



**Auditor of State
Betty Montgomery**

WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Washington Local School District, Lucas County, (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Washington Local School District, Lucas County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 6, 2003

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**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS			
Assets:			
Equity in pooled cash and cash equivalents:			
Unrestricted	\$26,429,300	\$1,144,876	\$1,400,858
Receivables (net of allowances of uncollectibles):			
Property taxes - current and delinquent	39,001,243		937,275
Accounts	171,099	455	
Intergovernmental		313,415	
Interfund receivable	31,105		
Prepaid Items	6,919		
Materials and supplies inventory	138,414		
Restricted assets:			
Equity in pooled cash and cash equivalents	1,273,900		5,018,643
Property, plant and equipment (net of accumulated depreciation where applicable)			
Other debits:			
Amount to be provided from general government resources			
	\$67,051,980	\$1,458,746	\$7,356,776
Total assets and other debits			

Proprietary Fund Type		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$272,315	\$814,284	\$229,516			\$30,291,149
					39,938,518
1,405	2,585	257			175,801
69,505					382,920
					31,105
					6,919
116,338					254,752
					6,292,543
447,046			\$38,365,869		38,812,915
				\$6,454,313	6,454,313
\$906,609	\$816,869	\$229,773	\$38,365,869	\$6,454,313	\$122,640,935

(Continued)

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS			
Liabilities:			
Accounts payable	\$1,661,620	\$421,044	
Contracts payable			\$594,444
Retainage payable			49,859
Accrued wages	4,777,681	197,483	
Compensated absence payable	96,245		
Claims payable			
Intergovernmental payable	833,791	33,210	
Interfund payable		31,105	
Deferred revenue	37,166,862	313,415	886,570
Due to students			
Notes payable			5,000,000
General obligation bonds payable			
Total liabilities	44,536,199	996,257	6,530,873
Equity and other credits:			
Investment in general fixed assets			
Retained earnings : unreserved			
Fund balances:			
Reserved for encumbrances	4,978	31,804	1,443,020
Reserved for materials and supplies inventory	138,414		
Reserved for prepayments	6,919		
Reserved for budget stabilization	1,273,900		
Reserved for tax revenue unavailable for appropriation	1,834,381		50,705
Unreserved:			
Undesignated	19,257,189	430,685	(667,822)
Total equity and other credits	22,515,781	462,489	825,903
Total liabilities, equity and other credits	\$67,051,980	\$1,458,746	\$7,356,776

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Type		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$19,959		\$3,619			\$2,106,242
					594,444
87,714					49,859
79,024				\$4,094,975	5,062,878
	\$59,640				4,270,244
83,716				166,201	59,640
66,462					1,116,918
		125,345			31,105
				48,137	38,433,309
				2,145,000	125,345
					5,048,137
					2,145,000
336,875	59,640	128,964		6,454,313	59,043,121
569,734	757,229		\$38,365,869		38,365,869
					1,326,963
					1,479,802
					138,414
					6,919
					1,273,900
					1,885,086
		100,809			19,120,861
569,734	757,229	100,809	38,365,869		63,597,814
\$906,609	\$816,869	\$229,773	\$38,365,869	\$6,454,313	\$122,640,935

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Taxes	\$37,595,022	
Intergovernmental	20,227,421	\$3,108,170
Interest	772,540	\$6,389
Tuition	452,164	92
Extracurricular activities		340,098
Revenue in lieu of taxes	3,050,033	
Rent	94,999	
Miscellaneous	44,741	31,103
Total revenue	<u>62,236,920</u>	<u>3,485,852</u>
Expenditures:		
Current:		
Instruction:		
Regular	23,825,180	539,215
Special	5,023,061	664,054
Vocational	2,668,303	114,772
Adult/Continuing	86,357	242,536
Other	680,656	
Support services:		
Pupil	2,367,972	84,972
Instructional staff	2,332,129	567,553
Board of Education	77,078	
Administration	3,588,262	26,785
Fiscal	1,215,700	
Business	481,890	
Operations and maintenance of plant	7,335,472	57,823
Pupil transportation	3,093,424	
Central	1,098,989	33,646
Operation of non-instructional services	16,859	
Extracurricular activities	633,240	1,166,849
Capital outlay	65,498	399,467
Debt service:		
Principal retirement	19,254	
Interest and fiscal charges		
Total expenditures	<u>54,609,324</u>	<u>3,897,672</u>
Excess of revenues over (under) expenditures	<u>7,627,596</u>	<u>(411,820)</u>
Other financing sources (uses):		
Proceeds from sale of fixed assets	6,121	
Refund of prior year expenditures	716	
Operating transfers in		61,551
Operating transfers out	(898,255)	(17,451)
Total other financing sources (uses)	<u>(891,418)</u>	<u>44,100</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	6,736,178	(367,720)
Restated Fund balances, July 1	15,772,397	830,209
Increase in reserve for inventory	7,206	
Fund balances, June 30	<u><u>\$22,515,781</u></u>	<u><u>\$462,489</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
	\$970,738		\$38,565,760
	104,584		23,440,175
	48,115	\$1,564	828,608
			452,256
		15,092	355,190
	53,931		3,103,964
			94,999
		13,521	89,365
	<u>1,177,368</u>	<u>30,177</u>	<u>66,930,317</u>
			24,364,395
		20,937	5,708,052
			2,783,075
			328,893
			680,656
			2,452,944
			2,899,682
			77,078
			3,615,047
			1,215,700
			481,890
			7,393,295
			3,093,424
		13,649	1,146,284
			16,859
		6,875	1,806,964
	1,492,482		1,957,447
\$415,000			434,254
134,215	39,355		173,570
<u>549,215</u>	<u>1,531,837</u>	<u>41,461</u>	<u>60,629,509</u>
<u>(549,215)</u>	<u>(354,469)</u>	<u>(11,284)</u>	<u>6,300,808</u>
			6,121
		332	1,048
549,215	297,940	7,000	915,706
			(915,706)
<u>549,215</u>	<u>297,940</u>	<u>7,332</u>	<u>7,169</u>
	(56,529)	(3,952)	6,307,977
	882,432	104,761	17,589,799
			7,206
	<u>\$825,903</u>	<u>\$100,809</u>	<u>\$23,904,982</u>

