

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

**AUDIT REPORT**

**For the Year Ended June 30, 2012**

***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 *Report of Independent Accountants* of the Washington Local School District, Lucas County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

February 19, 2013

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**WASHINGTON LOCAL SCHOOL DISTRICT**  
**AUDIT REPORT**  
**For the Year Ended June 30, 2012**

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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***

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REPORT OF INDEPENDENT ACCOUNTANTS

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

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, 2012, 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 opinions on these financial statements based on our audit.

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

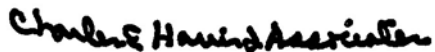
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Local School District, Lucas County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Noted 8, the District changed the estimated useful life and salvage value for certain capital assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards expenditures schedule provides additional information as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



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

December 19, 2012



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(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, 2012. 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 2012 are as follows:

- In total, net assets of governmental activities decreased \$50,008 which represents a 0.09% decrease from 2011.
- General revenues accounted for \$69,365,421 in revenue or 85.52% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$11,748,704 or 14.48% of total revenues of \$81,114,125.
- The District had \$81,164,133 in expenses related to governmental activities; only \$11,748,704 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$69,365,421 were not adequate to provide for these programs.
- The general fund is the only major fund of the District. The general fund had \$70,779,037 in revenues and \$69,811,549 in expenditures and other financing uses. During fiscal year 2012, the general fund's fund balance increased \$967,488 from \$24,598,737 to \$25,566,225.
- The District has \$25,846,373 in capital assets at June 30, 2012. This amount is net of accumulated depreciation in the amount of \$36,795,641. Fiscal year 2012 depreciation expense was \$2,460,244. Total capital assets, net of related debt to acquire or construct the assets were \$25,232,373 at June 30, 2012.
- The District has \$4,725,914 in long-term liabilities outstanding at June 30, 2012. Of this total, \$1,026,980 is due within one year and \$3,698,934 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, 2012  
(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 2012?" 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, 2012  
(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 25-51 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 2012 and 2011.

	<b>Net Assets</b>		
	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>	Percent <u>Change</u>
<b><u>Assets</u></b>			
Current and other assets	\$ 82,444,163	\$ 82,969,084	(0.63) %
Capital assets, net	<u>25,846,373</u>	<u>26,960,921</u>	(4.13) %
Total assets	<u>108,290,536</u>	<u>109,930,005</u>	(1.49) %
<b><u>Liabilities</u></b>			
Current liabilities	46,331,828	46,981,756	(1.38) %
Long-term liabilities	<u>4,725,914</u>	<u>5,665,447</u>	(16.58) %
Total liabilities	<u>51,057,742</u>	<u>52,647,203</u>	(3.02) %
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	25,232,373	25,762,921	(2.06) %
Restricted	4,180,568	4,408,707	(5.17) %
Unrestricted	<u>27,819,853</u>	<u>27,111,174</u>	2.61 %
Total net assets	<u>\$ 57,232,794</u>	<u>\$ 57,282,802</u>	(0.09) %

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

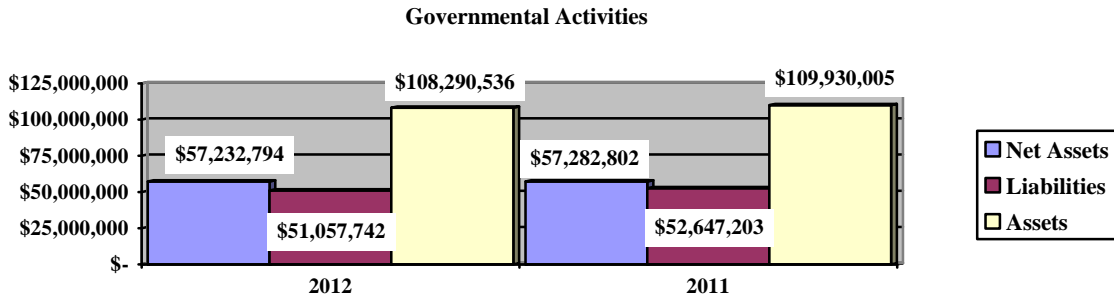
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$57,232,794. Of this total \$4,180,568 is restricted in use and \$25,232,373 is invested in capital assets (net of related debt), resulting in unrestricted net assets of \$27,819,853.

At year-end, capital assets represented 23.87% 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, 2012, were \$25,232,373. 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, \$4,180,568, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$27,819,853 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, 2012 and 2011:



The table below shows the change in net assets for fiscal years 2012 and 2011.

	<b>Change in Net Assets</b>		
	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>	Percent <u>Change</u>
<b><u>Revenues</u></b>			
Program revenues:			
Charges for services and sales	\$ 2,613,700	\$ 2,414,553	8.25 %
Operating grants and contributions	9,135,004	14,070,003	(35.07) %
General revenues:			
Property taxes	35,237,410	33,044,031	6.64 %
Payment in lieu of taxes	3,727,980	3,554,734	4.87 %
Grants and entitlements	29,524,735	29,704,665	(0.61) %
Investment earnings	82,812	259,140	(68.04) %
Other	792,484	770,172	2.90 %
Total revenues	<u>81,114,125</u>	<u>83,817,298</u>	(3.23) %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

