

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

**AUDIT REPORT**

**For the Year Ended June 30, 2013**







# Dave Yost • Auditor of State

Board of Education  
Washington Local School District  
3505 W. Lincolnshire Boulevard  
Toledo, Ohio 43606

We have reviewed the *Independent Auditor's Report* of the Washington Local School District, Lucas County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 26, 2014

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**WASHINGTON LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

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

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## **INDEPENDENT AUDITORS' REPORT**

Washington Local School District  
Lucas County  
3505 W. Lincolnshire Blvd.  
Toledo, Ohio 43606

To the Board of Education:

### ***Report on the Financial Statements***

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this include designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Opinion***

In our opinion, the 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 Washington Local School District, Lucas County, Ohio, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As described in Note 3 to the financial statements, during the fiscal year 2013, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Federal Award Receipts and Expenditures Schedule (schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
December 12, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(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, 2013. 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 2013 are as follows:

- In total, net position of governmental activities decreased \$2,101,250 which represents a 3.67% decrease from 2012.
- General revenues accounted for \$69,456,682 in revenue or 85.00% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$12,261,498 or 15.00% of total revenues of \$81,718,180.
- The District had \$83,819,430 in expenses related to governmental activities; only \$12,261,498 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 \$69,456,682 were not adequate to provide for these programs.
- The general fund is the only major fund of the District. The general fund had \$70,933,928 in revenues and other financing sources and \$71,999,800 in expenditures and other financing uses. During fiscal year 2013, the general fund's fund balance decreased \$1,065,872 from \$25,566,225 to \$24,500,353.
- The District has \$27,196,237 in capital assets at June 30, 2013. This amount is net of accumulated depreciation in the amount of \$38,785,642. Fiscal year 2013 depreciation expense was \$2,281,953. Total net investment in capital assets was \$23,723,628 at June 30, 2013.
- The District has \$14,353,215 in long-term liabilities outstanding at June 30, 2013. Of this total, \$726,088 is due within one year and \$13,627,127 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 position* 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, 2013  
(UNAUDITED)

**Reporting the District as a Whole**

***Statement of Net Position 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 2013?" The statement of net position and the statement of activities answer this question. These statements include *all assets, liabilities, deferred inflows and outflows of resources, 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 position* and changes in that position. This change in net position 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 position 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 position 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 position 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, 2013  
(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 position 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 position and changes in fiduciary net position on pages 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

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

**The District as a Whole**

	<b>Net Position</b>		
	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>	Percent <u>Change</u>
<b><u>Assets</u></b>			
Current and other assets	\$ 92,830,297	\$ 82,444,163	12.60 %
Capital assets, net	<u>27,196,237</u>	<u>25,846,373</u>	5.22 %
Total assets	<u>120,026,534</u>	<u>108,290,536</u>	10.84 %
<b><u>Liabilities</u></b>			
Current liabilities	14,067,039	11,713,478	20.09 %
Long-term liabilities	<u>14,353,215</u>	<u>4,725,914</u>	203.71 %
Total liabilities	<u>28,420,254</u>	<u>16,439,392</u>	72.88 %
<b><u>Deferred inflows</u></b>	<u>36,474,736</u>	<u>34,618,350</u>	5.36 %
<b><u>Net Position</u></b>			
Net investment in capital assets	23,723,628	25,232,373	(5.98) %
Restricted	5,756,475	4,180,568	37.70 %
Unrestricted	<u>25,651,441</u>	<u>27,819,853</u>	(7.79) %
Total net position	<u>\$ 55,131,544</u>	<u>\$ 57,232,794</u>	(3.67) %

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

The statement of net position provides the perspective of the District as a whole. The preceding table provides a summary of the District's net position for 2013 and 2012. The 2012 amounts for liabilities and deferred inflows have been reclassified in order to conform to 2013 presentation.

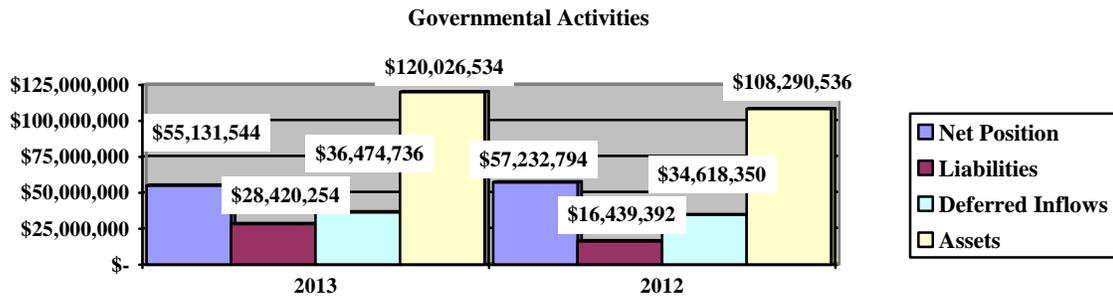
Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets exceeded liabilities and deferred inflows by \$55,131,544. Of this total \$5,756,475 is restricted in use and \$23,723,628 represents the net investment in capital assets, resulting in unrestricted net position of \$25,651,441.

At year-end, capital assets represented 22.66% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net position, \$5,756,475, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$25,651,441 may be used to meet the District's ongoing obligations to the students and creditors.

The District issued \$10 million in certificates of participation debt during fiscal year 2013 for improvements to school facilities. The unspent proceeds of this debt issue is the primary reason for the increase in current assets. Most of the increase in current liabilities is due to amounts payable to contractors for work on the improvements project.

The following graph shows the District's assets, liabilities, deferred inflows and net position at June 30, 2013 and 2012:



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

The table below shows the change in net position for fiscal years 2013 and 2012.

	<b>Change in Net Position</b>		
	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>	Percent <u>Change</u>
<b><u>Revenues</u></b>			
Program revenues:			
Charges for services and sales	\$ 2,454,785	\$ 2,613,700	(6.08) %
Operating grants and contributions	9,806,713	9,135,004	7.35 %
General revenues:			
Property taxes	35,200,954	35,237,410	(0.10) %
Payment in lieu of taxes	3,968,132	3,727,980	6.44 %
Grants and entitlements	29,523,390	29,524,735	(0.00) %
Investment earnings	68,991	82,812	(16.69) %
Other	<u>695,215</u>	<u>792,484</u>	(12.27) %
Total revenues	<u>81,718,180</u>	<u>81,114,125</u>	0.74 %
<b><u>Expenses</u></b>			
Program expenses:			
Instruction:			
Regular	\$ 32,015,169	\$ 31,041,430	3.14 %
Special	12,737,040	9,958,729	27.90 %
Vocational	2,590,848	2,803,761	(7.59) %
Adult/continuing	484	1,082	(55.27) %
Other	3,389,404	3,493,625	(2.98) %
Support services:			
Pupil	4,154,106	4,167,699	(0.33) %
Instructional staff	1,554,516	3,609,521	(56.93) %
Board of education	148,799	144,906	2.69 %
Administration	4,934,411	5,034,386	(1.99) %
Fiscal	1,501,514	1,586,668	(5.37) %
Business	607,550	601,649	0.98 %
Operations and maintenance	8,644,139	8,184,106	5.62 %
Pupil transportation	3,692,152	3,613,447	2.18 %
Central	1,842,576	1,738,199	6.00 %
Food service operations	2,792,806	2,518,016	10.91 %
Other non-instructional services	1,059,308	987,416	7.28 %
Extracurricular activities	1,644,585	1,636,766	0.48 %
Interest and fiscal charges	<u>510,023</u>	<u>42,727</u>	1,093.68 %
Total expenses	<u>83,819,430</u>	<u>81,164,133</u>	3.27 %
Change in net position	(2,101,250)	(50,008)	4,101.83 %
Net position at beginning of year	<u>57,232,794</u>	<u>57,282,802</u>	(0.09) %
Net position at end of year	<u>\$ 55,131,544</u>	<u>\$ 57,232,794</u>	(3.67) %

