

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

**AUDIT REPORT**

**For the Year Ended June 30, 2011**

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





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Washington Local School District, Lucas County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

January 30, 2012

**This page intentionally left blank.**

**WASHINGTON LOCAL SCHOOL DISTRICT**  
**AUDIT REPORT**  
**For the Year Ended June 30, 2011**

**TABLE OF CONTENTS**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
<b>Independent Accountants' Report</b>	<b>1</b>
<b>Management's Discussion and Analysis</b>	<b>3</b>
<b>Statement of Net Assets</b>	<b>13</b>
<b>Statement of Activities</b>	<b>14</b>
<b>Balance Sheet – Governmental Funds</b>	<b>15</b>
<b>Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities</b>	<b>16</b>
<b>Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds</b>	<b>17</b>
<b>Reconciliation of the Changes of Revenues, Expenditures in Fund Balances of Governmental Funds to the Statement of Activities</b>	<b>18</b>
<b>Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)-General Fund</b>	<b>19</b>
<b>Statement of Net Assets – Proprietary Fund</b>	<b>20</b>
<b>Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund</b>	<b>21</b>
<b>Statement of Cash Flows – Proprietary Fund</b>	<b>22</b>
<b>Statement of Fiduciary Assets and Liabilities – Fiduciary Fund</b>	<b>23</b>
<b>Statement of Changes in Fiduciary Net Assets – Fiduciary Fund</b>	<b>24</b>
<b>Notes to the Basic Financial Statements</b>	<b>25</b>
<b>Schedule of Federal Awards Expenditures</b>	<b>53</b>
<b>Notes to the Schedule of Federal Awards Expenditures</b>	<b>54</b>
<b>Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i></b>	<b>55</b>
<b>Independent Accountant's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i></b>	<b>57</b>
<b>Schedule of Findings</b>	<b>59</b>
<b>Schedule of Prior Audit Findings</b>	<b>60</b>
<b>Independent Accountants' Report on Applying Agreed-Upon Procedure</b>	<b>61</b>

**This page intentionally left blank.**

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

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

---

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Washington Local School District, Lucas County, Ohio, (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Washington Local School District, Lucas County, Ohio, as of June 30, 2011, and the respective changes in financial position and cash flows, thereof and the budgetary comparison for the General Fund and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the managements' discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Washington Local School District's financial statements as a whole. The accompanying schedule of federal award expenditures is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of federal award expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Charles E. Harris*

**Charles E. Harris & Associates, Inc.**  
December 15, 2011



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

The discussion and analysis of the Washington Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2011 are as follows:

- In total, net assets of governmental activities decreased \$47,891 which represents a 0.08% decrease from 2010.
- General revenues accounted for \$67,332,742 in revenue or 80.33% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$16,484,556 or 19.67% of total revenues of \$83,817,298.
- The District had \$83,865,189 in expenses related to governmental activities; only \$16,484,556 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$67,332,742 were not adequate to provide for these programs.
- The general fund is the only major fund of the District. The general fund had \$68,721,603 in revenues and other financing sources and \$71,064,920 in expenditures and other financing uses. During fiscal year 2011, the general fund's fund balance decreased \$2,343,317 from a restated balance of \$26,942,054 to \$24,598,737.
- The District has \$26,960,921 in capital assets at June 30, 2011. This amount is net of accumulated depreciation in the amount of \$35,034,121. Fiscal year 2011 depreciation expense was \$1,837,476. Total capital assets, net of related debt to acquire or construct the assets were \$25,762,921 at June 30, 2011.
- The District has \$5,665,447 in long-term liabilities outstanding at June 30, 2011. Of this total, \$1,162,432 is due within one year and \$4,503,015 is due in greater than one year.

**Using these Basic Financial Statements (BFS)**

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

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

***Governmental Funds***

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

***Proprietary Funds***

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

***Reporting the District's Fiduciary Responsibilities***

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

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-52 of this report.

**The District as a Whole**

The statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2011 and 2010.

	<b>Net Assets</b>		
	Governmental Activities	Governmental Activities	Percent
	<u>2011</u>	<u>2010</u>	<u>Change</u>
<b><u>Assets</u></b>			
Current and other assets	\$ 82,969,084	\$ 83,066,775	(0.12) %
Capital assets, net	<u>26,960,921</u>	<u>26,376,481</u>	2.22 %
Total assets	<u>109,930,005</u>	<u>109,443,256</u>	0.44 %
<b><u>Liabilities</u></b>			
Current liabilities	46,981,756	46,340,426	1.38 %
Long-term liabilities	<u>5,665,447</u>	<u>5,772,137</u>	(1.85) %
Total liabilities	<u>52,647,203</u>	<u>52,112,563</u>	1.03 %
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	25,762,921	24,621,481	4.64 %
Restricted	4,408,707	2,687,915	64.02 %
Unrestricted	<u>27,111,174</u>	<u>30,021,297</u>	(9.69) %
Total net assets	<u>\$ 57,282,802</u>	<u>\$ 57,330,693</u>	(0.08) %

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

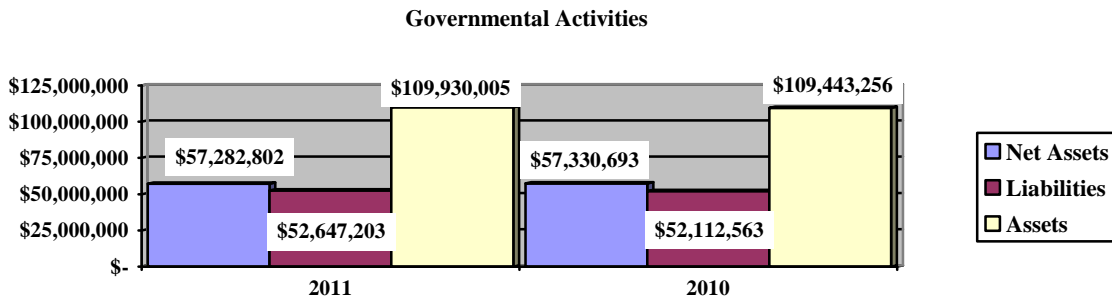
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$57,282,802. Of this total \$4,408,707 is restricted in use and \$25,762,921 is invested in capital assets (net of related debt), resulting in unrestricted net assets of \$27,111,174.

At year-end, capital assets represented 24.53% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$25,762,921. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$4,408,707, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$27,111,174 may be used to meet the District's ongoing obligations to the students and creditors.

The following graph shows the District's assets, liabilities and net assets at June 30, 2011 and 2010:



The table below shows the change in net assets for fiscal years 2011 and 2010. The 2010 balances of operating grants and contributions and general revenues - grants and entitlements have been restated to conform to 2011 presentation of Pathway to Student Success (PASS) funding from the State of Ohio which is reported as an operating grant rather than as general revenue.