<b>Change in Net Assets (Continued)</b>			
	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>	Percent <u>Change</u>
<b><u>Expenses</u></b>			
Program expenses:			
Instruction:			
Regular	\$ 31,041,430	\$ 31,091,400	(0.16) %
Special	9,958,729	10,291,960	(3.24) %
Vocational	2,803,761	3,209,603	(12.64) %
Adult/continuing	1,082	8,856	(87.78) %
Other	3,493,625	3,817,356	(8.48) %
Support services:			
Pupil	4,167,699	4,307,263	(3.24) %
Instructional staff	3,609,521	4,061,868	(11.14) %
Board of education	144,906	149,467	(3.05) %
Administration	5,034,386	5,457,890	(7.76) %
Fiscal	1,586,668	1,558,264	1.82 %
Business	601,649	619,821	(2.93) %
Operations and maintenance	8,184,106	8,802,292	(7.02) %
Pupil transportation	3,613,447	3,674,430	(1.66) %
Central	1,738,199	1,712,772	1.48 %
Food service operations	2,518,016	2,520,530	(0.10) %
Other non-instructional services	987,416	1,116,061	(11.53) %
Extracurricular activities	1,636,766	1,394,484	17.37 %
Interest and fiscal charges	<u>42,727</u>	<u>70,872</u>	(39.71) %
Total expenses	<u>81,164,133</u>	<u>83,865,189</u>	(3.22) %
Change in net assets	(50,008)	(47,891)	4.42 %
Net assets at beginning of year	<u>57,282,802</u>	<u>57,330,693</u>	(0.08) %
Net assets at end of year	<u>\$ 57,232,794</u>	<u>\$ 57,282,802</u>	(0.09) %

For the District as a whole, both revenues and expenses decreased slightly compared to the prior year. The significant decrease in operating grants and contributions is a result of the elimination of the federal ARRA grants, as well as a decreased allocation for the federal Education Jobs Grant. This dramatic decrease, however, was partially offset by increased property taxes revenue, which is a result of the District's new 4.9 mill operating tax levy, which went into effect beginning in calendar year 2012. The decreased expenditures in fiscal year 2012 are primarily due to the reductions in the District's federally funded programs mentioned above.

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

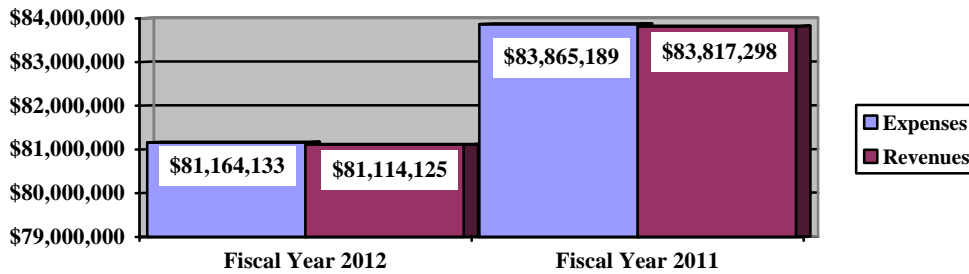
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

**Governmental Activities**

Net assets of the District's governmental activities decreased \$50,008. Total governmental expenses of \$81,164,133 were offset by program revenues of \$11,748,704 and general revenues of \$69,365,421. Program revenues supported 14.48% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes, payments in lieu of taxes and unrestricted grants and entitlements. These revenue sources represent 84.44% of total governmental revenue. The largest expense of the District is for instructional programs. Instruction expenses totaled \$47,298,627 or 58.28% of total governmental expenses for fiscal year 2012.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2012 and 2011.

**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.

**Governmental Activities**

	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 31,041,430	\$ 30,302,762	\$ 31,091,400	\$ 29,885,213
Special	9,958,729	5,278,309	10,291,960	3,712,964
Vocational	2,803,761	2,170,986	3,209,603	2,554,507
Adult/continuing	1,082	1,082	8,856	8,856
Other	3,493,625	3,493,625	3,817,356	3,586,863

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

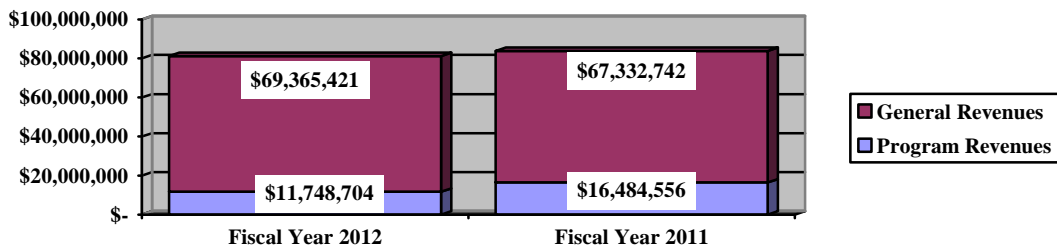
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>
<b>Program expenses</b>				
Support services:				
Pupil	\$ 4,167,699	\$ 3,937,701	\$ 4,307,263	\$ 2,747,055
Instructional staff	3,609,521	3,203,393	4,061,868	3,432,446
Board of education	144,906	144,906	149,467	149,467
Administration	5,034,386	5,029,523	5,457,890	5,452,655
Fiscal	1,586,668	1,586,668	1,558,264	1,558,264
Business	601,649	601,649	619,821	619,821
Operations and maintenance	8,184,106	8,061,256	8,802,292	7,631,226
Pupil transportation	3,613,447	3,219,157	3,674,430	3,300,653
Central	1,738,199	1,732,378	1,712,772	1,589,834
Food service operations	2,518,016	(308,852)	2,520,530	51,751
Operations of non-instructional services	987,416	(11,131)	1,116,061	106,595
Extracurricular activities	1,636,766	929,290	1,394,484	921,591
Interest and fiscal charges	<u>42,727</u>	<u>42,727</u>	<u>70,872</u>	<u>70,872</u>
Total expenses	<u>\$ 81,164,133</u>	<u>\$ 69,415,429</u>	<u>\$ 83,865,189</u>	<u>\$ 67,380,633</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 87.20% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.52%. The District's taxpayers and unrestricted grants and entitlements, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2012 and 2011.

**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, 2012  
(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 \$29,621,694, which is \$2,998,826 or 11.26% higher than last year's total of \$26,622,868. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	<u>Fund Balance</u> <u>June 30, 2011</u>	<u>Fund Balance</u> <u>June 30, 2011</u>	<u>Increase</u>
General	\$ 25,566,225	\$ 24,598,737	\$ 967,488
Other Governmental	<u>4,055,469</u>	<u>2,024,131</u>	<u>2,031,338</u>
Total	<u>\$ 29,621,694</u>	<u>\$ 26,622,868</u>	<u>\$ 2,998,826</u>

**General Fund**

The District's general fund balance increased \$967,488. The table that follows assists in illustrating the financial activities of the general fund.