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

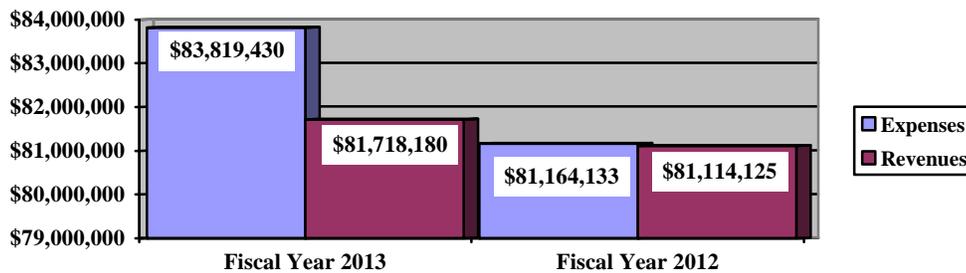
For the District as a whole, both revenues and expenses increased slightly compared to the prior year. The increase in revenues is mostly the result of an increase in operating grants and contributions. This is due to increased federal grant funding, particularly for the IDEA, Part B and Title I grant programs which provide funding for education of disadvantaged and handicapped children. The District has reclassified how certain expenses are reported, which accounts for the significant increase in special instruction expenses and the corresponding decrease for instructional staff support expenses. Interest and fiscal charges increased due to the issuance of long-term debt during fiscal year 2013.

**Governmental Activities**

Net position of the District's governmental activities decreased \$2,101,250. Total governmental expenses of \$83,819,430 were offset by program revenues of \$12,261,498 and general revenues of \$69,456,682. Program revenues supported 14.63% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes, payments in lieu of taxes and unrestricted grants and entitlements. These revenue sources represent 84.06% of total governmental revenue. The largest expense of the District is for instructional programs. Instruction expenses totaled \$50,732,945 or 60.53% of total governmental expenses for fiscal year 2013.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2013 and 2012.

**Governmental Activities - Revenues and Expenses**



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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
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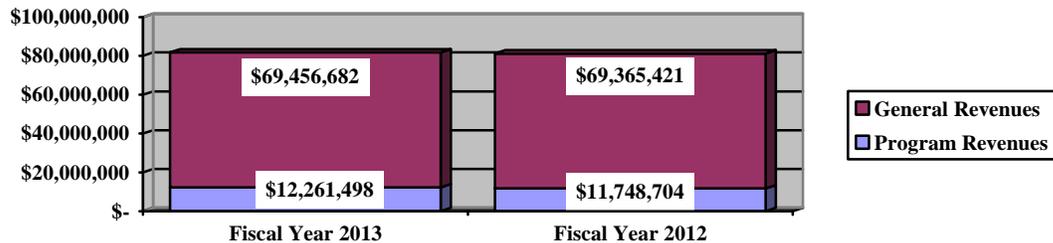
**Governmental Activities**

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
<b>Program expenses</b>				
Instruction:				
Regular	\$ 32,015,169	\$ 31,326,785	\$ 31,041,430	\$ 30,302,762
Special	12,737,040	7,390,344	9,958,729	5,278,309
Vocational	2,590,848	1,960,123	2,803,761	2,170,986
Adult/continuing	484	484	1,082	1,082
Other	3,389,404	3,389,404	3,493,625	3,493,625
Support services:				
Pupil	4,154,106	3,882,833	4,167,699	3,937,701
Instructional staff	1,554,516	1,134,499	3,609,521	3,203,393
Board of education	148,799	148,799	144,906	144,906
Administration	4,934,411	4,930,299	5,034,386	5,029,523
Fiscal	1,501,514	1,501,514	1,586,668	1,586,668
Business	607,550	607,550	601,649	601,649
Operations and maintenance	8,644,139	8,583,774	8,184,106	8,061,256
Pupil transportation	3,692,152	3,308,140	3,613,447	3,219,157
Central	1,842,576	1,840,853	1,738,199	1,732,378
Food service operations	2,792,806	116,942	2,518,016	(308,852)
Other non-instructional services	1,059,308	19,257	987,416	(11,131)
Extracurricular activities	1,644,585	906,309	1,636,766	929,290
Interest and fiscal charges	510,023	510,023	42,727	42,727
<b>Total expenses</b>	<b>\$ 83,819,430</b>	<b>\$ 71,557,932</b>	<b>\$ 81,164,133</b>	<b>\$ 69,415,429</b>

The dependence upon tax and other general revenues for governmental activities is apparent; 86.86% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.37%. The District's taxpayers and unrestricted grants and entitlements, 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 2013 and 2012.

**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, 2013  
(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 \$36,829,685, which is 7,207,991 or 24.33% higher than last year's total of \$29,621,694. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

	<u>Fund Balance</u> <u>June 30, 2013</u>	<u>Fund Balance</u> <u>June 30, 2012</u>	<u>Increase</u> <u>(Decrease)</u>
General fund	\$ 24,500,353	\$ 25,566,225	\$ (1,065,872)
Nonmajor governmental funds	<u>12,329,332</u>	<u>4,055,469</u>	<u>8,273,863</u>
Total	<u>\$ 36,829,685</u>	<u>\$ 29,621,694</u>	<u>\$ 7,207,991</u>

**General Fund**

The District's general fund balance decreased \$1,065,872. The table that follows assists in illustrating the financial activities of the general fund.