**Change in Net Assets**

	Governmental Activities 2011	Restated Governmental Activities 2010	Percent Change
<b>Revenues</b>			
Program revenues:			
Charges for services and sales	\$ 2,414,553	\$ 2,338,959	3.23 %
Operating grants and contributions	14,070,003	11,185,423	25.79 %
General revenues:			
Property taxes	33,044,031	34,579,329	(4.44) %
Payment in lieu of taxes	3,554,734	3,445,196	3.18 %
Grants and entitlements	29,704,665	30,609,676	(2.96) %
Investment earnings	259,140	477,533	(45.73) %
Other	770,172	476,735	61.55 %
<b>Total revenues</b>	<b>83,817,298</b>	<b>83,112,851</b>	<b>0.85 %</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

**Change in Net Assets**

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>	Percent <u>Change</u>
<b><u>Expenses</u></b>			
Program expenses:			
Instruction:			
Regular	\$ 31,091,400	\$ 31,344,456	(0.81) %
Special	10,291,960	10,183,993	1.06 %
Vocational	3,209,603	2,911,453	10.24 %
Adult/continuing	8,856	76,764	(88.46) %
Other	3,817,356	3,604,549	5.90 %
Support services:			
Pupil	4,307,263	4,278,263	0.68 %
Instructional staff	4,061,868	3,964,384	2.46 %
Board of education	149,467	162,234	(7.87) %
Administration	5,457,890	4,936,297	10.57 %
Fiscal	1,558,264	1,448,101	7.61 %
Business	619,821	672,282	(7.80) %
Operations and maintenance	8,802,292	9,466,007	(7.01) %
Pupil transportation	3,674,430	3,488,857	5.32 %
Central	1,712,772	1,484,604	15.37 %
Food service operations	2,520,530	2,349,757	7.27 %
Other non-instructional services	1,116,061	1,229,437	(9.22) %
Extracurricular activities	1,394,484	1,209,493	15.29 %
Interest and fiscal charges	<u>70,872</u>	<u>96,630</u>	(26.66) %
Total expenses	<u>83,865,189</u>	<u>82,907,561</u>	1.16 %
Change in net assets	(47,891)	205,290	(123.33) %
Net assets at beginning of year	<u>57,330,693</u>	<u>57,125,403</u>	0.36 %
Net assets at end of year	<u>\$ 57,282,802</u>	<u>\$ 57,330,693</u>	(0.08) %

For the District as a whole, both revenues and expenses were comparable to the prior year. The District experienced slight decreases in the two largest revenues sources: property taxes and unrestricted grants and entitlements. However, these decreases were offset by an increase in operating grants and contributions, which is primarily the result of the District's Education Jobs Grant funding from the federal government.

**Governmental Activities**

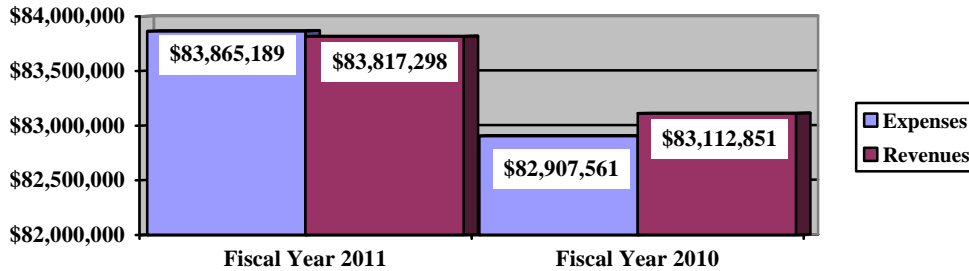
Net assets of the District's governmental activities decreased \$47,891. Total governmental expenses of \$83,865,189 were offset by program revenues of \$16,484,556 and general revenues of \$67,332,742. Program revenues supported 19.66% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes, payments in lieu of taxes and unrestricted grants and entitlements. These revenue sources represent 79.10% of total governmental revenue. The largest expense of the District is for instructional programs. Instruction expenses totaled \$48,419,175 or 57.73% of total governmental expenses for fiscal year 2011.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2011 and 2010.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The 2010 net cost of services for special instruction has been restated to conform to 2011 presentation of PASS funding from the State of Ohio which is reported as an operating grant and contribution offsetting special instruction.

**Governmental Activities**

	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Restated Net Cost of Services <u>2010</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 31,091,400	\$ 29,885,213	\$ 31,344,456	\$ 30,466,021
Special	10,291,960	3,712,964	10,183,993	4,538,872
Vocational	3,209,603	2,554,507	2,911,453	2,268,263
Adult/continuing	8,856	8,856	76,764	28,753
Other	3,817,356	3,586,863	3,604,549	3,455,399

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

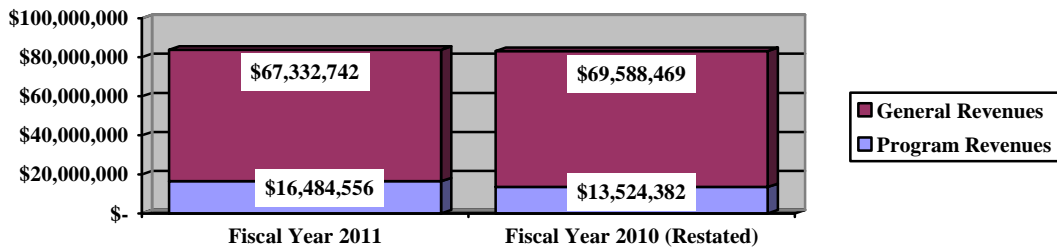
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Restated Net Cost of Services <u>2010</u>
<b>Program expenses</b>				
Support services:				
Pupil	\$ 4,307,263	\$ 2,747,055	\$ 4,278,263	\$ 3,872,221
Instructional staff	4,061,868	3,432,446	3,964,384	3,605,341
Board of education	149,467	149,467	162,234	162,234
Administration	5,457,890	5,452,655	4,936,297	4,920,514
Fiscal	1,558,264	1,558,264	1,448,101	1,448,101
Business	619,821	619,821	672,282	672,282
Operations and maintenance	8,802,292	7,631,226	9,466,007	8,222,329
Pupil transportation	3,674,430	3,300,653	3,488,857	3,130,616
Central	1,712,772	1,589,834	1,484,604	1,467,288
Food service operations	2,520,530	51,751	2,349,757	171,071
Operations of non-instructional services	1,116,061	106,595	1,229,437	50,306
Extracurricular activities	1,394,484	921,591	1,209,493	806,938
Interest and fiscal charges	<u>70,872</u>	<u>70,872</u>	<u>96,630</u>	<u>96,630</u>
Total expenses	<u>\$ 83,865,189</u>	<u>\$ 67,380,633</u>	<u>\$ 82,907,561</u>	<u>\$ 69,383,179</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 82.09% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.34%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2011 and 2010. The 2010 program revenues and general revenues have been restated to conform to 2011 presentation of PASS funding from the State of Ohio which is reported as program revenue rather than as general revenue.