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Taxes	\$39,022,579	\$39,022,579	
Intergovernmental	20,295,353	20,282,421	(\$12,932)
Interest	800,000	764,042	(35,958)
Tuition and fees	464,806	456,111	(8,695)
Rentals	100,000	94,999	(5,001)
Extracurricular activities			
Revenue in lieu of taxes	2,850,000	2,907,775	57,775
Miscellaneous	50,000	42,487	(7,513)
Total revenues	63,582,738	63,570,414	(12,324)
Expenditures:			
Current:			
Instruction:			
Regular	24,626,784	23,974,091	652,693
Special	5,524,615	4,951,001	573,614
Vocational	2,830,312	2,654,118	176,194
Adult/continuing	105,674	83,945	21,729
Other	725,000	691,402	33,598
Support services:			
Pupil	2,699,144	2,564,694	134,450
Instructional staff	2,445,142	2,353,373	91,769
Board of Education	125,690	76,110	49,580
Administration	3,824,926	3,589,690	235,236
Fiscal	1,335,183	1,254,045	81,138
Business	524,701	485,276	39,425
Operations and maintenance	8,285,085	7,718,468	566,617
Pupil transportation	3,516,366	3,164,088	352,278
Central	1,401,274	1,222,755	178,519
Extracurricular activities	583,122	564,387	18,735
Community environment	17,000	16,859	141
Capital outlay	87,305	80,267	7,038
Debt service:			
Principal retirement	19,254	19,254	
Interest and fiscal charges			
Total expenditures	58,676,577	55,463,823	3,212,754
Excess of revenues over (under) expenditures	4,906,161	8,106,591	3,200,430
Other financing sources (uses):			
Other financing uses	(200)		200
Proceeds from sale of notes			
Proceeds from sale of fixed assets	10,000	17,371	7,371
Refund of prior year expenditure	10,000	716	(9,284)
Advances in	7,140	7,140	
Advances out	(100,000)	(31,105)	68,895
Operating transfers in			
Operating transfers out	(948,920)	(898,255)	50,665
Total other financing sources (uses)	(1,021,980)	(904,133)	117,847
Excess of revenues and other financing sources over (under) expenditures and other financing (uses).	3,884,181	7,202,458	3,318,277
Fund balances, July 1 (restated)	15,743,992	15,743,992	
Prior year encumbrances appropriated	3,081,369	3,081,369	
Fund balances, June 30	\$22,709,542	\$26,027,819	\$3,318,277

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$3,378,450	\$3,316,980	(\$61,470)			
\$4,615	\$6,389	\$1,774			
	340,098	340,098			
361,021	27,651	(333,370)			
<u>3,744,086</u>	<u>3,691,118</u>	<u>(52,968)</u>			
576,188	531,073	45,115			
843,519	658,188	185,331			
226,813	193,666	33,147			
259,957	248,928	11,029			
144,805	93,436	51,369			
669,848	614,773	55,075			
49,090	37,791	11,299			
66,183	66,183				
32,361	34,652	(2,291)			
550,288	439,540	110,748			
1,439,784	1,199,703	240,081			
			\$415,000	\$415,000	
			134,215	134,215	
<u>4,858,836</u>	<u>4,117,933</u>	<u>740,903</u>	<u>549,215</u>	<u>549,215</u>	
<u>(1,114,750)</u>	<u>(426,815)</u>	<u>687,935</u>	<u>(549,215)</u>	<u>(549,215)</u>	
	31,105	31,105			
(7,141)	(7,140)	1			
63,651	61,551	(2,100)	549,215	549,215	
<u>(17,451)</u>	<u>(17,451)</u>				
<u>39,059</u>	<u>68,065</u>	<u>29,006</u>	<u>549,215</u>	<u>549,215</u>	
(1,075,691)	(358,750)	716,941			
511,541	511,541				
539,236	539,236				
<u>(\$24,914)</u>	<u>\$692,027</u>	<u>\$716,941</u>			

(Continued)