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 33,759,061	\$ 33,474,281	\$ 284,780	0.85 %
Tuition	508,820	585,236	(76,416)	(13.06) %
Earnings on investments	60,012	113,346	(53,334)	(47.05) %
Intergovernmental	31,862,179	31,750,345	111,834	0.35 %
Payment in lieu of taxes	3,745,105	3,508,066	237,039	6.76 %
Other revenues	<u>995,802</u>	<u>1,347,763</u>	<u>(351,961)</u>	<u>(26.11) %</u>
Total	<u>\$ 70,930,979</u>	<u>\$ 70,779,037</u>	<u>\$ 151,942</u>	<u>0.21 %</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 46,045,967	\$ 42,809,093	\$ 3,236,874	7.56 %
Support services	24,989,500	26,000,076	(1,010,576)	(3.89) %
Operation of non-instructional services	46,604	38,881	7,723	19.86 %
Extracurricular activities	872,909	935,245	(62,336)	(6.67) %
Facilities acquisition and construction	<u>31,320</u>	<u>14,754</u>	<u>16,566</u>	<u>112.28 %</u>
Total	<u>\$ 71,986,300</u>	<u>\$ 69,798,049</u>	<u>\$ 2,188,251</u>	<u>3.14 %</u>

Payment in lieu of taxes revenue represents amounts received from tax abatement agreements with business within the District's boundaries. This can vary slightly from year-to-year depending on how much the District is able to collect from the companies. The decrease in other revenues is due to various refunds and reimbursements that the District received in fiscal year 2012. The overall increase in general fund expenditures is primarily the result of slight increases in wages and benefits, including healthcare costs for District employees. As mentioned previously, the District changed how certain expenses were reported in fiscal year 2013, which had the effect of reclassifying certain special instruction expenditures that were previously reported under instructional staff support services.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2013, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$71,246,248, which is \$854,793 or 1.21% higher than the original budgeted revenues estimate of \$70,391,455. Actual revenues and other financing sources for fiscal year 2013 were \$71,334,160. This represents an \$87,912 increase from final budgeted revenues.

General fund final appropriations (appropriated expenditures plus other financing uses) were \$75,005,359, which is \$392,364 lower than the original budgeted appropriations of \$75,397,723. The actual budget basis expenditures and other financing uses for fiscal year 2013 totaled \$72,888,910, which is \$2,116,449 less than the final budget appropriations. The District was able to decrease actual expenditures primarily because salary costs proved to be lower than budgeted.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2013, the District had \$27,196,237 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 year 2013 balances compared to 2012:

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

	Governmental Activities	
	2013	2012
Land	\$ 845,554	\$ 856,402
Land improvements	3,941,824	4,023,951
Buildings and improvements	14,503,035	15,136,876
Furniture and equipment	3,061,757	3,621,418
Vehicles	1,775,308	1,716,252
Construction in progress	3,068,759	491,474
Total	\$ 27,196,237	\$ 25,846,373

Total additions to capital assets for 2013 were \$3,672,989 and disposals, net of accumulated depreciation, were \$41,172. The District had \$2,281,953 in depreciation expense during 2013. See Note 8 to the basic financial statements for detail on the District's capital assets.

***Debt Administration***

At June 30, 2013, the District had \$10,000,000 in certificates of participation obligations outstanding. Of this amount, \$320,000 is due within one year and \$9,680,000 is due in more than one year. The certificates of participation were issued during fiscal year 2013 to provide resources for various improvements to school facilities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

The following table summarizes the long-term obligations outstanding for the last two fiscal years.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
Permanent improvement note	\$ -	\$ 614,000
Certificates of participation	<u>10,000,000</u>	<u>-</u>
Total	<u>\$ 10,000,000</u>	<u>\$ 614,000</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 4.9 mill operating levy in November 2011, 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 forecast.

The passage of House Bill No. 66 posed another challenge for the District. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property were eliminated and the tax on telephone and telecommunications property was eliminated. The bill also replaced the revenue lost by the District due to the phasing out of the tax. However in 2012, these state payments were reduced by \$1.3 million and in 2013 by another \$1.3 million. In 2014 and future years, these payments will have been reduced from \$8.7 million to \$7.1 million, a reduction of \$2.6 million.

The financial future of the District is not without challenges. The economy within the District's boundaries and in the State of Ohio has declined significantly over the past few years. The assessed property values within the District and in Lucas County upon which the District's taxes are levied have continued to decline. The decrease in valuation for calendar year 2012 declined 19% for residential properties and 4% for commercial properties. These challenges will require administration to plan carefully and prudently to provide the resources to meet student needs over the next several years.

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET POSITION  
JUNE 30, 2013

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 48,357,186
Cash in segregated accounts . . . . .	5,528
Receivables:	
Property taxes . . . . .	38,505,267
Payment in lieu of taxes . . . . .	4,004,376
Accounts . . . . .	71,122
Intergovernmental . . . . .	1,529,930
Prepayments . . . . .	190,049
Materials and supplies inventory . . . . .	166,839
Capital assets:	
Land and construction in progress . . . . .	3,914,313
Depreciable capital assets, net . . . . .	23,281,924
Capital assets, net . . . . .	27,196,237
Total assets . . . . .	120,026,534
<b>Liabilities:</b>	
Accounts payable . . . . .	570,868
Contracts payable . . . . .	2,440,424
Accrued wages and benefits payable . . . . .	7,772,164
Pension obligation payable . . . . .	2,225,550
Intergovernmental payable . . . . .	283,848
Accrued interest payable . . . . .	178,725
Claims payable . . . . .	595,460
Long-term liabilities:	
Due within one year . . . . .	726,088
Due in more than one year . . . . .	13,627,127
Total liabilities . . . . .	28,420,254
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year . . . . .	32,470,360
Payments in lieu of taxes levied for the next fiscal year . . . . .	4,004,376
Total deferred inflows of resources . . . . .	36,474,736
<b>Net position:</b>	
Net investment in capital assets . . . . .	23,723,628
Restricted for:	
Capital projects . . . . .	5,318,241
Locally funded programs . . . . .	1,656
State funded programs . . . . .	128,037
Federally funded programs . . . . .	5,367
Student activities . . . . .	303,174
Unrestricted . . . . .	25,651,441
Total net position . . . . .	\$ 55,131,544

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, 2013

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 32,015,169	\$ 378,288	\$ 310,096	\$ (31,326,785)
Special . . . . .	12,737,040	238,967	5,107,729	(7,390,344)
Vocational . . . . .	2,590,848	113,542	517,183	(1,960,123)
Adult/continuing. . . . .	484	-	-	(484)
Other . . . . .	3,389,404	-	-	(3,389,404)
Support services:				
Pupil. . . . .	4,154,106	-	271,273	(3,882,833)
Instructional staff . . . . .	1,554,516	1,595	418,422	(1,134,499)
Board of education . . . . .	148,799	-	-	(148,799)
Administration. . . . .	4,934,411	-	4,112	(4,930,299)
Fiscal. . . . .	1,501,514	-	-	(1,501,514)
Business. . . . .	607,550	-	-	(607,550)
Operations and maintenance . . . . .	8,644,139	60,365	-	(8,583,774)
Pupil transportation. . . . .	3,692,152	149,155	234,857	(3,308,140)
Central . . . . .	1,842,576	103	1,620	(1,840,853)
Operation of non-instructional services:				
Food service operations . . . . .	2,792,806	772,369	1,903,495	(116,942)
Other non-instructional services . . . . .	1,059,308	2,125	1,037,926	(19,257)
Extracurricular activities. . . . .	1,644,585	738,276	-	(906,309)
Interest and fiscal charges . . . . .	510,023	-	-	(510,023)
<b>Total governmental activities . . . . .</b>	<b>\$ 83,819,430</b>	<b>\$ 2,454,785</b>	<b>\$ 9,806,713</b>	<b>(71,557,932)</b>