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 33,474,281	\$ 30,970,375	\$ 2,503,906	8.08 %
Tuition	585,236	581,794	3,442	0.59 %
Earnings on investments	113,346	557,862	(444,516)	(79.68) %
Intergovernmental	31,750,345	31,941,706	(191,361)	(0.60) %
Payment in lieu of taxes	3,508,066	3,334,207	173,859	5.21 %
Other revenues	<u>1,347,763</u>	<u>1,334,982</u>	<u>12,781</u>	0.96 %
Total	<u>\$ 70,779,037</u>	<u>\$ 68,720,926</u>	<u>\$ 2,058,111</u>	2.99 %
<b><u>Expenditures</u></b>				
Instruction	\$ 42,809,093	\$ 43,040,934	\$ (231,841)	(0.54) %
Support services	26,000,076	27,098,353	(1,098,277)	(4.05) %
Operation of non-instructional services	38,881	29,547	9,334	31.59 %
Extracurricular activities	935,245	870,672	64,573	7.42 %
Facilities acquisition and construction	<u>14,754</u>	<u>11,914</u>	<u>2,840</u>	23.84 %
Total	<u>\$ 69,798,049</u>	<u>\$ 71,051,420</u>	<u>\$ (1,253,371)</u>	(1.76) %

The District was able to increase general fund revenues in fiscal year 2012, while at the same time decreasing expenditures. The primary cause of the increase in revenues is taxes revenue, which increased as the District began collecting on the new 4.9 mill operating levy. The decrease in general fund expenditures is primarily the result of decreased wages and benefits costs for the District's pupil and instructional staff support services.

**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.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

During the course of fiscal year 2012, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$68,854,176, which is \$1,043,425 or 1.54% higher than the original budgeted revenues estimate of \$67,810,751. Actual revenues and other financing sources for fiscal year 2012 were \$70,524,215. This represents a \$1,670,039 increase from final budgeted revenues. This increase is primarily the result of higher than anticipated taxes revenue and intergovernmental revenue from the state.

General fund final appropriations (appropriated expenditures plus other financing uses) were \$75,155,217, which is \$419,609 lower than the original budgeted appropriations of \$75,574,826. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$71,601,287, which is \$3,553,930 less than the final budget appropriations. The District was able to decrease actual expenditures primarily because salary costs proved to be lower than budgeted.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2012, the District had \$25,846,373 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 2012 balances compared to 2011:

<b>Capital Assets at June 30</b>		
<b>(Net of Depreciation)</b>		
<u>Governmental Activities</u>		
	<u>2012</u>	<u>2011</u>
Land	\$ 856,402	\$ 856,402
Land improvements	4,023,951	1,836,566
Buildings and improvements	15,136,876	20,323,719
Furniture and equipment	3,621,418	2,055,226
Vehicles	1,716,252	1,583,276
Construction in progress	<u>491,474</u>	<u>305,732</u>
Total	<u>\$ 25,846,373</u>	<u>\$ 26,960,921</u>

Total additions to capital assets for 2012 were \$826,613. The District had \$2,460,244 in depreciation expense during 2012. The District completed an appraisal in fiscal year 2012, which ultimately resulted in the District adjusting many of its capital asset balances. See Note 8 to the basic financial statements for detail on the District's capital assets.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

***Debt Administration***

At June 30, 2012, the District had \$614,000 in notes payable obligations outstanding, all of which is due within one year. The following table summarizes the note obligations outstanding for the last two fiscal years.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
Permanent improvement note	\$ 614,000	\$ 1,198,000
Total	<u>\$ 614,000</u>	<u>\$ 1,198,000</u>

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

**Current Financial Related Activities**

As the preceding information shows, the District depends on its property taxpayers. With the passage of a 4.9 mill operating levy in November 2011, the District has been able to continue its education programs. However, financially the future is not without challenges.

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

The passage of House Bill No. 66 posed another challenge for the District. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property were eliminated 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 replaced the revenue lost by the District due to the phasing out of the tax. However in 2012, these state payments were reduced by \$1.3 million and in 2013 by another \$1.3 million.

The financial future of the District is not without challenges. The economy within the District's boundaries and in the State of Ohio has declined significantly over the past few years. The assessed property values within the District and in Lucas County upon which the District's taxes are levied have continued to decline. The decrease in valuation for calendar year 2012 is expected to decline nearly 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, 2012

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . .	\$ 39,787,761
Cash in segregated accounts. . . . .	3,322
Receivables:	
Taxes . . . . .	37,394,458
Payments in lieu of taxes . . . . .	3,866,476
Accounts. . . . .	51,211
Intergovernmental . . . . .	924,113
Prepayments . . . . .	167,531
Materials and supplies inventory. . . . .	249,291
Capital assets:	
Land and construction in progress. . . . .	1,347,876
Depreciable capital assets, net. . . . .	24,498,497
Capital assets, net . . . . .	<u>25,846,373</u>
 Total assets . . . . .	 <u>108,290,536</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	792,792
Accrued wages and benefits . . . . .	7,617,391
Pension obligation payable. . . . .	2,301,700
Intergovernmental payable . . . . .	293,714
Accrued interest payable . . . . .	409
Claims payable. . . . .	707,472
Unearned revenue . . . . .	34,618,350
Long-term liabilities:	
Due within one year. . . . .	1,026,980
Due in more than one year. . . . .	3,698,934
 Total liabilities . . . . .	 <u>51,057,742</u>
<b>Net assets:</b>	
Invested in capital assets, net of related debt. . . . .	25,232,373
Restricted for:	
Capital projects . . . . .	3,707,664
Locally funded programs . . . . .	3,472
State funded programs. . . . .	138,778
Federally funded programs . . . . .	56,505
Student activities . . . . .	274,149
Unrestricted . . . . .	<u>27,819,853</u>
 Total net assets . . . . .	 <u>\$ 57,232,794</u>