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

	Capital Projects		
	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Taxes	\$992,342	\$992,341	(\$1)
Intergovernmental	104,584	104,584	
Interest	30,000	48,115	18,115
Tuition and fees			
Rentals			
Extracurricular activities			
Revenue in lieu of taxes	70,000	53,931	(16,069)
Miscellaneous			
Total revenues	<u>1,196,926</u>	<u>1,198,971</u>	<u>2,045</u>
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Adult/continuing			
Other			
Support services:			
Pupil			
Instructional staff			
Board of Education			
Administration			
Fiscal			
Business			
Operations and maintenance			
Pupil transportation			
Central			
Extracurricular activities			
Community environment			
Capital outlay	3,578,463	2,960,919	617,544
Debt service:			
Principal retirement			
Interest and fiscal charges	39,355	39,355	
Total expenditures	<u>3,617,818</u>	<u>3,000,274</u>	<u>617,544</u>
Excess of revenues over (under) expenditures	<u>(2,420,892)</u>	<u>(1,801,303)</u>	<u>619,589</u>
Other financing sources (uses):			
Other financing uses			
Proceeds from sale of notes	5,000,000	5,000,000	
Proceeds from sale of fixed assets			
Refund of prior year expenditure			
Advances in			
Advances out			
Operating transfers in	297,940	297,940	
Operating transfers out			
Total other financing sources (uses)	<u>5,297,940</u>	<u>5,297,940</u>	
Excess of revenues and other financing sources over (under) expenditures and other financing (uses).	2,877,048	3,496,637	619,589
Fund balances, July 1 (restated)	507,916	507,916	
Prior year encumbrances appropriated	377,484	377,484	
Fund balances, June 30	<u>\$3,762,448</u>	<u>\$4,382,037</u>	<u>\$619,589</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Expendable Trust Funds			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
			\$40,014,921	\$40,014,920	(\$1)
			23,778,387	23,703,985	(74,402)
\$930	\$866	(\$64)	835,545	819,412	(\$16,133)
15,500	15,093	(407)	480,306	471,204	(9,102)
			100,000	94,999	(5,001)
				340,098	340,098
			2,920,000	2,961,706	41,706
13,000	14,218	1,218	424,021	84,356	(339,665)
<u>29,430</u>	<u>30,177</u>	<u>747</u>	<u>68,553,180</u>	<u>68,490,680</u>	<u>(62,500)</u>
			25,202,972	24,505,164	697,808
22,000	20,937	1,063	6,390,134	5,630,126	760,008
			3,057,125	2,847,784	209,341
			365,631	332,873	32,758
			725,000	691,402	33,598
			2,843,949	2,658,130	185,819
			3,114,990	2,968,146	146,844
			125,690	76,110	49,580
			3,874,016	3,627,481	246,535
			1,335,183	1,254,045	81,138
			524,701	485,276	39,425
			8,351,268	7,784,651	566,617
			3,516,366	3,164,088	352,278
8,700	6,875	1,825	1,433,635	1,257,407	176,228
15,100	14,957	143	1,142,110	1,010,802	131,308
			1,471,884	1,231,519	240,365
			3,665,768	3,041,186	624,582
			434,254	434,254	
			173,570	173,570	
<u>45,800</u>	<u>42,769</u>	<u>3,031</u>	<u>67,748,246</u>	<u>63,174,014</u>	<u>4,574,232</u>
<u>(16,370)</u>	<u>(12,592)</u>	<u>3,778</u>	<u>804,934</u>	<u>5,316,666</u>	<u>4,511,732</u>
100		(100)	(100)		100
			5,000,000	5,000,000	
			10,000	17,371	7,371
500	332	(168)	10,500	1,048	(9,452)
			7,140	38,245	31,105
			(107,141)	(38,245)	68,896
7,000	7,000		917,806	915,706	(2,100)
			(966,371)	(915,706)	50,665
<u>7,600</u>	<u>7,332</u>	<u>(268)</u>	<u>4,871,834</u>	<u>5,018,419</u>	<u>146,585</u>
(8,770)	(5,260)	3,510	5,676,768	10,335,085	4,658,317
105,568	105,568		16,869,017	16,869,017	
501	501		3,998,590	3,998,590	
<u>\$97,299</u>	<u>\$100,809</u>	<u>\$3,510</u>	<u>\$26,544,375</u>	<u>\$31,202,692</u>	<u>\$4,658,317</u>

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service Fund</u>	
Operating revenues:			
Tuition	\$19,946		\$19,946
Charges for services	1,249,807	\$3,705,200	4,955,007
Other operating revenues	13,486		13,486
	<hr/>	<hr/>	<hr/>
Total operating revenues	1,283,239	3,705,200	4,988,439
	<hr/>	<hr/>	<hr/>
Operating expenses:			
Salaries	781,012		781,012
Fringe benefits	300,351	3,575,945	3,876,296
Purchased services	56,594	5,563	62,157
Materials and supplies	175,175		175,175
Cost of sales	794,651		794,651
Depreciation	31,066		31,066
	<hr/>	<hr/>	<hr/>
Total operating expenses	2,138,849	3,581,508	5,720,357
	<hr/>	<hr/>	<hr/>
Operating Income (Loss)	(855,610)	123,692	(731,918)
	<hr/>	<hr/>	<hr/>
Nonoperating revenues:			
Federal donated commodities	191,456		191,456
Operating grants	499,437		499,437
Interest income	4,025	8,738	12,763
Miscellaneous	6,299		6,299
	<hr/>	<hr/>	<hr/>
Total nonoperating revenues	701,217	8,738	709,955
	<hr/>	<hr/>	<hr/>
Net income (loss)	(154,393)	132,430	(21,963)
	<hr/>	<hr/>	<hr/>
Restated retained earnings/fund balance, July 1	724,127	624,799	1,348,926
	<hr/>	<hr/>	<hr/>
Retained earnings/fund balance, June 30	\$569,734	\$757,229	\$1,326,963
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The notes to the general-purpose financial statements are an integral part of this statement.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Cash flows from operating activities:			
Cash received from customers	\$1,282,561	\$3,705,200	\$4,987,761
Cash payments to employees for services	(712,255)		(712,255)
Cash payments for employee benefits	(260,410)	(3,519,829)	(3,780,239)
Cash payments to suppliers for goods and services	(843,582)	(8,148)	(851,730)
Net cash used in operating activities	<u>(533,686)</u>	<u>177,223</u>	<u>(356,463)</u>
Cash flows from noncapital financing activities:			
Cash received from operating grants	490,383		490,383
Contributions and donations	6,299		6,299
Net cash provided by noncapital financing activities	<u>496,682</u>		<u>496,682</u>
Cash flows from capital and related financing activities:			
Payments for capital acquisitions	(68,697)		(68,697)
Net cash used in capital and related financing activities	<u>(68,697)</u>		<u>(68,697)</u>
Cash flows from investing activities:			
Interest received	4,025	8,738	12,763
Net cash provided by investing activities	<u>4,025</u>	<u>8,738</u>	<u>12,763</u>
Net increase (decrease) in cash and cash equivalents	(101,676)	185,961	84,285
Cash and cash equivalents at beginning of year	<u>373,991</u>	<u>628,323</u>	<u>1,002,314</u>
Cash and cash equivalents at end of year	<u><u>\$272,315</u></u>	<u><u>\$814,284</u></u>	<u><u>\$1,086,599</u></u>