**General revenues:**

Property taxes levied for:	
General purposes . . . . .	33,476,895
Debt service. . . . .	555,489
Capital outlay . . . . .	1,168,570
Payments in lieu of taxes. . . . .	3,968,132
Grants and entitlements not restricted	
to specific programs. . . . .	29,523,390
Investment earnings . . . . .	68,991
Miscellaneous . . . . .	695,215
<b>Total general revenues . . . . .</b>	<b>69,456,682</b>
Change in net position . . . . .	(2,101,250)
<b>Net position at beginning of year . . . . .</b>	<b>57,232,794</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 55,131,544</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<b>General</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 32,456,464	\$ 14,969,737	\$ 47,426,201
Cash in segregated accounts . . . . .	5,528	-	5,528
Receivables:			
Property taxes . . . . .	36,701,257	1,804,010	38,505,267
Payment in lieu of taxes . . . . .	3,821,952	182,424	4,004,376
Accounts . . . . .	31,222	39,900	71,122
Intergovernmental . . . . .	377,833	1,152,097	1,529,930
Interfund loans . . . . .	400,000	-	400,000
Prepayments . . . . .	190,049	-	190,049
Materials and supplies inventory . . . . .	96,619	70,220	166,839
Due from other funds . . . . .	220,599	-	220,599
Total assets. . . . .	<u>\$ 74,301,523</u>	<u>\$ 18,218,388</u>	<u>\$ 92,519,911</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 411,317	\$ 159,551	\$ 570,868
Contracts payable . . . . .	-	2,440,424	2,440,424
Accrued wages and benefits payable . . . . .	7,299,060	473,104	7,772,164
Compensated absences payable . . . . .	237,189	-	237,189
Pension obligation payable . . . . .	2,055,829	169,721	2,225,550
Intergovernmental payable . . . . .	264,209	19,639	283,848
Interfund loans payable . . . . .	-	400,000	400,000
Due to other funds . . . . .	-	220,599	220,599
Claims payable . . . . .	565,089	-	565,089
Total liabilities. . . . .	<u>10,832,693</u>	<u>3,883,038</u>	<u>14,715,731</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year . . . . .	30,917,777	1,552,583	32,470,360
Delinquent property tax revenue not available. . . . .	4,004,288	159,666	4,163,954
Intergovernmental revenue not available. . . . .	224,460	111,345	335,805
Payments in lieu of taxes levied for the next fiscal year . . . . .	3,821,952	182,424	4,004,376
Total deferred inflows of resources . . . . .	<u>38,968,477</u>	<u>2,006,018</u>	<u>40,974,495</u>
<b>Fund balances:</b>			
Nonspendable:			
Materials and supplies inventory . . . . .	96,619	70,220	166,839
Prepays. . . . .	190,049	-	190,049
Restricted:			
Capital improvements . . . . .	-	11,872,537	11,872,537
Food service operations . . . . .	-	84,548	84,548
Non-public schools . . . . .	-	126,473	126,473
Targeted academic assistance . . . . .	-	1,150	1,150
Other purposes . . . . .	-	2,048	2,048
Extracurricular . . . . .	-	303,174	303,174
Committed:			
Underground storage tank . . . . .	55,000	-	55,000
Assigned:			
Student instruction . . . . .	245,740	-	245,740
Student and staff support . . . . .	438,966	-	438,966
Extracurricular activities . . . . .	31,655	-	31,655
Facilities acquisition and construction . . . . .	16,830	-	16,830
Subsequent year's appropriations . . . . .	3,974,379	-	3,974,379
Other purposes . . . . .	169,332	-	169,332
Unassigned (deficit) . . . . .	19,281,783	(130,818)	19,150,965
Total fund balances . . . . .	<u>24,500,353</u>	<u>12,329,332</u>	<u>36,829,685</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 74,301,523</u>	<u>\$ 18,218,388</u>	<u>\$ 92,519,911</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2013

<b>Total governmental fund balances</b>		\$	36,829,685
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			27,196,237
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	4,163,954	
Intergovernmental receivable		335,805	
Total		4,499,759	4,499,759
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			900,614
Unamortized premiums on bonds issued are not recognized in the funds.			(186,571)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(178,725)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Certificates of participation		(10,000,000)	
Compensated absences		(3,929,455)	
Total		(13,929,455)	(13,929,455)
<b>Net position of governmental activities</b>		\$	55,131,544

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, 2013

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 33,759,061	\$ 1,735,397	\$ 35,494,458
Payment in lieu of taxes . . . . .	3,745,105	223,027	3,968,132
Tuition. . . . .	508,820	-	508,820
Charges for services . . . . .	-	772,369	772,369
Transportation fees. . . . .	149,155	-	149,155
Earnings on investments . . . . .	60,012	8,887	68,899
Extracurricular. . . . .	942	738,276	739,218
Classroom materials and fees . . . . .	136,550	-	136,550
Rental income . . . . .	60,365	-	60,365
Contributions and donations . . . . .	36,515	-	36,515
Contract services. . . . .	85,398	-	85,398
Other local revenues . . . . .	526,877	10,801	537,678
Intergovernmental - intermediate . . . . .	2,910	-	2,910
Intergovernmental - state . . . . .	31,710,495	1,442,090	33,152,585
Intergovernmental - federal . . . . .	148,774	5,894,110	6,042,884
Total revenues . . . . .	<u>70,930,979</u>	<u>10,824,957</u>	<u>81,755,936</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular. . . . .	30,926,443	326,149	31,252,592
Special . . . . .	9,298,060	3,017,947	12,316,007
Vocational . . . . .	2,517,117	65,069	2,582,186
Other . . . . .	3,304,347	-	3,304,347
Support services:			
Pupil . . . . .	3,743,191	323,084	4,066,275
Instructional staff. . . . .	1,151,583	415,623	1,567,206
Board of education . . . . .	145,459	-	145,459
Administration . . . . .	4,782,606	16,346	4,798,952
Fiscal . . . . .	1,476,145	33,962	1,510,107
Business. . . . .	607,546	2,605	610,151
Operations and maintenance . . . . .	8,010,051	112,682	8,122,733
Pupil transportation . . . . .	3,256,457	408,027	3,664,484
Central . . . . .	1,816,462	2,093	1,818,555
Operation of non-instructional services:			
Food service operations . . . . .	-	2,729,568	2,729,568
Other non-instructional services . . . . .	46,604	1,035,608	1,082,212
Extracurricular activities . . . . .	872,909	743,835	1,616,744
Facilities acquisition and construction. . . . .	31,320	3,406,835	3,438,155
Debt service:			
Interest and fiscal charges . . . . .	-	14,327	14,327
Bond issuance costs . . . . .	-	320,436	320,436
Total expenditures . . . . .	<u>71,986,300</u>	<u>12,974,196</u>	<u>84,960,496</u>
Excess of expenditures over revenues . . . . .	<u>(1,055,321)</u>	<u>(2,149,239)</u>	<u>(3,204,560)</u>
<b>Other financing sources (uses):</b>			
Premium on certificates of participation issued. . . . .	-	190,036	190,036
Certificates of participation issued . . . . .	-	10,000,000	10,000,000
Transfers in . . . . .	-	642,236	642,236
Transfers (out). . . . .	(13,500)	(628,736)	(642,236)
Sale/loss of assets . . . . .	2,949	219,566	222,515
Total other financing sources (uses) . . . . .	<u>(10,551)</u>	<u>10,423,102</u>	<u>10,412,551</u>
Net change in fund balances . . . . .	(1,065,872)	8,273,863	7,207,991
<b>Fund balances at beginning of year . . . . .</b>	<u>25,566,225</u>	<u>4,055,469</u>	<u>29,621,694</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 24,500,353</u>	<u>\$ 12,329,332</u>	<u>\$ 36,829,685</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, 2013**