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, 2012

		<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 . . . . .	\$ 31,041,430	\$ 511,181	\$ 227,487	\$ (30,302,762)
Special . . . . .	9,958,729	196,800	4,483,620	(5,278,309)
Vocational . . . . .	2,803,761	103,871	528,904	(2,170,986)
Adult/continuing. . . . .	1,082	-	-	(1,082)
Other . . . . .	3,493,625	-	-	(3,493,625)
Support services:				
Pupil. . . . .	4,167,699	-	229,998	(3,937,701)
Instructional staff . . . . .	3,609,521	13,730	392,398	(3,203,393)
Board of education . . . . .	144,906	-	-	(144,906)
Administration. . . . .	5,034,386	-	4,863	(5,029,523)
Fiscal. . . . .	1,586,668	-	-	(1,586,668)
Business. . . . .	601,649	-	-	(601,649)
Operations and maintenance . . . . .	8,184,106	121,789	1,061	(8,061,256)
Pupil transportation. . . . .	3,613,447	156,627	237,663	(3,219,157)
Central . . . . .	1,738,199	2,782	3,039	(1,732,378)
Operation of non-instructional services:				
Food service operations . . . . .	2,518,016	782,249	2,044,619	308,852
Other non-instructional services . . . . .	987,416	17,713	980,834	11,131
Extracurricular activities. . . . .	1,636,766	706,958	518	(929,290)
Interest and fiscal charges . . . . .	42,727	-	-	(42,727)
<b>Total governmental activities . . . . .</b>	<b>\$ 81,164,133</b>	<b>\$ 2,613,700</b>	<b>\$ 9,135,004</b>	<b>(69,415,429)</b>
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				33,421,923
Debt service. . . . .				554,387
Capital outlay. . . . .				1,261,100
Payments in lieu of taxes . . . . .				3,727,980
Grants and entitlements not restricted to specific programs . . . . .				29,524,735
Investment earnings . . . . .				82,812
Miscellaneous . . . . .				792,484
<b>Total general revenues . . . . .</b>				<b>69,365,421</b>
Change in net assets . . . . .				(50,008)
<b>Net assets at beginning of year. . . . .</b>				<b>57,282,802</b>
<b>Net assets at end of year . . . . .</b>				<b>\$ 57,232,794</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . .	\$ 33,249,293	\$ 5,536,556	\$ 38,785,849
Cash in segregated accounts . . . . .	3,322	-	3,322
Receivables:			
Taxes . . . . .	35,391,454	2,003,004	37,394,458
Payments in lieu of taxes . . . . .	3,691,726	174,750	3,866,476
Accounts . . . . .	51,100	111	51,211
Intergovernmental. . . . .	113,251	810,862	924,113
Interfund loans . . . . .	485,000	-	485,000
Prepayments. . . . .	167,531	-	167,531
Materials and supplies inventory . . . . .	145,257	104,034	249,291
Total assets . . . . .	<u>\$ 73,297,934</u>	<u>\$ 8,629,317</u>	<u>\$ 81,927,251</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 233,361	\$ 559,431	\$ 792,792
Accrued wages and benefits. . . . .	7,094,025	523,366	7,617,391
Compensated absences payable . . . . .	227,717	-	227,717
Pension obligation payable . . . . .	2,121,613	180,087	2,301,700
Intergovernmental payable . . . . .	272,706	21,008	293,714
Interfund loans payable. . . . .	-	485,000	485,000
Claims payable . . . . .	663,945	-	663,945
Notes payable. . . . .	-	614,000	614,000
Accrued interest payable . . . . .	-	409	409
Deferred revenue . . . . .	4,399,705	290,834	4,690,539
Unearned revenue. . . . .	<u>32,718,637</u>	<u>1,899,713</u>	<u>34,618,350</u>
Total liabilities . . . . .	<u>47,731,709</u>	<u>4,573,848</u>	<u>52,305,557</u>
<b>Fund balances:</b>			
Nonspendable:			
Materials and supplies inventory . . . . .	145,257	104,034	249,291
Prepays. . . . .	167,531	-	167,531
Restricted:			
Capital improvements . . . . .	-	3,536,660	3,536,660
Food service operations . . . . .	-	104,438	104,438
Non-public schools . . . . .	-	137,282	137,282
Vocational education . . . . .	-	101	101
Other purposes . . . . .	-	5,329	5,329
Extracurricular . . . . .	-	274,149	274,149
Committed:			
Other purposes . . . . .	55,000	-	55,000
Assigned:			
Student instruction. . . . .	197,204	-	197,204
Student and staff support . . . . .	670,162	-	670,162
Extracurricular activities. . . . .	27,000	-	27,000
Facilities acquisition and construction . . . . .	8,928	-	8,928
Subsequent year appropriation . . . . .	4,042,872	-	4,042,872
Other purposes. . . . .	141,307	-	141,307
Unassigned (deficit). . . . .	<u>20,110,964</u>	<u>(106,524)</u>	<u>20,004,440</u>
Total fund balances . . . . .	<u>25,566,225</u>	<u>4,055,469</u>	<u>29,621,694</u>
Total liabilities and fund balances. . . . .	<u>\$ 73,297,934</u>	<u>\$ 8,629,317</u>	<u>\$ 81,927,251</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, 2012

<b>Total governmental fund balances</b>		\$ 29,621,694
<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.		25,846,373
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 4,457,458	
Intergovernmental receivable	233,081	
Total	<u>4,690,539</u>	4,690,539
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.		958,385
Long-term liabilities (compensated absences) are not due and payable in the current period and therefore are not reported in the funds.		<u>(3,884,197)</u>
<b>Net assets of governmental activities</b>		<u>\$ 57,232,794</u>