(Continued)

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Reconciliation of operating loss to net cash used in operating activities:			
Operating Income (Loss)	(\$855,610)	\$123,692	(\$731,918)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	31,066		31,066
Federal donated commodities	191,456		191,456
Changes in assets and liabilities:			
Increase in accounts receivable	(1,405)	(535)	(1,940)
Increase in inventory held for resale	(7,834)		(7,834)
Decrease in accounts payable	(2,952)	(5,574)	(8,526)
Increase in accrued wages and benefits	87,714		87,714
Increase in intergovernmental payable	39,941		39,941
Increase in claims payable		59,640	59,640
Increase in deferred revenue	(18,957)		(18,957)
Fixed assets purchased through accounts payable	2,895		2,895
Net cash used in operating activities	<u>(\$533,686)</u>	<u>\$177,223</u>	<u>(\$356,463)</u>

The notes to the general-purpose financial statements are an integral part of this statement.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

Average daily membership (ADM) as of October 1, 2002 was 6909. The District employed 509 certificated employees and 327 non-certificated employees. Local school districts are supervised by the county board of education, a separate entity.

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

This report includes all activities considered by management to be part of the school by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes for the organization. The School District has no component units.

Management believes the financial statements included in this report represent all of the funds of Washington Local School District over which Washington Local School District has the ability to exercise direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Washington Local School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

establishing governmental accounting and financial reporting principles. The more significant of the district's accounting policies are described below:

A. Basis of Presentation – Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's Governmental Fund Types:

General Fund - The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Project Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

PROPRIETARY FUNDS

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

Internal Service Funds - Internal Service Funds are used to account for the financing, on a cost-reimbursement basis, of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments.

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust, and Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, or have a measurement focus.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds and Trust Funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds and Trust Funds.

B. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

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

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

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

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

current fiscal year. For the School District, available means expected to be received within thirty days of fiscal year end.

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

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

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

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established time-table. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the object code function level within each fund. Budgetary modifications may only be made by resolution of the Board of Education.

TAX BUDGET

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following year.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

ESTIMATED RESOURCES

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the district by March 1. As part of this certification, the district receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the district must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during the year.

APPROPRIATIONS

A temporary appropriation resolution to control expenditures may be passed on or about July 1 of each year for the period of July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the fund, function level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among functions within a fund may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures which appear in the statement of budgetary comparisons represent the final appropriation amounts including all amendments and modifications.

ENCUMBRANCES

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non - GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures.

LAPSING OF APPROPRIATIONS

As the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

D. Cash and Investments

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

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

During fiscal year 2002, the District invested in Federal Agency Securities, Money Market Mutual Funds, guaranteed investment contracts, and STAR Ohio. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Investment contracts and money market investments that had a maturity of one year or less at the time of purchase is reported at cost or amortized cost.

The school district has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2002. STAR Ohio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$772,540, which includes \$132,156 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the school district are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

RESTRICTED ASSETS

Restricted assets of \$1,273,900 in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. Restricted assets of \$5,018,643 in the capital project fund represent cash and cash equivalents held at National City Bank. These monies, per the loan agreement, can only be used for the acquisition, construction, enlargement, renovation, or refinancing of general, on-going permanent improvements of the District. At June 30, 2002, restricted assets totaled \$6,292,543.

E. Estimates

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

F. Interfund Receivables/Payables

During the course of operations, short term advances occur between individual funds for operating expenditures until receipt of grants or other financing. These receivables and payables are classified as "Interfund Receivable" or "due to other funds" on the balance sheet.

G. Inventories

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost (first in, first out) or market and consist of expendable supplies for

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

resale. The costs of inventory items are recognized as expenditures in governmental fund types when purchased (the purchase method) and expenses in the proprietary fund types when used (the consumption method).

H. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of curbs, gutters, sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

I. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, *Accounting for Compensated Absences*, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service were considered expected to become eligible to retire in accordance with GASB 16.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

The total liability for vacation and severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance liability of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long Term Debt Account Group. Vacation and severance liability for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

J. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

K. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayment, budget stabilization and tax revenue unavailable for appropriation. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

Designated fund balances represent tentative plans for future use of financial resources.

L. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Debt Service Fund

State Property Tax Relief

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

Non-Reimbursable Grants

Special Revenue Funds

Career Development
Data Communications
Adult and Community Education
Management Information Systems
Vocational Enhancement
Ohio READS
Perkins Vocational Grant
Title I
Title VI-B
Title VI Innovative Programs
Title VI-R Classroom Reduction
Eisenhower
Goals 2002
Pre-school for the Handicapped
Title IV - Safe/Drug Free

Capital Project Funds

School Net

Reimbursable Grants

General Fund

School Bus Purchases
Vocational Education Travel/Salary

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Statement of Cash Flows

In September 1989, the Governmental Accounting Standards Board (GASB) issued Statement No. 9, "*Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.*" The District has presented a statement of cash flows for its Enterprise and Internal Service Funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

O. Financial Reporting for Proprietary Fund Type

The District's financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*." This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

P. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

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

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

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

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

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

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

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United State Treasury or any other obligation guaranteed as to principle and interest by the United States.