**Governmental Activities - General and Program Revenues**



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$26,622,868, which is lower than last year's total of \$28,760,981. The District restated fund balances at June 30, 2010 as described in Note 3.B. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

	Fund Balance <u>June 30, 2011</u>	Restated Fund Balance <u>June 30, 2010</u>	Increase <u>(Decrease)</u>
General	\$ 24,598,737	\$ 26,942,054	\$ (2,343,317)
Other Governmental	<u>2,024,131</u>	<u>1,818,927</u>	<u>205,204</u>
Total	<u>\$ 26,622,868</u>	<u>\$ 28,760,981</u>	<u>\$ (2,138,113)</u>

**General Fund**

The District's general fund balance decreased \$2,343,317. The table that follows assists in illustrating the financial activities of the general fund.

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 30,970,375	\$ 31,419,930	\$ (449,555)	(1.43) %
Tuition	581,794	569,836	11,958	2.10 %
Earnings on investments	557,862	363,806	194,056	53.34 %
Intergovernmental	31,941,706	32,813,173	(871,467)	(2.66) %
Payment in lieu of taxes	3,334,207	3,210,083	124,124	3.87 %
Other revenues	<u>1,334,982</u>	<u>981,196</u>	<u>353,786</u>	36.06 %
Total	<u>\$ 68,720,926</u>	<u>\$ 69,358,024</u>	<u>\$ (637,098)</u>	(0.92) %
<b><u>Expenditures</u></b>				
Instruction	\$ 43,040,934	\$ 43,404,636	\$ (363,702)	(0.84) %
Support services	27,098,353	27,210,122	(111,769)	(0.41) %
Operation of non-instructional services	29,547	65,479	(35,932)	(54.88) %
Extracurricular activities	870,672	771,364	99,308	12.87 %
Facilities acquisition and construction	<u>11,914</u>	<u>-</u>	<u>11,914</u>	100.00 %
Total	<u>\$ 71,051,420</u>	<u>\$ 71,451,601</u>	<u>\$ (400,181)</u>	(0.56) %

Overall, both revenues and expenditures for the general fund were consistent with the prior year. Several of the District's long-term investments matured in fiscal year 2011, leading to an increase in earnings on investments. The main cause for the decrease in intergovernmental revenues was decreased Foundation support from the State of Ohio. The increase in other revenues is primarily due to donations received in fiscal year 2011.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2011, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$69,325,785, which is higher than the original budgeted revenues estimate of \$68,233,820. Actual revenues and other financing sources for fiscal year 2011 was \$69,271,880. This represents a \$53,905 decrease from final budgeted revenues. This decrease is primarily due to lower than anticipated tuition and intergovernmental revenues from the state.

General fund final appropriations (appropriated expenditures plus other financing uses) were \$74,876,817, which is lower than the original budgeted appropriations of \$75,580,338. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$71,669,792, which was \$3,207,025 less than the final budget appropriations. The District was able to decrease actual expenditures primarily because salary costs proved to be lower than anticipated in the original and final budget.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2011, the District had \$26,960,921 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress (CIP). This entire amount is reported in governmental activities. The following table shows fiscal year 2011 balances compared to 2010:

	<b>Capital Assets at June 30 (Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 856,402	\$ 856,402
Land improvements	1,836,566	1,902,341
Buildings and improvements	20,323,719	18,287,858
Furniture and equipment	2,055,226	2,275,192
Vehicles	1,583,276	1,503,472
Construction in progress	<u>305,732</u>	<u>1,551,216</u>
Total	<u>\$ 26,960,921</u>	<u>\$ 26,376,481</u>

Total additions to capital assets for 2011 were \$2,421,916. The District had \$1,837,476 in depreciation expense during 2011. The disposal of CIP of \$2,658,358 represents construction projects which were completed in fiscal year 2011 and transferred to buildings and improvements and land improvements. The overall increase in capital assets of \$584,440 (net of accumulated depreciation) is primarily due to the construction projects completed in fiscal year 2011.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

***Debt Administration***

At June 30, 2011, the District had \$1,198,000 in notes payable obligations outstanding. Of this total, \$584,000 is due within one year and \$614,000 is due within greater than one year. The following table summarizes the note obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities 2011	Governmental Activities 2010
Permanent improvement note	\$ 1,198,000	\$ 1,755,000
Total	\$ 1,198,000	\$ 1,755,000

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

**Current Financial Related Activities**

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

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

The passage of House Bill No. 66 poses another challenge for the District. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property were eliminated in calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill also replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2007-2013, the District is expected to be fully reimbursed for the lost revenue by the State of Ohio. In calendar years 2014-2017, the reimbursements will be phased out.

The financial future of the District is not without challenges. The economy within the District's boundaries and in the State of Ohio has declined significantly over the past few years. The assessed property values within the District and in Lucas County upon which the District's taxes are levied have continued to decline. The decrease in values for the second half of fiscal year 2011 collections, compared to the second half of fiscal year 2010, was approximately 11.15%. These scenarios require administration to plan carefully and prudently to provide the resources to meet student needs over the next several years.

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET ASSETS  
JUNE 30, 2011

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . .	\$ 38,409,369
Cash in segregated accounts. . . . .	5,049
Receivables:	
Taxes . . . . .	37,507,272
Payments in lieu of taxes . . . . .	3,499,486
Accounts. . . . .	32,595
Intergovernmental . . . . .	3,056,721
Accrued interest . . . . .	61,351
Prepayments . . . . .	153,268
Materials and supplies inventory. . . . .	243,973
Capital assets:	
Land and construction in progress. . . . .	1,162,134
Depreciable capital assets, net. . . . .	25,798,787
Capital assets, net . . . . .	26,960,921
 Total assets . . . . .	 109,930,005
 <b>Liabilities:</b>	
Accounts payable. . . . .	968,132
Accrued wages and benefits . . . . .	7,574,799
Pension obligation payable. . . . .	2,534,525
Intergovernmental payable . . . . .	325,343
Accrued interest payable . . . . .	1,170
Claims payable. . . . .	770,335
Unearned revenue . . . . .	34,807,452
Long-term liabilities:	
Due within one year. . . . .	1,162,432
Due in more than one year. . . . .	4,503,015
 Total liabilities . . . . .	 52,647,203
 <b>Net assets:</b>	
Invested in capital assets, net of related debt. . . . .	25,762,921
Restricted for:	
Capital projects . . . . .	2,126,798
Locally funded programs . . . . .	4,838
State funded programs. . . . .	105,863
Federally funded programs . . . . .	1,954,573
Student activities . . . . .	216,635
Unrestricted . . . . .	27,111,174
 Total net assets . . . . .	 \$ 57,282,802