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, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 33,474,281	\$ 1,830,943	\$ 35,305,224
Payments in lieu of taxes. . . . .	3,508,066	219,914	3,727,980
Tuition. . . . .	585,236	-	585,236
Charges for services . . . . .	-	782,249	782,249
Transportation fees. . . . .	156,627	-	156,627
Earnings on investments . . . . .	113,346	2,047	115,393
Extracurricular. . . . .	7,484	706,958	714,442
Classroom materials and fees . . . . .	143,019	-	143,019
Rental income . . . . .	121,789	-	121,789
Contributions and donations . . . . .	34,727	518	35,245
Contract services. . . . .	82,912	-	82,912
Other local revenues . . . . .	801,205	14,393	815,598
Intergovernmental - intermediate . . . . .	7,722	-	7,722
Intergovernmental - state . . . . .	31,610,463	1,518,255	33,128,718
Intergovernmental - federal . . . . .	132,160	7,151,425	7,283,585
Total revenues . . . . .	<u>70,779,037</u>	<u>12,226,702</u>	<u>83,005,739</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular. . . . .	29,939,266	347,015	30,286,281
Special . . . . .	6,698,953	3,014,352	9,713,305
Vocational . . . . .	2,730,754	68,569	2,799,323
Other . . . . .	3,440,120	-	3,440,120
Support services:			
Pupil . . . . .	2,704,338	1,392,019	4,096,357
Instructional staff . . . . .	3,068,995	471,944	3,540,939
Board of education . . . . .	142,095	-	142,095
Administration . . . . .	5,077,756	15,733	5,093,489
Fiscal . . . . .	1,520,516	36,156	1,556,672
Business. . . . .	617,916	275	618,191
Operations and maintenance . . . . .	7,867,187	112,352	7,979,539
Pupil transportation . . . . .	3,209,703	21,022	3,230,725
Central . . . . .	1,791,570	1,929	1,793,499
Operation of non-instructional services:			
Food service operations. . . . .	-	2,453,014	2,453,014
Other non-instructional services . . . . .	38,881	939,713	978,594
Extracurricular activities . . . . .	935,245	670,020	1,605,265
Facilities acquisition and construction. . . . .	14,754	622,024	636,778
Debt service:			
Interest and fiscal charges . . . . .	-	42,727	42,727
Total expenditures . . . . .	<u>69,798,049</u>	<u>10,208,864</u>	<u>80,006,913</u>
Excess of revenues over expenditures . . . . .	<u>980,988</u>	<u>2,017,838</u>	<u>2,998,826</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	640,988	640,988
Transfers (out). . . . .	(13,500)	(627,488)	(640,988)
Total other financing sources (uses) . . . . .	<u>(13,500)</u>	<u>13,500</u>	<u>-</u>
Net change in fund balances . . . . .	967,488	2,031,338	2,998,826
<b>Fund balances at beginning of year . . . . .</b>	<u>24,598,737</u>	<u>2,024,131</u>	<u>26,622,868</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 25,566,225</u>	<u>\$ 4,055,469</u>	<u>\$ 29,621,694</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, 2012

<b>Net change in fund balances - total governmental funds</b>	\$	2,998,826
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 826,613	
Current year depreciation	<u>(2,460,244)</u>	
Total		(1,633,631)
 The net effect of adjustments to capital assets to reflect reclassifications and changes in accounting estimates is to increase net assets.		
		519,083
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(67,814)	
Interest	(32,661)	
Intergovernmental	<u>(1,921,833)</u>	
Total		(2,022,308)
 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.		
		(116,415)
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>204,437</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>(50,008)</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 31,710,231	\$ 32,203,186	\$ 32,976,545	\$ 773,359
Payments in lieu of taxes . . . . .	3,372,724	3,425,155	3,508,066	82,911
Tuition. . . . .	560,802	569,520	586,536	17,016
Transportation fees. . . . .	139,406	141,573	152,950	11,377
Earnings on investments . . . . .	134,599	136,691	142,036	5,345
Classroom materials and fees . . . . .	28,939	29,389	34,885	5,496
Rental income . . . . .	96,142	97,637	87,870	(9,767)
Contributions and donations . . . . .	4,146	4,210	4,312	102
Other local revenues . . . . .	611,380	620,885	577,284	(43,601)
Intergovernmental - state . . . . .	30,319,549	30,790,885	31,610,463	819,578
Intergovernmental - federal . . . . .	142,290	144,502	153,725	9,223
Total revenues . . . . .	<u>67,120,208</u>	<u>68,163,633</u>	<u>69,834,672</u>	<u>1,671,039</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	31,357,925	31,223,505	29,983,106	1,240,399
Special. . . . .	6,958,587	7,176,730	6,712,943	463,787
Vocational. . . . .	3,030,051	2,820,980	2,740,848	80,132
Adult/continuing . . . . .	9,756	2,595	-	2,595
Other. . . . .	3,960,456	3,590,547	3,505,329	85,218
Support services:				
Pupil. . . . .	2,992,369	3,090,427	2,897,058	193,369
Instructional staff . . . . .	3,553,982	3,292,554	3,150,715	141,839
Board of education . . . . .	162,689	165,979	150,605	15,374
Administration. . . . .	5,219,163	5,307,883	5,091,091	216,792
Fiscal . . . . .	1,617,631	1,582,088	1,505,165	76,923
Business . . . . .	664,444	653,246	634,764	18,482
Operations and maintenance. . . . .	9,361,632	9,183,433	8,607,191	576,242
Pupil transportation . . . . .	3,267,371	3,497,294	3,316,238	181,056
Central. . . . .	1,944,820	1,944,035	1,811,091	132,944
Operation of non-instructional services . . . . .	1,962	9,934	6,811	3,123
Extracurricular activities. . . . .	903,678	1,045,677	965,375	80,302
Facilities acquisition and construction . . . . .	27,810	27,810	24,457	3,353
Total expenditures . . . . .	<u>75,034,326</u>	<u>74,614,717</u>	<u>71,102,787</u>	<u>3,511,930</u>
Excess of expenditures over revenues. . . . .	<u>(7,914,118)</u>	<u>(6,451,084)</u>	<u>(1,268,115)</u>	<u>5,182,969</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	204,543	204,543	204,543	-
Transfers (out). . . . .	(55,500)	(55,500)	(13,500)	42,000
Advances in. . . . .	485,000	485,000	485,000	-
Advances (out) . . . . .	(485,000)	(485,000)	(485,000)	-
Sale of capital assets . . . . .	1,000	1,000	-	(1,000)
Total other financing sources (uses) . . . . .	<u>150,043</u>	<u>150,043</u>	<u>191,043</u>	<u>41,000</u>
Net change in fund balance . . . . .	(7,764,075)	(6,301,041)	(1,077,072)	5,223,969
<b>Fund balance at beginning of year . . . . .</b>	<b>31,967,114</b>	<b>31,967,114</b>	<b>31,967,114</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>1,086,647</b>	<b>1,086,647</b>	<b>1,086,647</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 25,289,686</u></b>	<b><u>\$ 26,752,720</u></b>	<b><u>\$ 31,976,689</u></b>	<b><u>\$ 5,223,969</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WASHINGTON LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2012