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

2. Bonds, notes, debentures, or other obligations of securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and the Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchased agreement must exceed the principal value of the agreements by at least two percent and be marked to market to market daily, and that the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio.
5. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions mentioned in § 135.03 of the Revised Code.
6. The State Treasurer's Investment pool.
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.
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 Washington Local School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits: At fiscal year end, the carrying amount of the School's deposits was \$9,641,866 and the bank balance was \$10,182,982. Of the bank balance, \$300,000 was covered by federal depository insurance and \$9,882,982 was covered by collateral held by the pledging financial institution in the name of the School District.

Investments: Washington Local School District's investments are categorized below to give an indication of the level of risk assumed by the Educational Service Center at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Local School District or its agent in the Local School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust

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department or agent in the Local School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Local School District's name. The Local School District's investment in STAR Ohio is uncategorized because it is not evidenced by securities that exist in physical or book form.

	Category 3	Fair Value
Money Market Mutual Funds	\$257,692	\$257,692
Guaranteed Investment Contract	5,000,000	5,000,000
Federal Agency Securities	2,304,554	2,313,338
STAR Ohio - Not categorized		19,370,796
Total		\$26,941,826

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	
	Deposits	Investments
GASB State No. 9	\$36,583,692	
Investments:		
Key Bank Money Market Mutual Fund	(239,049)	\$239,049
National City Reserve Account	(5,018,643)	5,018,643
Federal Agency Securities	(2,313,338)	2,313,338
STAR Ohio	(19,370,796)	19,370,796
GASB Statement No. 3	\$9,641,866	\$26,941,826

NOTE 4 – CORRECTION OF ERRORS AND RESTATEMENT OF PRIOR YEAR FUND EQUITY

The District had items requiring restatement due to error in posting revenue in lieu of taxes to the incorrect fund and understating fixed assets in prior years.

The restatement had the following effect on fund balances as previously reported as of June 30, 2001:

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	General	Special Revenue	Capital Projects
Fund Balance as Previously Reported	14,936,638	1,681,469	866,931
Restatement for Revenue in Lieu of Taxes	835,759	(851,260)	15,501
Restated Fund Balance at June 30, 2001	<u>\$15,772,397</u>	<u>\$830,209</u>	<u>\$882,432</u>

The restatement had the following effect on retained earnings as previously reported as of June 30, 2001.

	Enterprise
Retained Earnings as Previously Reported	\$484,193
Fixed Assets	184,173
Accumulated Depreciation	55,761
Restated Retained Earnings at June 30, 2001	<u>\$724,127</u>

The restatement had the following effect on Excess of Revenue Over/(Under) Expenditure or Net Income as previously reported for the year ended June 30, 2001:

	General	Special Revenue	Capital Project	Enterprise
Excess of Revenue Over/(Under) Expenditure or Net Income	\$4,540,734	\$77,161	\$356,804	\$123,707
Effect of Change to Revenue in Lieu of Taxes	835,759	(851,260)	15,501	
Effect of Change to Fixed Asset				239,934
Restated Excess of Revenue Over/ (Under) Expenditure or Net Income	<u>\$5,376,493</u>	<u>(\$774,099)</u>	<u>\$372,305</u>	<u>\$363,641</u>

The restatement changed the amounts reported on the budget basis of accounting for fund balances as follows:

	General	Special Revenue	Capital Project
Fund Balance (Budget Basis) as Previously Reported	\$14,908,233	\$1,362,801	\$492,415
Restatement for Revenue in Lieu of Taxes	835,759	(851,260)	15,501
Restated Fund Balance (Budget Basis) at June 30, 2001	<u>\$15,743,992</u>	<u>\$511,541</u>	<u>\$507,916</u>

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FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

NOTE 5 – PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35 percent of appraised market value. Real property taxes are collected in and intended to finance the year following the year in which they are levied.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value. Tangible personal property taxes attach as a lien and are levied January 1 of the current year, the same year in which collections are made. Tangible personal property assessments are 25 percent of true value.

The assessed values upon which fiscal year 2002 taxes were collected are:

	2002 First-Half Collections		2001 Second-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Public Utility	\$829,197,060	79%	\$820,807,980	81%
Tangible Personal Property	205,575,482	21%	203,250,552	19%
Total Assessed Value	\$1,034,772,542	100%	\$1,024,058,532	100%
Tax rate per \$1.000 of assessed valuation	\$65.90		\$65.90	

After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$31.5855 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$42.3368 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable as of June 30, 2002. Total property tax collections for the next fiscal year are measurable and amounts available at the Lucas County Auditor's Office at June 30th were recognized as revenue June 30 and are intended to finance 2002/2003 operations. Any taxes received after June 30th were not considered to be available to finance 2001/2002 operations and were therefore offset by a credit to deferred revenue. Deferred revenue consists of real estate taxes for the last half of assessed taxes for calendar year 2002 and assessed taxes of calendar year 2003.