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

		<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>
	<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 31,091,400	\$ 560,987	\$ 645,200	\$ (29,885,213)
Special . . . . .	10,291,960	148,866	6,430,130	(3,712,964)
Vocational . . . . .	3,209,603	115,417	539,679	(2,554,507)
Adult/continuing. . . . .	8,856	-	-	(8,856)
Other . . . . .	3,817,356	-	230,493	(3,586,863)
Support services:				
Pupil. . . . .	4,307,263	-	1,560,208	(2,747,055)
Instructional staff . . . . .	4,061,868	28,696	600,726	(3,432,446)
Board of education . . . . .	149,467	-	-	(149,467)
Administration. . . . .	5,457,890	-	5,235	(5,452,655)
Fiscal. . . . .	1,558,264	-	-	(1,558,264)
Business. . . . .	619,821	-	-	(619,821)
Operations and maintenance . . . . .	8,802,292	94,962	1,076,104	(7,631,226)
Pupil transportation. . . . .	3,674,430	155,870	217,907	(3,300,653)
Central . . . . .	1,712,772	1,039	121,899	(1,589,834)
Operation of non-instructional services:				
Food service operations . . . . .	2,520,530	819,606	1,649,173	(51,751)
Other non-instructional services . . . . .	1,116,061	16,415	993,051	(106,595)
Extracurricular activities. . . . .	1,394,484	472,695	198	(921,591)
Interest and fiscal charges . . . . .	70,872	-	-	(70,872)
<b>Total governmental activities . . . . .</b>	<b>\$ 83,865,189</b>	<b>\$ 2,414,553</b>	<b>\$ 14,070,003</b>	<b>(67,380,633)</b>
 <b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				31,119,003
Debt service. . . . .				556,392
Capital outlay. . . . .				1,368,636
Payments in lieu of taxes . . . . .				3,554,734
Grants and entitlements not restricted to specific programs . . . . .				29,704,665
Investment earnings . . . . .				259,140
Miscellaneous . . . . .				770,172
<b>Total general revenues . . . . .</b>				<b>67,332,742</b>
Change in net assets . . . . .				(47,891)
<b>Net assets at beginning of year. . . . .</b>				<b>57,330,693</b>
<b>Net assets at end of year . . . . .</b>				<b>\$ 57,282,802</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . .	\$ 33,262,424	\$ 4,030,624	\$ 37,293,048
Cash in segregated accounts . . . . .	5,049	-	5,049
Receivables:			
Taxes . . . . .	35,488,812	2,018,460	37,507,272
Payments in lieu of taxes . . . . .	3,324,408	175,078	3,499,486
Accounts . . . . .	27,166	5,429	32,595
Intergovernmental . . . . .	154,199	2,902,522	3,056,721
Accrued interest . . . . .	61,351	-	61,351
Interfund loans . . . . .	485,000	-	485,000
Prepayments . . . . .	153,268	-	153,268
Materials and supplies inventory . . . . .	177,337	66,636	243,973
Due from other funds . . . . .	72,807	-	72,807
Total assets . . . . .	<u>\$ 73,211,821</u>	<u>\$ 9,198,749</u>	<u>\$ 82,410,570</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 395,391	\$ 572,741	\$ 968,132
Accrued wages and benefits . . . . .	7,065,821	508,978	7,574,799
Compensated absences payable . . . . .	378,813	-	378,813
Pension obligation payable . . . . .	2,344,444	190,081	2,534,525
Intergovernmental payable . . . . .	301,639	23,704	325,343
Interfund loans payable . . . . .	-	485,000	485,000
Claims payable . . . . .	728,814	-	728,814
Notes payable . . . . .	-	1,198,000	1,198,000
Accrued interest payable . . . . .	-	1,170	1,170
Due to other funds . . . . .	-	72,807	72,807
Deferred revenue . . . . .	4,504,107	2,208,740	6,712,847
Unearned revenue . . . . .	32,894,055	1,913,397	34,807,452
Total liabilities . . . . .	<u>48,613,084</u>	<u>7,174,618</u>	<u>55,787,702</u>
<b>Fund balances:</b>			
Nonspendable:			
Materials and supplies inventory . . . . .	177,337	66,636	243,973
Prepays . . . . .	153,268	-	153,268
Restricted:			
Capital improvements . . . . .	-	1,940,338	1,940,338
Non-public schools . . . . .	-	97,342	97,342
Other purposes . . . . .	-	13,352	13,352
Extracurricular . . . . .	-	216,635	216,635
Committed:			
Other purposes . . . . .	55,000	-	55,000
Assigned:			
Student instruction . . . . .	159,931	-	159,931
Student and staff support . . . . .	724,833	-	724,833
Extracurricular activities . . . . .	21,100	-	21,100
Facilities acquisition and construction . . . . .	17,034	-	17,034
Operation of non-instructional services . . . . .	60	-	60
Other purposes . . . . .	124,327	-	124,327
Unassigned (deficit) . . . . .	23,165,847	(310,172)	22,855,675
Total fund balances . . . . .	<u>24,598,737</u>	<u>2,024,131</u>	<u>26,622,868</u>
Total liabilities and fund balances . . . . .	<u>\$ 73,211,821</u>	<u>\$ 9,198,749</u>	<u>\$ 82,410,570</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2011