<b>Net change in fund balances - total governmental funds</b>	\$	7,207,991
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is 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	\$ 3,672,989	
Current year depreciation	<u>(2,281,953)</u>	
Total		1,391,036
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(41,172)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(293,504)	
Intergovernmental	<u>102,724</u>	
Total		(190,780)
Issuance of certificates of participation debt is recorded as an other financing source in the funds; however, in the statement of activities, it is not reported as an other financing sources as the issuance increases liabilities on the statement of net position.		
		(10,000,000)
Premiums related to the issuance of long-term debt are amortized over the life of the issuance in the statement of activities.		
		(190,036)
In the statement of activities, interest is accrued on outstanding certificates of participation, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
(Increase) in accrued interest payable	(178,725)	
Amortization of debt premiums	<u>3,465</u>	
Total		(175,260)
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.		
		(57,771)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(45,258)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>(2,101,250)</u></b>

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 33,547,467	\$ 34,027,286	\$ 34,057,959	\$ 30,673
Payment in lieu of taxes . . . . .	3,692,295	3,745,105	3,745,105	-
Tuition. . . . .	507,738	515,000	508,819	(6,181)
Transportation fees. . . . .	147,885	150,000	136,721	(13,279)
Earnings on investments . . . . .	59,154	60,000	60,012	12
Classroom materials and fees . . . . .	31,549	32,000	30,625	(1,375)
Rental income . . . . .	93,660	95,000	93,134	(1,866)
Other local revenues . . . . .	324,326	328,965	352,330	23,365
Intergovernmental - state . . . . .	31,352,393	31,655,817	31,710,495	54,678
Intergovernmental - federal . . . . .	145,913	148,000	148,774	774
Total revenues . . . . .	<u>69,902,380</u>	<u>70,757,173</u>	<u>70,843,974</u>	<u>86,801</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	31,177,976	31,174,532	30,758,020	416,512
Special. . . . .	7,028,412	9,391,593	9,183,079	208,514
Vocational. . . . .	2,769,826	2,587,578	2,468,139	119,439
Other. . . . .	3,606,760	3,338,226	3,307,277	30,949
Support services:				
Pupil. . . . .	3,814,128	3,814,817	3,714,375	100,442
Instructional staff . . . . .	3,356,698	1,388,697	1,314,441	74,256
Board of education . . . . .	164,160	151,958	148,937	3,021
Administration. . . . .	5,286,981	5,009,668	4,894,987	114,681
Fiscal . . . . .	1,646,611	1,685,847	1,550,883	134,964
Business . . . . .	658,880	677,276	621,458	55,818
Operations and maintenance. . . . .	9,089,162	8,915,438	8,434,965	480,473
Pupil transportation . . . . .	3,456,541	3,428,216	3,267,848	160,368
Central. . . . .	1,928,314	2,015,977	1,864,059	151,918
Other non-instructional services . . . . .	7,403	8,243	7,572	671
Extracurricular activities. . . . .	897,443	943,865	889,220	54,645
Facilities acquisition and construction . . . . .	25,928	55,928	50,150	5,778
Total expenditures . . . . .	<u>74,915,223</u>	<u>74,587,859</u>	<u>72,475,410</u>	<u>2,112,449</u>
Excess of expenditures over revenues . . . . .	<u>(5,012,843)</u>	<u>(3,830,686)</u>	<u>(1,631,436)</u>	<u>2,199,250</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures. . . . .	3,000	3,000	2,237	(763)
Transfers (out). . . . .	(17,500)	(17,500)	(13,500)	4,000
Advances in. . . . .	485,000	485,000	485,000	-
Advances (out) . . . . .	(465,000)	(400,000)	(400,000)	-
Sale of capital assets . . . . .	1,075	1,075	2,949	1,874
Total other financing sources (uses) . . . . .	<u>6,575</u>	<u>71,575</u>	<u>76,686</u>	<u>5,111</u>
Net change in fund balance. . . . .	(5,006,268)	(3,759,111)	(1,554,750)	2,204,361
<b>Fund balance at beginning of year. . . . .</b>	<b>31,976,689</b>	<b>31,976,689</b>	<b>31,976,689</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>963,396</b>	<b>963,396</b>	<b>963,396</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 27,933,817</b>	<b>\$ 29,180,974</b>	<b>\$ 31,385,335</b>	<b>\$ 2,204,361</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2013

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 930,985
Total assets. . . . .	<u>930,985</u>
<b>Liabilities:</b>	
Claims payable . . . . .	<u>30,371</u>
Total liabilities . . . . .	<u>30,371</u>
<b>Net position:</b>	
Unrestricted. . . . .	<u>900,614</u>
Total net position. . . . .	<u>\$ 900,614</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Operating revenues:</b>	
Sales/charges for services . . . . .	\$ 491,092
Total operating revenues . . . . .	<u>491,092</u>
<b>Operating expenses:</b>	
Purchased services . . . . .	31,538
Claims . . . . .	<u>517,866</u>
Total operating expenses . . . . .	<u>549,404</u>
Operating loss . . . . .	<u>(58,312)</u>
<b>Nonoperating revenues:</b>	
Interest revenue . . . . .	<u>541</u>
Change in net position . . . . .	(57,771)
<b>Net position at beginning of year . . . . .</b>	<u>958,385</u>
<b>Net position at end of year . . . . .</b>	<u><u>\$ 900,614</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, 2013