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 1,001,912
Total assets. . . . .	<u>1,001,912</u>
<b>Liabilities:</b>	
Claims payable . . . . .	<u>43,527</u>
Total liabilities . . . . .	<u>43,527</u>
<b>Net assets:</b>	
Unrestricted. . . . .	<u>958,385</u>
Total net assets . . . . .	<u>\$ 958,385</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, 2012

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Operating revenues:</b>	
Sales/charges for services. . . . .	\$ 453,288
Total operating revenues . . . . .	<u>453,288</u>
<b>Operating expenses:</b>	
Purchased services. . . . .	29,988
Claims . . . . .	<u>540,012</u>
Total operating expenses. . . . .	<u>570,000</u>
Operating loss . . . . .	<u>(116,712)</u>
<b>Nonoperating revenues:</b>	
Interest revenue . . . . .	<u>297</u>
Total nonoperating revenues. . . . .	<u>297</u>
Change in net assets. . . . .	(116,415)
<b>Net assets at beginning of year . . . . .</b>	<u>1,074,800</u>
<b>Net assets at end of year. . . . .</b>	<u><u>\$ 958,385</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, 2012

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from sales/charges for services . . . . .	\$ 453,288
Cash payments for contractual services . . . . .	(29,988)
Cash payments for claims . . . . .	(538,006)
	(114,706)
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	297
	297
Net cash provided by investing activities . . . . .	297
Net decrease in cash and cash equivalents. . . . .	(114,409)
<b>Cash and cash equivalents at beginning of year . . .</b>	<b>1,116,321</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 1,001,912</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (116,712)
Changes in assets and liabilities:	
Increase in claims payable . . . . .	2,006
	(114,706)
Net cash used in operating activities . . . . .	<b>\$ (114,706)</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, 2012

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 128,388	\$ 132,691
Total assets. . . . .	128,388	\$ 132,691
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 6,057
Due to students. . . . .	-	126,634
Total liabilities . . . . .	-	\$ 132,691
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	128,388	
Total net assets . . . . .	\$ 128,388	

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, 2012

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest. . . . .	\$ 34
Gifts and contributions. . . . .	30,858
	30,892
<b>Total additions. . . . .</b>	<b>30,892</b>
<b>Deductions:</b>	
Scholarships awarded . . . . .	17,109
	13,783
<b>Change in net assets. . . . .</b>	<b>13,783</b>
<b>Net assets at beginning of year . . . . .</b>	<b>114,605</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 128,388</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, 2012**

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

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

The District employs 311 non-certified and 529 certified full-time and part-time employees to provide services to approximately 6,850 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, 2012

**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, 2012

**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, 2012**

**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, 2012**

**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, 2012, but which were levied to finance fiscal year 2013 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, 2012 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, 2012**

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Lucas County Budget Commission for rate determination. The Lucas County Budget Commission waived the tax budget filing requirement for fiscal year 2012.

Estimated Resources:

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

Appropriations:

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

Lapsing of Appropriations:

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

**F. Cash and Investments**

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

During fiscal year 2012, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2012. 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, 2012.

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 2012 amounted to \$113,346, which includes \$16,188 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**H. Capital Assets**

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

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

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

Description	Governmental Activities Estimated Lives
Land improvements	15-20 years
Buildings and improvements	5-40 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, 2012, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**J. Interfund Balances**

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, 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.

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

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

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

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

**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.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

**Q. Interfund Activity**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Education jobs	\$ 29,361
IDEA, Part B	51,601
Stimulus Title II-D	940
School improvement stimulus A	800
Title I	11,163
Improving teacher quality	12,659

**WASHINGTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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

**WASHINGTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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 \$3,322 at June 30, 2012 and is included in "Deposits with Financial Institutions" below.

**B. Deposits with Financial Institutions**

At June 30, 2012, the carrying amount of all District deposits was \$37,153,714. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$35,508,307 of the District's bank balance of \$36,511,629 was exposed to custodial risk as discussed below, while \$1,003,322 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**C. Investments**

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 2,898,448	\$ 2,898,448

The weighted average maturity of investments at June 30, 2012 was one day.

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

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

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

*Concentration of Credit Risk:* The District's investment policy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 2,898,448	100.00

**WASHINGTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 37,153,714
Investments	<u>2,898,448</u>
Total	<u>\$ 40,052,162</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 39,791,083
Private-purpose trust funds	128,388
Agency fund	<u>132,691</u>
Total	<u>\$ 40,052,162</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund loans receivable/payable consisted of the following at June 30, 2012, 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.** Interfund transfers for the fiscal year ended June 30, 2012, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	\$ 13,500
<u>Transfers from nonmajor governmental funds to:</u>	
Nonmajor governmental funds	<u>627,488</u>
Total	<u>\$ 640,988</u>

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

**WASHINGTON LOCAL SCHOOL DISTRICT  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

The \$627,488 transfer from the debt service fund to the permanent improvement fund (both nonmajor governmental funds) was required to move resources to the permanent improvement fund to make required principal and interest payments on the tax anticipation note (see Note 9) which is reported as a liability of the permanent improvement fund.