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NOTE 6– BUDGETARY BASIS OF ACCOUNTING

While the school district is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types and Expendable Trust funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses				
	General	Special Revenue	Capital Project	Expendable Trust
Budget Basis	\$7,202,458	(\$358,750)	\$3,496,637	(\$5,260)
Adjustments:				
Revenue Accruals	(1,333,494)	(205,266)	(21,603)	
Expenditure Accruals	(812,099)	(232,587)	(569,027)	1,308
Other Financing Sources (Uses)	12,715	(23,965)	(5,000,000)	
Encumbrances	1,666,598	452,848	2,037,464	
GAAP Basis	\$6,736,178	(\$367,720)	(\$56,529)	(\$3,952)

NOTE 7– RECEIVABLES

Receivables at June 30, 2002, consisted of taxes, interest, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

<u>Receivables</u>	<u>Amount</u>
<u>General Fund:</u>	
Taxes - Current	\$ 35,625,307
Taxes - Delinquent	3,375,936
Accounts Receivable	171,099

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FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

<u>Special Revenue:</u>	
Accounts Receivable	455
Intergovernmental Receivable	313,415
 <u>Capital Projects:</u>	
Taxes - Current	874,694
Taxes - Delinquent	62,581
 <u>Enterprise:</u>	
Accounts Receivable	1,405
Intergovernmental Receivable	69,505
 <u>Internal Service:</u>	
Accounts Receivable	2,585
<u>Agency:</u>	
Accounts Receivable	257

NOTE 8- FIXED ASSETS

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

	Balance at 7/1/01	Additions	Retirements	Balance at 6/30/02
Land	\$856,402			\$856,402
Land Improvements	548,119	\$1,135,147		1,683,266
Buildings	20,017,442	1,582,173		21,599,615
Furniture and Equipment	10,203,422	1,334,299	\$2,003,257	9,534,464
Vehicles	4,224,829	1,231,839	764,546	4,692,122
Total General Fixed Assets	\$35,850,214	\$5,283,458	\$2,767,803	\$38,365,869

The following is a summary of proprietary fund-type fixed assets at June 30, 2002:

	Enterprise Funds
Machinery and Equipment	\$1,015,106
Less: Accumulated Depreciation	(568,060)
Net Fixed Assets	\$447,046

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

Equipment	5-20 years
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NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

NOTE 9 – LONG-TERM OBLIGATIONS

Long-term obligations of the School District as of June 30, 2002 were as follows:

General Long-Term Account Group	Matures	Percent	Outstanding at 7/1/2001	Additions	Deductions	Outstanding at 6/30/2002
Energy Management Bonds	6/1/2006	5.50%	\$1,980,000		\$355,000	\$1,625,000
School Energy Conservation Bonds	12/1/2008	4.5-4.7%	580,000		60,000	520,000
EPA Assistance Awareness Note	12/30/2004	None	67,391		19,254	48,137
Compensated Absences			2,896,023	\$1,198,952		4,094,975
Intergovernmental Payable			173,677		7,476	166,201
Totals			<u>\$5,697,091</u>	<u>\$1,198,952</u>	<u>\$441,730</u>	<u>\$6,454,313</u>

Capital Project Fund Obligation	Matures	Percent	Outstanding at 7/1/2001	Additions	Deductions	Outstanding at 6/30/2002
Permanent Improvement						
Tax Anticipation Note	12/26/2012	4.80%		<u>\$5,000,000</u>		<u>\$5,000,000</u>

During Fiscal Year 1985 an interest-free Asbestos School Hazard Abatement Note was issued through the U.S. Environmental Protection Agency in the amount of \$346,575. The semi-annual payments of \$9,627 which commenced in June, 1987 will conclude no later than June 30, 2005. Proceeds from the note were used to remove friable asbestos from school buildings in order to meet federal mandates.

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

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

During Fiscal Year 2002 tax anticipation notes were issued in the amount of \$5,000,000 for permanent improvements of the various buildings of the school district.

The accrued vacation and sick leave benefits recorded above as compensated absences represent the noncurrent portion of the liability. The current portion has been recorded in the appropriate fund types.

The annual requirements to amortize all debt outstanding as of June 30, 2002, including interest are as follows:

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FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

Fiscal Year Ending June 30	Energy Management Bonds	EPA Assistance Award Note	School Conservation Bonds	Permanent Improvement Tax Anticipation Note
2003	\$465,188	\$19,254	\$86,784	\$240,000
2004	464,376	19,254	88,848	631,376
2005	462,452	9,629	85,750	630,672
2006	464,420		87,488	630,032
2007			84,113	630,384
2008-2012			172,538	3,141,920
2013				628,736
Total	1,856,436	48,137	605,521	6,533,120
Less: Amount representing interest	(231,436)		(85,521)	(1,533,120)
Total	<u>\$1,625,000</u>	<u>\$48,137</u>	<u>\$520,000</u>	<u>\$5,000,000</u>

NOTE 10- INTERFUND RECEIVABLE/INTERFUND PAYABLE

Interfund balances at June 30, 2002, consist of the following individual fund receivables and payables:

Fund	Receivable	Payable
General	\$31,105	
Special Revenue:		
Other Grant Funds		\$1,176
Chapter II		16,668
Vocational Education		13,261
Total	<u>\$31,105</u>	<u>\$31,105</u>

NOTE 11- SEGMENT INFORMATION ENTERPRISE

The school district maintains three enterprise funds which are intended to be self-supporting through user fees charged for services to the students. Financial segment information as of and for the fiscal year ended June 30, 2002 is presented below:

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FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

	<u>Food Service</u>	<u>Uniform School Supply</u>	<u>Adult Continuing Education</u>	<u>Total</u>
Operating Revenues	\$1,119,429	\$144,014	\$19,796	\$1,283,239
Operating Expenses	1,945,357	193,492		2,138,849
Depreciation Expenses	31,066			31,066
Operating Income (Loss)	(825,928)	(49,478)	19,796	(855,610)
Operating Grants	499,437			499,437
Net Income (Loss)	(124,711)	(49,478)	19,796	(154,393)
Fixed Asset Additions	65,802			65,802
Net Cash Flow	(81,658)	(39,814)	19,796	(101,676)
Working Capital	71,477	110,439	19,796	201,712
Total Assets	765,881	120,932	19,796	906,609
Total Equity	439,472	110,466	19,796	569,734

NOTE 12- COMPENSATED ABSENCES

Sick Leave

Each full time professional staff member is entitled to fifteen (15) days sick leave with pay for each year under contract and accrues sick leave at the rate of one and one-fourth (1 1/4) days for each calendar month under contract. Sick leave is cumulative to three hundred sixty (360 – 375) days depending on whether administrator, certified, or non-certified employee.