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from sales/charges for services . . . . .	\$ 491,092
Cash payments for contractual services . . . . .	(31,538)
Cash payments for claims . . . . .	(531,022)
	(71,468)
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	541
	541
Net cash provided by investing activities . . . . .	541
Net decrease in cash and cash equivalents . . . . .	(70,927)
<b>Cash and cash equivalents at beginning of year. . . . .</b>	<b>1,001,912</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 930,985</b>
	<b>930,985</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (58,312)
Changes in assets and liabilities:	
(Decrease) in claims payable . . . . .	(13,156)
	(13,156)
Net cash used in operating activities . . . . .	<b>\$ (71,468)</b>
	<b>(71,468)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 148,599	\$ 161,123
Receivables:		
Accounts . . . . .	<u>708</u>	<u>1,480</u>
Total assets. . . . .	<u>149,307</u>	<u>\$ 162,603</u>
<b>Liabilities:</b>		
Accounts payable. . . . .	140	\$ 5,452
Due to students. . . . .	<u>-</u>	<u>157,151</u>
Total liabilities . . . . .	<u>140</u>	<u>\$ 162,603</u>
<b>Net position:</b>		
Held in trust for scholarships . . . . .	<u>149,167</u>	
Total net position . . . . .	<u>\$ 149,167</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 72
Gifts and contributions . . . . .	55,018
Total additions . . . . .	55,090
<b>Deductions:</b>	
Scholarships awarded . . . . .	34,311
Change in net position . . . . .	20,779
<b>Net position at beginning of year . . . . .</b>	<b>128,388</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 149,167</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**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 employs 342 non-certified and 525 certified full-time and part-time employees to provide services to approximately 6,820 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 and extracurricular activities.

**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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. 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, 2013

**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 Schools 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 and deferred inflows of resources is reported as fund balance. The following is the District's major governmental fund:

General fund -The general fund is used to account for and report all financial resources not accounted for and reported 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, 2013

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

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*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* - 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 position and changes in net position. 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 two trust funds are private purpose trusts which account 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 position 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, 2013**

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

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

*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 deferred outflows of resources and current liabilities and deferred inflows of resources 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 deferred outflows and all liabilities and deferred inflows associated with the operation of this fund are included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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 funds are 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, 2013**

**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, payments in lieu of 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.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes and payments in lieu of taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows on the governmental fund financial statements.

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

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, 2013**

**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.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Lucas County Budget Commission for rate determination. The Lucas County Budget Commission waived the tax budget filing requirement for fiscal year 2013.

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 July 1, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

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

Lapsing of Appropriations:

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

**F. Cash and Investments**

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

During fiscal year 2013, investments were limited to investments in the State Treasury Asset 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, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2013. 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, 2013.

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 2013 amounted to \$60,012, which includes \$9,304 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

**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 used. Inventories are accounted for using the consumption method on both the governmental fund financial statements and on the government-wide statements.

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

**H. Capital Assets**

General capital assets are those assets specifically related to governmental activities. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position 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	5-40 years
Furniture and equipment	5-20 years
Vehicles	8 years

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**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, 2013, 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.

**J. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loan receivables/payables". Short-term interfund loans used to cover negative cash balances are recorded as "due to/from other funds". Interfund balances between governmental funds are eliminated in the governmental activities column on the statement of net position.

**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, 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.

**L. Nonpublic Schools**

Within the District boundaries are the following parochial and private schools: Christ the King, Mary Immaculate, Notre Dame Academy and Regina Coeli. 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.

**WASHINGTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

**M. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**N. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is 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 position 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, they are reported as nonspendable fund balance 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. Stabilization Arrangement**

The Board of Education has \$3,450,000 of unassigned fund balance in the general fund set aside to be used for budget stabilization. The Board has set aside these funds to cover emergency situations or when revenue shortages or budgetary imbalances arise. The budget stabilization arrangement may be removed by action of the Board of Education at any time.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**S. Unamortized Premium on Debt Issue**

On the government-wide financial statements, premiums on long-term debt issues are deferred and amortized over the term of the debt using the straight-line method, which approximates the effective interest method. Premiums are presented as an addition to the face amount of the debt. On the governmental fund financial statements, premiums are recognized in the current period. A reconciliation between the face value of the debt and the amount reported on the statement of net position is presented in Note 9.

**T. 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 year 2013.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

**WASHINGTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2013 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Miscellaneous state grants	\$ 1,090
IDEA, Part B	90,331
Carl Perkins grant	44
Title III	34
Title I	24,142
Improving teacher quality	15,177

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 resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

The District maintains a cash and investment pool used by all funds. Each fund'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.

**WASHINGTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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 five years 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.

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.

**WASHINGTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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 \$5,528 at June 30, 2013 and is included in “Deposits with Financial Institutions” below.

**B. Deposits with Financial Institutions**

At June 30, 2013, the carrying amount of all District deposits was \$40,528,246. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2013, \$24,970,994 of the District’s bank balance of \$40,828,955 was exposed to custodial risk as discussed below, while \$15,857,961 was covered by the FDIC.

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.

**C. Investments**

As of June 30, 2013, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 8,144,190	\$ 8,144,190

The weighted average maturity of investments at June 30, 2013 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Credit Risk:* *Credit Risk:* 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. 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, 2013:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 8,144,190	100.00

**D. Reconciliation of cash and investment to the statement of net position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 40,528,246
Investments	<u>8,144,190</u>
Total	<u>\$ 48,672,436</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 48,362,714
Private-purpose trust funds	148,599
Agency fund	<u>161,123</u>
Total	<u>\$ 48,672,436</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

**A.** Interfund loans receivable/payable consisted of the following at June 30, 2013, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 400,000

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.

**WASHINGTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

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

- B.** Interfund balances at June 30, 2013, as reported on the fund statements consist of the following amounts due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 220,599

The primary purpose of the due to/from other funds is to cover negative cash in the various nonmajor governmental funds. The interfund balance will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2013 are reported on the statement of net position.

- C.** Interfund transfers for the fiscal year ended June 30, 2013, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	\$ 13,500
<u>Transfers from nonmajor governmental funds to:</u>	
Nonmajor governmental funds	<u>628,736</u>
Total	<u>\$ 642,236</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.

The \$628,736 transfer from the debt service fund to the permanent improvement fund (both nonmajor governmental funds) was required to move resources to the permanent improvement fund to make required principal and interest payments on the tax anticipation note (see Note 9) which is reported as a liability of 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.

**WASHINGTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 6 - PROPERTY TAXES – (Continued)**

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$1,779,192 in the general fund and \$91,761 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available as an advance at June 30, 2012 was \$2,078,089 in the general fund and \$107,037 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2013 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 inflows.