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Lucas County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$2,078,089 in the general fund and \$107,037 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$1,580,353 in the general fund and \$93,681 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 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.

**WASHINGTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 904,503,360	98.76	\$ 896,056,810	98.67
Public utility personal	<u>11,347,640</u>	<u>1.24</u>	<u>12,061,020</u>	<u>1.33</u>
Total	<u>\$ 915,851,000</u>	<u>100.00</u>	<u>\$ 908,117,830</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$ 71.10		\$ 76.00	
Permanent improvement	2.60		2.60	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2012 consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

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

<b>Governmental activities</b>	
Taxes	\$ 37,394,458
Payments in lieu of taxes	3,866,476
Accounts	51,211
Intergovernmental	<u>924,113</u>
Total	<u>\$ 42,236,258</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**

The District completed an appraisal in the Fall of 2011 to update their capital asset listing. The District has revised the estimated useful lives for various capital assets and implemented a policy to record a salvage value for vehicles and certain furniture and equipment capital assets. No salvage value has been recorded in prior years. The effect of the adjustments is to increase net capital assets by \$519,083, as detailed on the following table. This amount has been included as a reduction to expenses in the statement of activities.

**WASHINGTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Capital asset activity for the fiscal year ended June 30, 2012 and the effect of the adjustments previously mentioned were as follows:

<b>Governmental activities:</b>	Balance <u>06/30/11</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/12</u>
<i>Capital assets, not being depreciated:</i>					
Land	\$ 856,402	\$ -	\$ -	\$ -	\$ 856,402
Construction in progress	<u>305,732</u>	<u>-</u>	<u>465,806</u>	<u>(280,064)</u>	<u>491,474</u>
Total capital assets, not being depreciated	<u>1,162,134</u>	<u>-</u>	<u>465,806</u>	<u>(280,064)</u>	<u>1,347,876</u>
<i>Capital assets, being depreciated:</i>					
Land improvements	3,558,315	2,986,125	329,954	-	6,874,394
Building and improvements	43,745,034	(6,679,102)	117,552	-	37,183,484
Furniture and equipment	7,347,706	3,482,186	193,365	-	11,023,257
Vehicles	<u>6,181,853</u>	<u>31,150</u>	<u>-</u>	<u>-</u>	<u>6,213,003</u>
Total capital assets, being depreciated	<u>60,832,908</u>	<u>(179,641)</u>	<u>640,871</u>	<u>-</u>	<u>61,294,138</u>
<i>Less: accumulated depreciation</i>					
Land improvements	(1,721,749)	(816,132)	(312,562)	-	(2,850,443)
Building and improvements	(23,421,315)	2,305,588	(930,881)	-	(22,046,608)
Furniture and equipment	(5,292,480)	(1,222,050)	(887,309)	-	(7,401,839)
Vehicles	<u>(4,598,577)</u>	<u>431,318</u>	<u>(329,492)</u>	<u>-</u>	<u>(4,496,751)</u>
Total accumulated depreciation	<u>(35,034,121)</u>	<u>698,724</u>	<u>(2,460,244)</u>	<u>-</u>	<u>(36,795,641)</u>
Governmental activities capital assets, net	<u>\$ 26,960,921</u>	<u>\$ 519,083</u>	<u>\$ (1,353,567)</u>	<u>\$ (280,064)</u>	<u>\$ 25,846,373</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 788,170
Special	254,195
Vocational	75,469
Adult/continuing	1,371
Other	93,259

Support services:

Pupil	107,928
Instructional staff	99,319
Board of Education	3,485
Administration	132,479
Fiscal	39,055
Business	16,290
Operations and maintenance	235,560
Pupil transportation	415,165
Central	56,892

Operation of non-instructional services:

Food service operations	73,636
Other non-instructional services	28,634
Extracurricular activities	<u>39,337</u>
Total depreciation expense	<u>\$ 2,460,244</u>



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. During fiscal year 2012, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u> <u>06/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/12</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	\$ 1,198,000	\$ -	\$ (584,000)	\$ 614,000	\$ 614,000
Total notes payable	<u>1,198,000</u>	<u>-</u>	<u>(584,000)</u>	<u>614,000</u>	<u>614,000</u>
<b><u>Other long-term obligations</u></b>					
Compensated absences	<u>4,467,447</u>	<u>333,797</u>	<u>(689,330)</u>	<u>4,111,914</u>	<u>412,980</u>
Total other long-term obligations	<u>4,467,447</u>	<u>333,797</u>	<u>(689,330)</u>	<u>4,111,914</u>	<u>412,980</u>
Total	<u>\$ 5,665,447</u>	<u>\$ 333,797</u>	<u>\$ (1,273,330)</u>	<u>\$ 4,725,914</u>	<u>\$ 1,026,980</u>

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 \$584,000 in principal payments during fiscal year 2012 which reduced the fund liability. The remaining principal and interest payments of \$614,000 and \$14,736, respectively, are due within one year.

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

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$81,730,605 and an unvoted debt margin of \$908,118.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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 2012. The following is a description of the District's compensated absences:

**A. Sick Leave**

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

**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 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District obtains insurance coverage through the Ohio Schools Plan (see Note 2.A). Through the Ohio Schools Plan, the District is insured for general liability with a \$5,000,000 single occurrence limit and a \$7,000,000 aggregate. Property is protected by a blanket building and contents policy for \$217,252,672. Real property and contents are 100 percent insured.

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

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, 2012, including incurred but not reported claims, is actuarially estimated to be \$43,527. 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>
2012	\$ 41,521	\$ 540,012	\$ (538,006)	\$ 43,527
2011	55,022	464,223	(477,724)	41,521

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**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.