<b>Total governmental fund balances</b>		\$	26,622,868
 <i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			26,960,921
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	4,525,272	
Interest receivable		32,661	
Intergovernmental receivable		2,154,914	
Total		6,712,847	6,712,847
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.			1,074,800
Long-term liabilities (compensated absences) are not due and payable in the current period and therefore are not reported in the funds.			(4,088,634)
<b>Net assets of governmental activities</b>		<b>\$</b>	<b>57,282,802</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 30,970,375	\$ 1,815,737	\$ 32,786,112
Payments in lieu of taxes . . . . .	3,334,207	220,527	3,554,734
Tuition . . . . .	581,794	-	581,794
Charges for services . . . . .	-	819,606	819,606
Transportation fees . . . . .	155,870	-	155,870
Earnings on investments . . . . .	557,862	4,250	562,112
Extracurricular . . . . .	1,617	472,695	474,312
Classroom materials and fees . . . . .	138,957	-	138,957
Rental income . . . . .	94,962	-	94,962
Contributions and donations . . . . .	255,930	198	256,128
Contract services . . . . .	103,885	-	103,885
Other local revenues . . . . .	583,761	-	583,761
Intergovernmental - intermediate . . . . .	2,475	-	2,475
Intergovernmental - state . . . . .	31,765,871	1,523,738	33,289,609
Intergovernmental - federal . . . . .	173,360	8,513,806	8,687,166
Total revenues . . . . .	<u>68,720,926</u>	<u>13,370,557</u>	<u>82,091,483</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	29,969,326	565,292	30,534,618
Special . . . . .	6,449,016	3,657,605	10,106,621
Vocational . . . . .	3,119,262	89,384	3,208,646
Adult/continuing . . . . .	6,597	-	6,597
Other . . . . .	3,496,733	223,608	3,720,341
Support services:			
Pupil . . . . .	3,901,170	541,213	4,442,383
Instructional staff . . . . .	3,457,954	494,417	3,952,371
Board of education . . . . .	143,359	3,950	147,309
Administration . . . . .	5,117,606	12,177	5,129,783
Fiscal . . . . .	1,520,076	35,654	1,555,730
Business . . . . .	593,968	-	593,968
Operations and maintenance . . . . .	7,504,395	1,221,045	8,725,440
Pupil transportation . . . . .	3,299,727	336,863	3,636,590
Central . . . . .	1,560,098	140,904	1,701,002
Operation of non-instructional services:			
Food service operations . . . . .	-	2,450,347	2,450,347
Other non-instructional services . . . . .	29,547	1,073,005	1,102,552
Extracurricular activities . . . . .	870,672	522,183	1,392,855
Facilities acquisition and construction . . . . .	11,914	1,740,334	1,752,248
Debt service:			
Interest and fiscal charges . . . . .	-	70,872	70,872
Total expenditures . . . . .	<u>71,051,420</u>	<u>13,178,853</u>	<u>84,230,273</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(2,330,494)</u>	<u>191,704</u>	<u>(2,138,790)</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	641,372	641,372
Transfers (out) . . . . .	(13,500)	(627,872)	(641,372)
Sale of capital assets . . . . .	677	-	677
Total other financing sources (uses) . . . . .	<u>(12,823)</u>	<u>13,500</u>	<u>677</u>
Net change in fund balances . . . . .	(2,343,317)	205,204	(2,138,113)
<b>Fund balances at beginning of year (restated).</b>	<u>26,942,054</u>	<u>1,818,927</u>	<u>28,760,981</u>
<b>Fund balances at end of year.</b>	<u>\$ 24,598,737</u>	<u>\$ 2,024,131</u>	<u>\$ 26,622,868</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**Net change in fund balances - total governmental funds** \$ (2,138,113)

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

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

Capital asset additions	\$ 2,421,916	
Current year depreciation	(1,837,476)	
Total		584,440

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

Taxes	257,919	
Interest	(303,318)	
Intergovernmental	1,848,265	
Total		1,802,866

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

(60,866)

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

(236,218)

**Change in net assets of governmental activities** \$ (47,891)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 30,719,319	\$ 31,210,928	\$ 31,223,870	\$ 12,942
Payments in lieu of taxes . . . . .	3,328,244	3,381,507	3,381,507	-
Tuition . . . . .	600,392	610,000	580,494	(29,506)
Transportation fees . . . . .	157,480	160,000	152,189	(7,811)
Earnings on investments . . . . .	561,022	570,000	572,669	2,669
Classroom materials and fees . . . . .	31,496	32,000	33,810	1,810
Rental income . . . . .	98,425	100,000	95,780	(4,220)
Contributions and donations . . . . .	207,676	211,000	210,763	(237)
Contract services . . . . .	-	-	18,922	18,922
Other local revenues . . . . .	447,833	455,000	444,252	(10,748)
Intergovernmental - state . . . . .	31,297,488	31,798,350	31,765,871	(32,479)
Intergovernmental - federal . . . . .	187,007	190,000	190,452	452
<b>Total revenues . . . . .</b>	<b>67,636,382</b>	<b>68,718,785</b>	<b>68,670,579</b>	<b>(48,206)</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	31,476,829	30,363,235	29,601,347	761,888
Special . . . . .	6,505,430	6,943,414	6,490,191	453,223
Vocational . . . . .	2,940,135	3,044,576	3,004,489	40,087
Adult/continuing . . . . .	11,270	10,520	7,985	2,535
Other . . . . .	3,813,459	3,837,173	3,414,927	422,246
Support services:				
Pupil . . . . .	4,262,152	4,034,141	3,813,385	220,756
Instructional staff . . . . .	3,618,357	3,595,010	3,471,649	123,361
Board of education . . . . .	143,673	164,981	143,643	21,338
Administration . . . . .	5,025,375	5,142,398	5,048,981	93,417
Fiscal . . . . .	1,530,600	1,615,108	1,580,177	34,931
Business . . . . .	662,687	662,171	645,900	16,271
Operations and maintenance . . . . .	9,107,411	8,769,290	8,228,609	540,681
Pupil transportation . . . . .	3,295,074	3,322,550	3,211,611	110,939
Central . . . . .	1,739,626	1,887,101	1,610,009	277,092
Operation of non-instructional services . . . . .	3,438	7,885	6,436	1,449
Extracurricular activities . . . . .	881,322	901,764	863,005	38,759
Facilities acquisition and construction . . . . .	8,000	35,000	28,948	6,052
<b>Total expenditures . . . . .</b>	<b>75,024,838</b>	<b>74,336,317</b>	<b>71,171,292</b>	<b>3,165,025</b>
Excess of expenditures over revenues . . . . .	(7,388,456)	(5,617,532)	(2,500,713)	3,116,819
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	104,330	106,000	100,624	(5,376)
Transfers (out) . . . . .	(55,500)	(55,500)	(13,500)	42,000
Advances in . . . . .	492,124	500,000	500,000	-
Advances (out) . . . . .	(500,000)	(485,000)	(485,000)	-
Sale of capital assets . . . . .	984	1,000	677	(323)
<b>Total other financing sources (uses) . . . . .</b>	<b>41,938</b>	<b>66,500</b>	<b>102,801</b>	<b>36,301</b>
Net change in fund balance . . . . .	(7,346,518)	(5,551,032)	(2,397,912)	3,153,120
<b>Fund balance at beginning of year . . . . .</b>	<b>33,139,209</b>	<b>33,139,209</b>	<b>33,139,209</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>1,225,817</b>	<b>1,225,817</b>	<b>1,225,817</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 27,018,508</b>	<b>\$ 28,813,994</b>	<b>\$ 31,967,114</b>	<b>\$ 3,153,120</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2011