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

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 896,056,810	98.67	\$ 765,147,670	98.30
Public utility personal	<u>12,061,020</u>	<u>1.33</u>	<u>13,201,450</u>	<u>1.70</u>
Total	<u>\$ 908,117,830</u>	<u>100.00</u>	<u>\$ 778,349,120</u>	<u>100.00</u>

Tax rate per \$1,000 of  
assessed valuation for:

Operations	\$ 76.00	\$ 76.00
Permanent improvement	2.60	2.60

**WASHINGTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2013 consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

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

**Governmental activities**

Taxes	\$ 38,505,267
Payments in lieu of taxes	4,004,376
Accounts	71,122
Intergovernmental	<u>1,529,930</u>
Total	<u>\$ 44,110,695</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, 2013 was as follows:

	Balance <u>06/30/12</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/13</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 856,402	\$ -	\$ (10,848)	\$ 845,554
Construction in progress	<u>491,474</u>	<u>3,087,533</u>	<u>(510,248)</u>	<u>3,068,759</u>
Total capital assets, not being depreciated	<u>1,347,876</u>	<u>3,087,533</u>	<u>(521,096)</u>	<u>3,914,313</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	6,874,394	245,720	-	7,120,114
Building and improvements	37,183,484	264,528	-	37,448,012
Furniture and equipment	11,023,257	184,971	(19,032)	11,189,196
Vehicles	<u>6,213,003</u>	<u>400,485</u>	<u>(303,244)</u>	<u>6,310,244</u>
Total capital assets, being depreciated	<u>61,294,138</u>	<u>1,095,704</u>	<u>(322,276)</u>	<u>62,067,566</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(2,850,443)	(327,847)	-	(3,178,290)
Building and improvements	(22,046,608)	(898,369)	-	(22,944,977)
Furniture and equipment	(7,401,839)	(744,632)	19,032	(8,127,439)
Vehicles	<u>(4,496,751)</u>	<u>(311,105)</u>	<u>272,920</u>	<u>(4,534,936)</u>
Total accumulated depreciation	<u>(36,795,641)</u>	<u>(2,281,953)</u>	<u>291,952</u>	<u>(38,785,642)</u>
Governmental activities capital assets, net	<u>\$ 25,846,373</u>	<u>\$ 1,901,284</u>	<u>\$ (551,420)</u>	<u>\$ 27,196,237</u>

**WASHINGTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 732,274
Special	250,852
Vocational	68,743
Adult/continuing	484
Other	84,144
<u>Support services:</u>	
Pupil	99,702
Instructional staff	78,930
Board of Education	3,340
Administration	119,708
Fiscal	36,677
Business	15,107
Operations and maintenance	207,693
Pupil transportation	391,685
Central	54,388
<u>Operation of non-instructional services:</u>	
Food service operations	73,282
Other non-instructional services	26,238
Extracurricular activities	<u>38,706</u>
Total depreciation expense	<u>\$ 2,281,953</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. During fiscal year 2013, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Amount</u>
	<u>06/30/12</u>			<u>06/30/13</u>	<u>Due Within</u>
					<u>One Year</u>
<b><u>Notes payable</u></b>					
Permanent improvement TAN 4.8% matured 12/26/12	\$ 614,000	\$ -	\$ (614,000)	\$ -	\$ -
<b><u>Certificates of participation</u></b>					
Series 2012 COPs 3.0%-5.0%, matures 9/1/42	-	10,000,000	-	10,000,000	320,000
<b><u>Other long-term obligations</u></b>					
Compensated absences	<u>4,111,914</u>	<u>711,724</u>	<u>(656,994)</u>	<u>4,166,644</u>	<u>406,088</u>
Total	<u>\$ 4,725,914</u>	<u>\$ 10,711,724</u>	<u>\$ (1,270,994)</u>	14,166,644	<u>\$ 726,088</u>
Add: unamortized premium on debt issue				<u>186,571</u>	
				<u>\$ 14,353,215</u>	

Compensated absences will be paid from the general fund and the food 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 was 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 the final \$614,000 principal payment fiscal year 2013.

The series 2012 certificates of participation (COPs) were issued in fiscal year 2013 in the amount of \$10,000,000 for the purpose of constructing, improving, equipping and furnishing school facilities and improvements. The COPs bear interest rates ranging from 3.0% to 5.0% and the final stated maturity in September 1, 2042. Payments of principal and interest will begin in fiscal year 2014 and will be paid from the permanent improvement fund (a nonmajor governmental fund).

At June 30, 2013, capital assets consisting of construction in progress have been capitalized in the amount of \$2,735,983, which includes contracts payable of \$2,107,649. The District had unspent proceeds from the debt issuance of \$6,713,962.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

Principal and interest requirements to retire the COPs outstanding at June 30, 2013, are as follows:

Fiscal Year Ending June 30,	Certificates of Participation		
	Principal	Interest	Total
2014	\$ 320,000	\$ 401,194	\$ 721,194
2015	245,000	322,750	567,750
2016	250,000	312,850	562,850
2017	250,000	301,600	551,600
2018	255,000	288,975	543,975
2019 - 2023	1,325,000	1,315,125	2,640,125
2024 - 2028	1,470,000	1,106,250	2,576,250
2029 - 2033	1,675,000	870,948	2,545,948
2034 - 2038	1,935,000	581,349	2,516,349
2039 - 2043	2,275,000	210,150	2,485,150
Total	<u>\$ 10,000,000</u>	<u>\$ 5,711,191</u>	<u>\$ 15,711,191</u>

**B. 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, 2013, are a voted debt margin of \$70,051,421 and an unvoted debt margin of \$778,349.

**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 \$84,000 for fiscal year 2013. 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 days for each calendar month under contract. Sick leave is cumulative without a maximum number of days for all administrators, certified and classified employees.

**WASHINGTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**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 \$85 per day for the first 300 days, \$90 per day for days 301-350 and \$95 per day for days 351 and over.

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 times a percentage (10% for each year of service up to 100%) 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, 50% of sick leave days accumulated from 121-200 days, 65% of the sick leave days accumulated from 201-340 and 80% of sick leave days accumulated above 340 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 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.

**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 \$217,252,672. Real property and contents are 100 percent insured.

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.

**WASHINGTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 11 - RISK MANAGEMENT - (Continued)**

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, 2013, including incurred but not reported claims, is actuarially estimated to be \$30,371. 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>
2013	\$ 43,527	\$ 517,866	\$ (531,022)	\$ 30,371
2012	41,521	540,012	(538,006)	43,527

**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 \$200,000 per claim stop-loss coverage with an annual aggregate.

**WASHINGTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 11 - RISK MANAGEMENT - (Continued)**

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>
2013	\$ 663,945	\$ 271,743	\$ (370,599)	\$ 565,089
2012	728,814	608,349	(673,218)	663,945

**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, disability, survivor 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](http://www.ohsers.org), under "Employers/Audit Resources".