Service Retirement

Certified Employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the certified employee's accrued but unused sick leave days at the time of retirement based on \$75.00 per day for first 300 days and \$80.00 per day for days 301-375. Employees must have five years service and have accumulated at least sixty (60) days sick leave.

Non-certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is forty-five percent (45%) of sick leave days accumulated up to three hundred sixty (360) days maximum multiplied by ten percent (10%) for each year of service times daily rate of pay. Employees must have five years service and accumulated sick leave of forty-five (45) days sick leave.

Administration employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is forty percent (40%) of sick leave days accumulated from the one hundred twenty first day (121) through the two hundredth day (200), fifty percent (50%) of sick leave days accumulated from the two hundred first day (201) through the three hundred fortieth (340) day, and seventy-five percent (75%) of sick leave days accumulated from the three hundred forty first (341) day through the three hundred and seventy-fifth (375) day with a \$49,000 maximum payment. Employees must have five years service and accumulated sick leave of sixty (60) days sick leave.

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Severance Pay

Non-certified employees are eligible for severance pay after the Board of Education accepts the employee's resignation. Severance pay is based on a percentage (10 percent for each year of service up to 100 percent) times their daily rate of twenty-five percent (25%) of accumulated sick leave balance which cannot exceed 120 days. Employees must have five years service and have accumulated at least sixty (60) days sick leave.

Certified employees are eligible for severance pay after the Board of Education accepts the employee's resignation. Severance pay is based on the employee's accrued but unused sick leave days at time of resignation based on one half the retirement formula. Employees must have five years service and have accumulated at least sixty (60) days sick leave.

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

PENSION AND RETIREMENT PLANS

The employees of the Washington Local School District are covered by either the School Employees Retirement System of Ohio (SERS) or the State Teachers Retirement System of Ohio (STRS). The State of Ohio accounts for the activities of the retirement systems and the amounts of these funds are not reflected in the accompanying financial statements.

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is established by Chapter 3309 of the Ohio Revised Code.

SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.46 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$1,089,762, \$1,059,470, and \$997,126, respectively; 71.41 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$311,587 is recorded as a liability within respective funds and the general long-term obligations account group.

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NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and health benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a public available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio, 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$3,555,608, \$3,584,395, and \$3,370,933, respectively; 82.27 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$630,427 is recorded as a liability within respective funds.

NOTE 14- POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$1,139,098.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service

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credit. For fiscal year 2002, the minimum pay had been established at \$12,400. For the District, the amount to fund health care benefits, including the surcharge, was \$745,424 for the fiscal year 2002.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 15- RISK MANAGEMENT

The school 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 school district contracts with Brooks Insurance Agency for general liability insurance with a \$1,000,000 single occurrence limit and a \$5,000,000 aggregate. Property is protected by a blanket building and contents policy for \$139,913,812. There is a property care, custody and control limit of \$50,000 and a \$1,000 deductible for each claim or suit. Real property and contents are 90 percent coinsured.

Vehicle policies include liability coverage for bodily injury and property damage or up to \$1,000,000 for each occurrence with a deductible of \$1000 for comprehensive and collision. The school district also has a Pollution Control Policy up to \$1,000,000 with a \$1,000 deductible.

Settled claims have not exceeded the commercial coverage in the past three years.

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

Effective July 1, 2001, the District provides employee dental coverage through a self insured program. The District established a Self-Insurance fund (an internal service fund) to account for and finance employee dental benefits. Under this program the Self-Insurance fund provides coverage up to a maximum of \$1,000 for each individual.

All funds of the District participate in the program and make payments to the Self-Insurance fund based on actuarial estimates of the amounts needed to pay prior and current year claims. Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably 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, 2002, including incurred but not reported claims, is actuarially estimated to be \$59,640.

The claims liability for fiscal year 2002 was:

Fiscal Year	Beginning Balance	Current-Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2002		\$601,901	\$542,261	\$59,640

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NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
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NOTE 16- STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance at 7/1/01	(\$64,041)	\$49,942	\$570,806	\$556,707
Required Set-Aside	852,415	852,415	703,094	2,407,924
Qualifying Expenditures	(1,673,308)	(7,816,236)		(9,489,544)
Balance at 6/30/02	<u>(\$884,934)</u>	<u>(\$6,913,879)</u>	<u>\$1,273,900</u>	<u>(\$6,524,913)</u>
Cash Balance Carried Forward to Fiscal Year 2003			<u>\$1,273,900</u>	<u>\$1,273,900</u>

For fiscal year 2002, only the unspent portion of certain workers compensation refunds was required to be set aside at fiscal year end. The balance no longer required by statute for budget stabilization was returned to the general fund. The remaining portion of workers compensation refunds can only be spent for certain qualifying expenditures.

NOTE 17- CONTINGENT LIABILITIES

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

Several other claims and lawsuits are pending against the District. In the opinion of the School District's attorney and management, any potential liability would not have a material adverse effect on the financial statements.