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 1,116,321
Total assets. . . . .	<u>1,116,321</u>
<b>Liabilities:</b>	
Claims payable . . . . .	<u>41,521</u>
Total liabilities . . . . .	<u>41,521</u>
<b>Net assets:</b>	
Unrestricted. . . . .	<u>1,074,800</u>
Total net assets . . . . .	<u>\$ 1,074,800</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Operating revenues:</b>	
Sales/charges for services. . . . .	\$ 443,005
Total operating revenues . . . . .	<u>443,005</u>
<b>Operating expenses:</b>	
Purchased services. . . . .	26,987
Claims . . . . .	<u>477,724</u>
Total operating expenses. . . . .	<u>504,711</u>
Operating loss . . . . .	<u>(61,706)</u>
<b>Nonoperating revenues:</b>	
Interest revenue . . . . .	<u>840</u>
Total nonoperating revenues. . . . .	<u>840</u>
Change in net assets. . . . .	(60,866)
<b>Net assets at beginning of year . . . . .</b>	<u>1,135,666</u>
<b>Net assets at end of year. . . . .</b>	<u><u>\$ 1,074,800</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from sales/charges for services . . . . .	\$ 443,005
Cash payments for contractual services . . . . .	(26,987)
Cash payments for claims . . . . .	(491,225)
	(75,207)
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	840
	840
Net cash provided by investing activities . . . . .	840
Net decrease in cash and cash equivalents. . . . .	(74,367)
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>1,190,688</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 1,116,321</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (61,706)
Changes in assets and liabilities:	
Decrease in claims payable . . . . .	(13,501)
	(13,501)
Net cash used in operating activities . . . . .	<b>\$ (75,207)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 118,045	\$ 138,194
<b>Receivables:</b>		
Accounts . . . . .	60	1,161
Total assets. . . . .	118,105	\$ 139,355
<b>Liabilities:</b>		
Accounts payable. . . . .	3,500	\$ 601
Due to students. . . . .	-	138,754
Total liabilities . . . . .	3,500	\$ 139,355
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	114,605	
Total net assets . . . . .	\$ 114,605	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest. . . . .	\$ 68
Gifts and contributions. . . . .	31,429
	31,497
<b>Total additions. . . . .</b>	<b>31,497</b>
<b>Deductions:</b>	
Scholarships awarded . . . . .	23,955
	7,542
<b>Change in net assets. . . . .</b>	<b>7,542</b>
<b>Net assets at beginning of year . . . . .</b>	<b>107,063</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 114,605</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District ranks as the 39<sup>th</sup> largest in terms of enrollment (among 918 public school districts and community schools) in the State of Ohio. The District employs 314 non-certified and 546 certified full-time and part-time employees to provide services to approximately 6,618 students in grades K through 12.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

*JOINTLY GOVERNED ORGANIZATION*

Northwest Ohio Computer Association (NWOCA)

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

*INSURANCE PURCHASING POOL*

Ohio Schools Plan

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

*PROPRIETARY FUNDS*

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

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

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

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

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

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

**D. Basis of Accounting**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

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

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

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

Property taxes and payments in lieu of taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2011 are recorded as deferred revenue in the governmental funds.

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

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

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

**E. Budgets**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Estimated Resources:

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

Appropriations:

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

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

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

Lapsing of Appropriations:

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

**F. Cash and Investments**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

During fiscal year 2011, investments were limited to nonnegotiable certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2011. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2011.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$557,862, which includes \$77,608 assigned from other District funds.

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

**G. Inventory**

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

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

**H. Capital Assets**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

**I. Compensated Absences**

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2011, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

**J. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loan receivables/payables". Interfund balances to account for costs in funds where revenues were not received by June 30 are classified as "due to/from other funds." Interfund balances between governmental funds are eliminated in the governmental activities column on the statement of net assets.

**K. Accrued Liabilities and Long-Term Obligations**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

**L. Nonpublic Schools**

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

**M. Fund Balance**

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

**N. Net Assets**

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

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

**O. Prepayments**

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

**P. Estimates**

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

**Q. Interfund Activity**

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

**B. Fund Reclassifications**

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	General	Nonmajor Governmental	Total Governmental
Fund balance as previously reported	\$ 26,611,071	\$ 2,149,910	\$ 28,760,981
Fund reclassifications:			
Community programs fund	15,702	(15,702)	-
Public school support fund	90,175	(90,175)	-
Uniform school supplies fund	102,329	(102,329)	-
Adult education fund	67,777	(67,777)	-
Underground storage tank fund	55,000	(55,000)	-
Restated fund balance at July 1, 2010	\$ 26,942,054	\$ 1,818,927	\$ 28,760,981

The fund reclassifications did not have an effect on net assets as previously reported.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

**C. Deficit Fund Balances**

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 165,382
Management information systems	265
Miscellaneous State grants	9,897
IDEA, Part B	24,322
Vocational education	4,821
Stimulus Title II-D	175
Limited english proficiency	70
Title I	27,122
Improving teacher quality	11,482

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances are a result of advances-in (short-term interfund loans) being recorded as fund liabilities rather than as an "other financing source" and from accrued liabilities recorded at June 30, 2011. The deficit balances will be alleviated as resources come available to liquidate the accrued liabilities and repay the interfund loans.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

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

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

**A. Cash in Segregated Accounts**

The District reports "cash in segregated accounts" for the Athletic Department checking account which is maintained separately from the District's internal investment pool. The balance of the cash in segregated accounts was \$5,049 at June 30, 2011 and is included in "Deposits with Financial Institutions" below.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

**B. Deposits with Financial Institutions**

At June 30, 2011, the carrying amount of all District deposits, including \$10,000,000 in nonnegotiable certificates of deposit, was \$36,474,677. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$35,353,846 of the District's bank balance of \$36,858,895 was exposed to custodial risk as discussed below, while \$1,505,049 was covered by the FDIC.

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

**C. Investments**

As of June 30, 2011, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 2,195,980	\$ 2,195,980

The weighted average maturity of investments at June 30, 2011 was one day.

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

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

*Concentration of Credit Risk:* The District's investment policy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 2,195,980	100.00

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 36,474,677
Investments	<u>2,195,980</u>
Total	<u>\$ 38,670,657</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 38,414,418
Private-purpose trust funds	118,045
Agency fund	<u>138,194</u>
Total	<u>\$ 38,670,657</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund loans receivable/payable consisted of the following at June 30, 2011, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 485,000

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

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

- B.** Due to/from other funds consisted of the following at June 30, 2011, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 72,807

The primary purpose of the due to/due from other funds is to cover negative cash balances in specific funds at year-end. These deficit balances will be eliminated as anticipated revenues are received after June 30.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Amount due to/from between governmental funds are eliminated on the government-wide financial statements.

- C. Interfund transfers for the fiscal year ended June 30, 2011, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	\$ 13,500
<u>Transfers from nonmajor governmental funds to:</u>	
Nonmajor governmental funds	627,872
Total	\$ 641,372

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

The \$627,872 transfer from the debt service fund (a nonmajor governmental fund) to the permanent improvement fund (a nonmajor governmental fund) was required to move resources to the permanent improvement fund to make required principal and interest payments on the tax anticipation note (see Note 9) which is reported as a liability in the permanent improvement fund.