**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 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 \$1,405,880, \$1,350,673 and \$1,255,275, respectively; 72.19 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 12 - PENSION PLANS - (Continued)**

**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 website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

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 2013, 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.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$4,559,809, \$4,543,234 and \$4,568,724, respectively; 83.50 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$227,180 made by the District and \$162,272 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, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**WASHINGTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

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 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$171,787, \$210,930 and \$310,768, respectively; 72.19 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$79,416, \$79,764 and \$80,780, respectively; 72.19 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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](http://www.strsoh.org), under "Publications" 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 2013, 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, 2013, 2012 and 2011 were \$350,755, \$349,480 and \$351,440, respectively; 83.50 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**NOTE 14 - CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2013, if applicable, cannot be determined at this time.

**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.

**NOTE 15 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, 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 fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

**WASHINGTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - SET-ASIDES - (Continued)**

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2012	\$ -
Current year set-aside requirement	1,143,827
Current year qualifying expenditures	<u>(1,616,455)</u>
Total	<u>\$ (472,628)</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u>\$ -</u>

During fiscal year 2013, the District issued \$10,000,000 in capital related certificates of participation. These proceeds may be used to offset the required capital improvements set-aside amount for future years. The District is responsible for tracking the amount of the proceeds that may be used as an offset in future periods, which was \$10,000,000 at June 30, 2013.

**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 restricted, committed or assigned 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); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (1,554,750)
Net adjustment for revenue accruals	(168,378)
Net adjustment for expenditure accruals	(244,430)
Net adjustment for other sources/uses	(87,237)
Funds budgeted elsewhere	21,431
Adjustment for encumbrances	967,492
GAAP basis	\$ (1,065,872)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the community programs fund, public school support fund, uniform school supplies fund, adult education fund and underground storage tank fund.

**NOTE 17 - CONTRACTUAL COMMITMENTS**

The District has entered into the following contracts for the improvements project financed by the Series 2012 COPs issue:

Contractor	Contract Amount	Expended	Balance 6/30/13
DMD Environmental, Inc.	\$ 42,500	\$ 4,365	\$ 38,135
Global Green Services Group	296,550	72,471	224,079
Industrial Power Systems	6,159,400	349,414	5,809,986
Lake Erie Electric	697,885	73,613	624,272
Midwest Contracting	1,525,500	84,960	1,440,540
Stough & Stough Architects	347,759	145,862	201,897
TAS, Inc.	52,451	-	52,451
Total Environmental Services, LLC	182,452	58,375	124,077
Utopia Construction	159,650	-	159,650
	\$ 9,464,147	\$ 789,060	\$ 8,675,087

In addition to the amounts expended above, the District has recorded contracts payable of \$2,107,649.

**WASHINGTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 18 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	Year-End <u>Encumbrances</u>
General	\$ 641,757
Nonmajor governmental	<u>7,093,963</u>
Total	<u>\$ 7,735,720</u>

**WASHINGTON LOCAL SCHOOL DISTRICT  
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**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass Through Grantor Program Title	CFDA Number	Federal Receipts	Federal Disbursements
<b><u>U.S. Department of Agriculture</u></b>			
Nutrition Cluster:			
Passed through Ohio Department of Education:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 133,732	\$ 133,732
Cash Assistance:			
National School Breakfast Program	10.553	331,643	331,643
National School Lunch Program	10.555	1,354,988	1,354,998
<b>Total Nutrition Cluster</b>		<b>1,820,363</b>	<b>1,820,373</b>
<b>Total U.S. Department of Agriculture</b>		<b>1,820,363</b>	<b>1,820,373</b>
<b><u>U.S. Department of Education</u></b>			
Pass through Ohio Department of Education			
Special Education Cluster:			
IDEA Part B - FY 12	84.027	317,506	284,270
IDEA Part B - FY 13	84.027	1,160,558	1,186,675
<b>Total Special Education Cluster</b>		<b>1,478,064</b>	<b>1,470,945</b>
Carl D. Perkins Grant - FY 12	84.048	25,859	18,297
Carl D. Perkins Grant - FY 13	84.048	89,751	114,267
<b>Total Carl D. Perkins Grant</b>		<b>115,610</b>	<b>132,564</b>
ARRA - Title I - FY 12	84.389	837	-
School Improvement Sub A, Title I - FY 12	84.010	10,349	4,257
School Improvement Sub A, Title I - FY 13	84.010	43,543	45,723
Title I - Disadvantaged Children - FY 12	84.010	170,391	192,156
Title I - Disadvantaged Children - FY 13	84.010	1,583,895	1,899,495
<b>Total Title I</b>		<b>1,809,015</b>	<b>2,141,631</b>
Title II - A Improving Teacher Quality - FY 12	84.367	55,879	52,165
Title II - A Improving Teacher Quality - FY 13	84.367	216,461	221,461
<b>Total Title II - A</b>		<b>272,340</b>	<b>273,626</b>
Title II - D Education Technology State Grant - FY 12	84.318	940	940
<b>Total Title II - D</b>		<b>940</b>	<b>940</b>
LEP, Title III - FY 12	84.365	(462)	-
LEP, Title III - FY 13	84.365	18,580	19,149
<b>Total Title III</b>		<b>18,118</b>	<b>19,149</b>
<b>Total U.S. Department of Education</b>		<b>3,694,087</b>	<b>4,038,855</b>
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>		<b>\$ 5,514,450</b>	<b>\$ 5,859,228</b>

See accompanying Notes to the Federal Awards Receipts and Expenditures Schedule

**WASHINGTON LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Washington Local School District (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement values. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

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

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

Washington Local School District  
Lucas County  
3505 W. Lincolnshire Blvd.  
Toledo, Ohio 43606

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Washington Local School District, Lucas County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 12, 2013. We noted the District implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matter we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris and Associates, Inc.***

December 12, 2013

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Washington Local School District  
Lucas County  
3505 W. Lincolnshire Blvd.  
Toledo, Ohio 43606

To the Board of Education:

***Report on Compliance for Each Major Federal Program***

We have audited the Washington Local School District, Lucas County, Ohio's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

***Management's Responsibility***

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on the Major Federal Program***

In our opinion, Washington Local School District, Lucas County, Ohio, complied in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

***Report on Internal Control over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**CHARLES E. HARRIS & ASSOCIATES, INC.**  
December 12, 2013

**WASHINGTON LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
JUNE 30, 2013**

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

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(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 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 significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Title I Grants to Local Educational Agencies CFDA # 84.010
(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 FOR FEDERAL AWARDS**

None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2013**

The prior audit, for the year ended June 30, 2012, reported no material citations or recommendations.

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**Independent Accountants' Report on Applying Agreed-Upon Procedure**

Washington Local School District  
Lucas County  
3505 W. Lincolnshire Blvd.  
Toledo, Ohio 43606

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Washington Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

- We noted the Board amended its anti-harassment policy at its meeting on November 21, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

*Charles E. Harris & Associates, Inc.*

***Charles E. Harris & Associates, Inc.***  
December 12, 2013

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# Dave Yost • 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  
MARCH 11, 2014**