			<u>263,594</u>	<u>271,522</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			3,323,549	3,447,218
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES				
(Passed Through State Department of Mental Retardation & Developmental Disabilities):				
Medical Assistance Program/CAFS	93.778	N/A	3,014	-
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES			3,014	-
U. S. DEPARTMENT OF AGRICULTURE				
(Passed Through Ohio Department of Education):				
Nutrition Cluster:				
School Breakfast Program	10.553	05PU-06/07	136,946	136,946
National School Lunch Program	10.555	LLP4-06/08	838,099	838,099
Total Nutrition Cluster			<u>975,045</u>	<u>975,045</u>
(Direct Program):				
Food Distribution Program-See note 2	10.550	N/A	207,969	207,969
TOTAL U. S. DEPARTMENT OF AGRICULTURE			1,183,014	1,183,014
TOTAL FEDERAL ASSISTANCE			\$ 4,509,577	\$ 4,630,232

See notes to the Schedule of Federal Awards Expenditures

WASHINGTON LOCAL SCHOOL DISTRICT
Lucas County, Ohio
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2008

1. Significant Accounting Policies

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

2. Food Distribution

Non-monetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2008, the District had immaterial food commodities in inventory recorded in the Food Service Fund.

3. Matching Requirements

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

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

Washington Local School District
Lucas County
3505 W. Lincolnshire Blvd.
Toledo, OH 43606-1299

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Local School District, Lucas County (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon date December 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we have reported to management of the District in a separate letter dated December 26, 2008.

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

Charles E. Harris & Associates, Inc.
December 26, 2008

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

Washington Local School District
Lucas County
3505 W. Lincolnshire Blvd.
Toledo, OH 43606-1299

To the Board of Education:

Compliance

We have audited the compliance of the Washington Local School District (the School District), Lucas County with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2008. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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

Charles E. Harris & Associates, Inc.

December 26, 2008

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

**Washington Local School District
Lucas County
June 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other significant deficiencies reported at the financial statement level statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Title I - CFDA# 84.010 Title II-A - CFDA# 84.367
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Schedule of Prior Audit Findings
June 30, 2008**

The prior audit, for the year ended June 30, 2007, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

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
JANUARY 27, 2009