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Lucas County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$1,580,353 in the general fund and \$93,681 in the permanent improvement capital projects fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$1,833,848 in the general fund and \$107,251 in the permanent improvement capital projects fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 915,398,520	98.73	\$ 904,503,360	98.76
Public utility personal	10,843,220	1.17	11,347,640	1.24
Tangible personal property	<u>897,095</u>	<u>0.10</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 927,138,835</u>	<u>100.00</u>	<u>\$ 915,851,000</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$ 71.10		\$ 71.10	
Permanent improvement	2.60		2.60	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2011 consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

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

**Governmental activities**

Taxes	\$ 37,507,272
Payments in lieu of taxes	3,499,486
Accounts	32,595
Accrued interest	61,351
Intergovernmental	<u>3,056,721</u>
 Total	 <u>\$ 44,157,425</u>

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

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

<b>Governmental activities:</b>	Balance <u>06/30/10</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/11</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 856,402	\$ -	\$ -	\$ 856,402
Construction in progress	1,551,216	1,412,874	(2,658,358)	305,732
Total capital assets, not being depreciated	<u>2,407,618</u>	<u>1,412,874</u>	<u>(2,658,358)</u>	<u>1,162,134</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,470,584	87,731	-	3,558,315
Building and improvements	40,741,136	3,003,898	-	43,745,034
Furniture and equipment	7,228,533	137,380	(18,207)	7,347,706
Vehicles	5,959,102	438,391	(215,640)	6,181,853
Total capital assets, being depreciated	<u>57,399,355</u>	<u>3,667,400</u>	<u>(233,847)</u>	<u>60,832,908</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,568,243)	(153,506)	-	(1,721,749)
Building and improvements	(22,453,278)	(968,037)	-	(23,421,315)
Furniture and equipment	(4,953,341)	(357,346)	18,207	(5,292,480)
Vehicles	(4,455,630)	(358,587)	215,640	(4,598,577)
Total accumulated depreciation	<u>(33,430,492)</u>	<u>(1,837,476)</u>	<u>233,847</u>	<u>(35,034,121)</u>
Governmental activities capital assets, net	<u>\$ 26,376,481</u>	<u>\$ 3,242,798</u>	<u>\$ (2,658,358)</u>	<u>\$ 26,960,921</u>



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 555,745
Special	175,612
Vocational	52,128
Adult/continuing	2,256
Other	64,373
<u>Support services:</u>	
Pupil	73,383
Instructional staff	71,806
Board of Education	2,219
Administration	93,144
Fiscal	27,125
Business	11,429
Operations and maintenance	247,006
Pupil transportation	346,736
Central	37,782
<u>Operation of non-instructional services:</u>	
Food service operations	35,239
Other non-instructional services	16,109
Extracurricular activities	25,384
Total depreciation expense	<u>\$ 1,837,476</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2011, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u> <u>06/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/11</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
<b><u>Notes payable</u></b>					
Permanent improvement TAN 4.8% matures 12/26/12	\$ 1,755,000	\$ -	\$ (557,000)	\$ 1,198,000	\$ 584,000
Total notes payable	<u>1,755,000</u>	<u>-</u>	<u>(557,000)</u>	<u>1,198,000</u>	<u>584,000</u>
<b><u>Other long-term obligations</u></b>					
Compensated absences	<u>4,017,137</u>	<u>1,055,657</u>	<u>(605,347)</u>	<u>4,467,447</u>	<u>578,432</u>
Total other long-term obligations	<u>4,017,137</u>	<u>1,055,657</u>	<u>(605,347)</u>	<u>4,467,447</u>	<u>578,432</u>
Total	<u>\$ 5,772,137</u>	<u>\$ 1,055,657</u>	<u>\$ (1,162,347)</u>	<u>\$ 5,665,447</u>	<u>\$ 1,162,432</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

In fiscal year 2002, tax anticipation notes were issued in the amount of \$5,000,000 for permanent improvements of the various buildings of the District. This long-term note is reported as a fund liability of the permanent improvement fund (a nonmajor governmental fund), the fund which received the proceeds of the issue. The District made \$557,000 in principal payments during fiscal year 2011 which reduced the fund liability.

Compensated absences will be paid from the general fund and the food service fund (a nonmajor governmental fund).

- B.** Principal and interest requirements to retire the tax anticipation notes outstanding at June 30, 2011, are as follows:

Fiscal Year Ending June 30	Notes Payable		
	Principal	Interest	Total
2012	\$ 584,000	\$ 43,488	\$ 627,488
2013	614,000	14,736	628,736
Total	<u>\$ 1,198,000</u>	<u>\$ 58,224</u>	<u>\$ 1,256,224</u>

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$82,426,590 and an unvoted debt margin of \$915,851.

**NOTE 10 - COMPENSATED ABSENCES**

Compensated absences consist of sick leave, service retirement and severance payments. The extent to which these amounts are accrued for reporting purposes is disclosed in Note 2.I. to the financial statements. To be eligible for retirement or severance payments, an employee must have five years service at the District. Administrators can receive a maximum payment of \$82,000 for fiscal year 2011. The following is a description of the District's compensated absences:

**A. Sick Leave**

Each full time professional staff member is entitled to 15 days sick leave with pay for each year under the contract and accrues sick leave at the rate of one and one-fourth (1¼) days for each calendar month under contract. Sick leave is cumulative without a maximum number of days for all administrators, certified and classified employees.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 10 - COMPENSATED ABSENCES - (Continued)**

**B. Service Retirement**

Certified Employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Employees who notified the District of the retirement by fiscal year-end will receive service retirement pay equal to the certified employee's accrued but unused sick leave days at the time of retirement based on \$85 per day for the first 300 days, \$90 per day for days 301-350 and \$95 per day for days 351 and over.

Classified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is 50% of sick leave days accumulated up to 400 days maximum times a percentage (10% for each year of service up to 100%) multiplied by 10% for each year of service.

Administration employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is 30% of the first 120 sick leave days accumulated, 50% of sick leave days accumulated from 121-200 days, 65% of the sick leave days accumulated from 201-340 and 80% of sick leave days accumulated from 341-400 times a percentage (10% for each year of service up to 100%) times their daily rate of pay.

**C. Severance Pay**

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

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

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

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District obtains insurance coverage through the Ohio Schools Plan (see Note 2.A). Through the Ohio Schools Plan, the District is insured for general liability with a \$5,000,000 single occurrence limit and a \$7,000,000 aggregate. Property is protected by a blanket building and contents policy for \$214,042,037. Real property and contents are 100 percent insured.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

**B. Dental Insurance**

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

All funds of the District participate in the program and make payments to the Self-Insurance fund based on actuarial estimates of the amounts needed to pay prior and current year claims. Claims payable is based on the requirements of GASB Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicate that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at June 30, 2011, including incurred but not reported claims, is actuarially estimated to be \$41,521. Claims activity for the past two fiscal years follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2011	\$ 55,022	\$ 464,223	\$ (477,724)	\$ 41,521
2010	66,847	494,516	(506,341)	55,022

**C. Group Health Insurance**

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

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

**D. Workers' Compensation**

The District has participated in the Ohio Bureau of Workers' Compensation (Bureau) Retrospective Rating Plan since 1995. The alternative rating program requires the District to pay only administrative charges to the Bureau, and in turn the district assumes the responsibility of paying all claims incurred during the policy period for up to ten years. After the tenth year, the Bureau will assume any existing claim for its duration. The District will be charged an actuarial amount for the claims transferred to the Bureau. The District's stop-loss coverage through the plan is limited to \$200,000 per claim stop-loss coverage with an annual aggregate.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

The District's Workers' Compensation program is accounted for in the general fund which pays for all claims, claim reserves and administrative costs of the program. The general fund generates revenues by charging each fund a percentage rate determined by the Bureau for the payroll during the reporting period.