NOTE 18 - SCHOOL FUNDING DECISION

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

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

NOTE 19 - COMPLIANCE

The Special Revenue Fund expenditure account Central Support Services had expenditures plus encumbrances in excess of appropriations by (\$2,291).

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**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE PERIOD ENDED JUNE 30, 2002**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
UNITED STATES DEPARTMENT OF AGRICULTURE		
<i>Passed through Ohio Department of Education:</i>		
<u>Child Nutrition Cluster:</u>		
Food Distribution Program	-	10.550
School Breakfast Program	-	10.553
National School Lunch Program	-	10.555
Total U.S. Department of Agriculture - Child Nutrition Cluster		
UNITED STATES DEPARTMENT OF HEALTH		
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>		
<i>Passed through Lucas County Department of Mental Retardation and Developmental Disabilities:</i>		
Community Alternative Funding Program	-	93.778
UNITED STATES DEPARTMENT OF EDUCATION		
<i>Passed through Ohio Department of Education:</i>		
Title 1- Grants to Local Educational Agencies	C1-S1-01 C1-S1-02	84.010
Total Title 1		
Title VI-B - Special Education Grants to States for Education of Handicapped Children	6B-SF-01 6B-SF-01	84.027
Total Title VI-B		
Vocational Education- Basic Grants to States	20-C1-01 20-C1-02 20-A0-02	84.048
Total Vocational Education		
Safe and Drug Free Schools and Communities- State Grant	DR-S1-01 DR-S1-02	84.186
Total Safe and Drug Free Schools and Communities		
Comprehensive School Reform Demonstration	RF-S1-01	84.332

Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
	\$109,017		\$106,862
\$56,847		\$56,847	
404,347		404,347	
461,194	109,017	461,194	106,862
442,840		442,840	
70,992		96,677	
334,827		312,040	
405,819		408,717	
46,039		157,292	
477,343		385,988	
523,382		543,280	
894		6,863	
79,805		39,755	
20,446			
101,145		46,618	
17		29,165	
6,189			
6,206		29,165	
52,500		7,237	

(Continued)

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE PERIOD ENDED JUNE 30, 2002
(Continued)**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number
Eisenhower Professional Development State Grant	MS-S1-00 MS-S1-01 MS-S1-02	84.281
Total Eisenhower Professional Development State Grant		
Innovative Education Program Strategies	C2-S1-00 C2-S1-01 C2-S1-02	84.298
Total Innovative Education Program Strategies		
Class Size Reduction- Title VI-R	CR-S1-01 CR-S1-02	84.340
Total Title VI-R		
Adult Education State Grant Program	AB-S1-01 AB-S1-02 AB-S2-02	84.002
Total Adult Education State Grant Program		
Goals 2000- Subsidy 3	G2-S6-01	84.276
Total U.S. Department of Education		
Total Federal Assistance		

The accompanying notes are an integral part of this schedule.

Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
		1,957	
		13,786	
12,114		6,541	
12,114		22,284	
5,703		11,725	
26,843		46,264	
15,790		21,783	
48,336		79,772	
7,658		24,947	
145,006		127,555	
152,664		152,502	
67,003		8,868	
39,150		55,452	
106,153		33,243	
		97,563	
		10,995	
1,408,319		1,398,133	
\$2,312,353	\$109,017	\$2,302,167	\$106,862

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had \$66,462 in food commodities inventory.

NOTE C - MATCHING REQUIREMENTS

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of Washington Local School District, Lucas County, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated May 6, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated May 6, 2003.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2002-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated May 6, 2003.

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



Betty Montgomery
Auditor of State

May 6, 2003



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

Compliance

We have audited the compliance of Washington Local School District, Lucas County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002. We noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of the District in a separate letter dated May 6, 2003.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated May 6, 2003.

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



Betty Montgomery
Auditor of State

May 6, 2003

**WASHINGTON LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title VI-B – Special Education Grants to States for Education of Handicapped Children CFDA 84.027 Community Alternative Funding Program CFDA 93.778
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2002-001

Reportable Condition - Fixed Assets Records

The following weaknesses were identified with the District's fixed asset accountability:

- The District has not accurately developed and implemented procedures to assist in recording assets (tagging) as additions when purchased, and deletions when disposed of throughout the year.
- The District has not implemented procedures to assure all additions and deletion information is provided to the appraisal company so they can accurately update and calculate the fixed asset amounts.
- The Governing Board has not formally approved and implemented a fixed asset policy that address the definition of an improvement and sets forth the capitalization criteria for it.
- The District has not adopted a policy on how to record assets purchased by one fund for another fund's use.

Failure to establish and employ adequate controls over the acquisition, disposal and recording of fixed assets could result in misappropriation of assets and misstatements of recorded assets.

To maintain adequate safeguards over fixed assets, and to reduce the risk that the School's assets will be misstated, we recommend:

- The Business Manager develops and implements procedures that will ensure all fixed asset addition and deletion information, for all categories is supplied to the appraisal company. The District should verify the accuracy of the appraisal listing by conducting periodic physical inventories. The physical inventories can be performed by submitting a list of all fixed assets recorded to each location and having individuals responsible for that location perform the inventory of all assets in that location. The assets in each location should be compared to the listing provided, and any assets no longer used should be deleted and any assets not included on the listing should be added. This master listing of all assets can be then reconciled to the appraisal listing and any changes given to the appraisal company.
- The Board should develop and formally approve a fixed asset policy that addresses the definition of an improvement and sets forth the capitalization criteria for it and a policy on how to record assets purchased by one fund for another fund's use.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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800-282-0370
Facsimile 614-466-4490

WASHINGTON LOCAL SCHOOL DISTRICT

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 12, 2003**