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>
2012	\$ 728,814	\$ 608,349	\$ (673,218)	\$ 663,945
2011	421,469	1,313,215	(1,005,870)	728,814

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

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

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,350,673, \$1,255,275 and \$1,336,460, respectively; 62.59 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

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

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

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

Funding Policy - For fiscal year 2012, 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, 2012, 2011 and 2010 were \$4,543,234, \$4,568,724 and \$4,508,355, respectively; 84.03 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$206,621 made by the District and \$147,587 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, 2012, 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, 2012**

**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 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 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 2012, 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, 2012, 2011 and 2010 were \$210,930, \$310,768 and \$205,916, respectively; 62.59 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$79,764, \$80,780 and \$79,476, respectively; 62.59 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**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 2012, 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, 2012, 2011 and 2010 were \$349,480, \$351,440 and \$346,797, respectively; 84.03 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**NOTE 14 - CONTINGENCIES**

**A. Grants and ADM**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data; however, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

**B. Litigation**

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

**NOTE 15 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	1,142,107
Current year qualifying expenditures	<u>(1,700,323)</u>
Total	<u>\$ (558,216)</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (1,077,072)
Net adjustment for revenue accruals	680,262
Net adjustment for expenditure accruals	578,657
Net adjustment for other sources/uses	(204,543)
Funds budgeted elsewhere	26,788
Adjustment for encumbrances	963,396
GAAP basis	\$ 967,488

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>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 809,830
Other governmental	524,855
Total	\$ 1,334,685

**Washington Local School District  
Federal Awards Expenditures Schedule  
For the Year Ending June 30, 2012**

Federal Grantor/Pass Through Grantor Number/Program Title	CFDA Number	Federal Receipts	Federal Disbursements
<b><u>U.S. Department of Agriculture</u></b>			
Nutrition Cluster:			
Direct Program:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 106,284	\$ 106,284
Passed through Ohio Department of Education:			
Cash Assistance:			
National School Breakfast Program	10.553	325,293	325,293
National School Lunch Program	10.555	1,357,369	1,357,369
<b>Total Nutrition Cluster</b>		<b>1,788,946</b>	<b>1,788,946</b>
<b>Total U.S. Department of Agriculture</b>		<b>1,788,946</b>	<b>1,788,946</b>
<b><u>U.S. Department of Education</u></b>			
Pass through Ohio Department of Education			
Special Education Cluster:			
ARRA - IDEA Part B - FY 11	84.391	199,272	173,088
IDEA Part B - FY 11	84.027	365,502	308,147
IDEA Part B - FY 12	84.027	1,193,937	1,227,173
<b>Total Special Education Cluster</b>		<b>1,758,711</b>	<b>1,708,408</b>
Education Jobs Fund	84.410	1,038,830	1,038,830
<b>Total Education Jobs</b>		<b>1,038,830</b>	<b>1,038,830</b>
Carl D. Perkins Grant - FY 11	84.048	30,817	24,962
Carl D. Perkins Grant - FY 12	84.048	97,064	104,625
<b>Total Carl D. Perkins Grant</b>		<b>127,881</b>	<b>129,587</b>
ARRA - Title I - FY 11	84.389	183,679	102,778
School Improvement Sub A, Title I - FY 11	84.010	3,000	-
School Improvement Sub A, Title I - FY 12	84.010	37,330	43,422
Title I - Disadvantaged Children - FY 11	84.010	270,280	186,374
Title I - Disadvantaged Children - FY 12	84.010	1,782,679	1,761,781
Title I, Administration	84.010	927	-
<b>Total Title I</b>		<b>2,277,895</b>	<b>2,094,355</b>
Title II - A Improving Teacher Quality - FY 11	84.367	59,170	51,800
Title II - A Improving Teacher Quality - FY 12	84.367	212,845	216,560
<b>Total Title II - A</b>		<b>272,015</b>	<b>268,360</b>
Title II - D Education Technology State Grant - FY 11	84.318	2,623	1,107
Title II - D Education Technology State Grant - FY 12	84.318	26,508	26,508
<b>Total Title II - D</b>		<b>29,131</b>	<b>27,615</b>
LEP, Title III - FY 11	84.365	1,587	1,587
LEP, Title III - FY 12	84.365	43,446	42,983
Immigrant, Title III - FY 11	84.365	1,535	2,077
<b>Total Title III</b>		<b>46,568</b>	<b>46,647</b>
Title IV - Safe and Drug-Free Schools - FY 11	84.186	180	180
<b>Total Title IV</b>		<b>180</b>	<b>180</b>
<b>Total U.S. Department of Education</b>		<b>5,551,211</b>	<b>5,313,982</b>
<b>Total Federal Awards</b>		<b>\$ 7,340,157</b>	<b>\$ 7,102,928</b>

See accompanying Notes to the Federal Awards Expenditures Schedule

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

**Notes to the Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2012**

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 entitlement value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2012, 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, Lucas County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 19, 2012. As described in Noted 8, the District changed the estimated useful life and salvage value of certain assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal 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 intend this report solely for the information and use of management, the audit committee, the 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".

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

December 19, 2012

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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*

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Washington Local School District, Lucas County, Ohio's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Washington Local School District, Lucas County, Ohio complied, in all material respects, with the requirements referred to above that directly and materially affect each of its major federal programs for the year ended June 30, 2012.

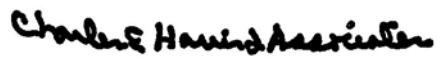
Internal Control Over Compliance

The District's management 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's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining 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 opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be 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.

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



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

December 19, 2012



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

**Washington Local School District  
Lucas County  
June 30, 2012**

**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 (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>	Nutrition Cluster - CFDA # 10.553 and 10.555 Education Jobs Fund - CFDA # 84.410
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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

**Schedule of Prior Audit Findings  
June 30, 2012**

The prior audit, for the year ended June 30, 2011, reported no material citations or recommendations.



# Dave Yost • Auditor of State

WASHINGTON LOCAL SCHOOL DISTRICT

LUCAS COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 5, 2013