The claims liability is recorded based on an actuarial determination of future claims, review of five years of claim liabilities and claim payment trends including the settlement to the Bureau after the tenth year. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2011	\$ 421,469	\$ 1,313,215	\$ (1,005,870)	\$ 728,814
2010	795,382	499,466	(873,379)	421,469

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

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

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,255,275, \$1,336,460 and \$962,440, respectively; 53.21 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**B. State Teachers Retirement System of Ohio**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$4,568,724, \$4,508,355 and \$4,353,182, respectively; 82.49 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$224,197 made by the District and \$160,141 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "*Media/Financial Reports*".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$310,768, \$205,916 and \$526,469, respectively; 53.21 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$80,780, \$79,476 and \$79,409, respectively; 53.21 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$351,440, \$346,797 and \$334,860, respectively; 82.49 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**NOTE 14 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**NOTE 15 - SET-ASIDES**

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 15 - SET-ASIDES - (Continued)**

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ -	\$ -
Current year set-aside requirement	981,744	981,744
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(936,166)	(1,837,913)
Excess qualified expenditures from prior years	(5,490,647)	-
Current year offsets	-	-
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	-	-
Total	<u>\$ (5,445,069)</u>	<u>\$ (856,169)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

The District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (2,397,912)
Net adjustment for revenue accruals	(214,041)
Net adjustment for expenditure accruals	(649,176)
Net adjustment for other sources/uses	(115,624)
Funds budgeted elsewhere	(53,211)
Adjustment for encumbrances	1,086,647
GAAP basis	<u>\$ (2,343,317)</u>

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

**NOTE 17 - OTHER COMMITMENTS**

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

	<u>Year-End Encumbrances</u>
<u>Fund</u>	
General fund	\$ 841,683
Other governmental	405,946
Total	<u>\$ 1,247,629</u>

**WASHINGTON LOCAL SCHOOL DISTRICT**  
Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2011

Federal Grantor/Program Title	Pass Through Entity Number	CFDA Number	Receipts Recognized	Program Expenditures
<u>U.S. Department of Agriculture</u>				
Nutrition Cluster:				
Direct Program:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	n/a	10.555	\$ 275,950	\$ 275,950
Passed Through the Ohio Department of Education:				
Cash Assistance:				
National School Breakfast Program	n/a	10.553	270,822	270,822
National School Lunch Program	n/a	10.555	1,205,605	1,205,605
<b>Total Nutrition Cluster</b>			<b>1,752,377</b>	<b>1,752,377</b>
<b>Total U.S. Department of Agriculture</b>			<b>1,752,377</b>	<b>1,752,377</b>
<u>U.S. Department of Education</u>				
Pass through Ohio Department of Education				
Special Education Cluster:				
ARRA - IDEA Part B	n/a	84.391	828,904	905,960
IDEA B	6BSF-10	84.027	302,972	269,277
IDEA B	6BSF-11	84.027	1,060,364	1,117,719
<b>Total Special Education Cluster</b>			<b>2,192,240</b>	<b>2,292,956</b>
Title I - Disadvantaged Children	C1S110	84.010	308,867	184,997
Title I - Disadvantaged Children	C1S111	84.010	1,729,752	1,813,658
ARRA - Title I	n/a	84.389	122,778	33,823
ARRA - Title I	n/a	84.389	412,512	493,413
<b>Total Title I</b>			<b>2,573,909</b>	<b>2,525,891</b>
Title II-A Improving Teacher Quality	TRS1-09	84.367	253,096	255,610
<b>Total Title II-A</b>			<b>253,096</b>	<b>255,610</b>
English Language Acquisition Grants	n/a	84.365	4,095	7,035
<b>Total English Language Acquisition Grants</b>			<b>4,095</b>	<b>7,035</b>
Educational Technology State Grants	n/a	84.318	3,459	7,194
<b>Total Educational Technology State Grants</b>			<b>3,459</b>	<b>7,194</b>
ARRA - Budget Stabilization	SCC 932N	84.394	1,619,145	1,619,145
<b>Total Budget Statbilization</b>			<b>1,619,145</b>	<b>1,619,145</b>
Carl Perkins Grant	FY 10	84.048	24,570	7,511
Carl Perkins Grant	FY 11	84.048	114,738	120,593
<b>Total Carl Perkins Grant</b>			<b>139,308</b>	<b>128,104</b>
<b>Total U.S. Department of Education</b>			<b>6,785,252</b>	<b>6,835,935</b>
<b>Total Federal Expenditures</b>			<b>\$ 8,537,629</b>	<b>\$ 8,588,312</b>

See accompanying Notes to the Schedule of Federal Awards Expenditures

**WASHINGTON LOCAL SCHOOL DISTRICT**  
Lucas County, Ohio  
Notes to the Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2011

1. **Significant Accounting Policies**

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

2. **Food Distribution**

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2011, the District had food commodities in inventory.

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Local School District, (District), Lucas County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2011, wherein we noted the District implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Controls Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and timely corrected.

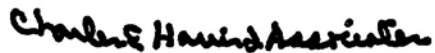
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

### Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 or other matters we must report under *Government Auditing Standards*.

We noted certain other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 15, 2011.

We intend this report solely for the information and use of management, the audit committee, Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Charles E. Harris". The signature is written in a cursive style.

**Charles E. Harris and Associates, Inc.**  
December 15, 2011

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

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

---

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Education:

**Compliance**

We have audited Washington Local School District, Lucas County, Ohio's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's federal programs for the year ended June 30, 2011. 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the Washington Local School District, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

**Internal Control Over Compliance**

Management of the Washington Local School District, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District internal control over compliance.

**A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.**

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

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

*Charles Harris Associates*

**CHARLES E. HARRIS & ASSOCIATES, INC.**

December 15, 2011



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

**Washington Local School District  
Lucas County  
June 30, 2011**

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

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	ARRA-State Fiscal Stabilization Fund-CFDA# 84.394 ARRA-Title I-CFDA# 84.389 Title I-CFDA# 84.010 ARRA-IDEA Part B-CFDA # 84.391 IDEA Part B-CFDA# 84.027
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

**WASHINGTON LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Schedule of Prior Audit Findings  
June 30, 2011**

**The prior audit, for the year ended June 30, 2010, reported no material citations or recommendations.**

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

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

---

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

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

To the Board of Education:

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

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

We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying. Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

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

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



*Charles E. Harris & Associates, Inc.*  
December 15, 2011

**This page intentionally left blank.**



# Dave Yost • Auditor of State

WASHINGTON LOCAL SCHOOL DISTRICT

LUCAS COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 14, 2012