

**ANTHONY WAYNE LOCAL  
SCHOOL DISTRICT**

**LUCAS COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS**

*FOR THE FISCAL YEAR ENDED  
JUNE 30, 2006*

**KERRI L. JOHNSON, TREASURER**





Mary Taylor, CPA  
Auditor of State

Board of Education  
Anthony Wayne Local School District  
9565 Bucher Road  
P.O. Box 2487  
Whitehouse, Ohio 43571

We have reviewed the *Independent Auditor's Report* of the Anthony Wayne Local School District, Lucas County, prepared by Julian and Grube, Inc., for the audit period July 1, 2005 through June 30, 2006. 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 Anthony Wayne Local School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 2, 2007

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**ANTHONY WAYNE LOCAL SCHOOL DISTRICT**  
**LUCAS COUNTY, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education  
Anthony Wayne Local School District  
9565 Bucher Road  
P.O. Box 2487  
Whitehouse, Ohio 43571

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Anthony Wayne Local School District, Lucas County (the "District") as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Anthony Wayne Local School 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Anthony Wayne Local School District, Lucas County, Ohio, as of June 30, 2006, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2007, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report  
Anthony Wayne Local School District  
Page Two

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
March 13, 2007, except for Note 19 which is dated March 22, 2007

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED**

The management's discussion and analysis of the Anthony Wayne 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, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, 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 2006 are as follows:

- In total, net assets of governmental activities decreased \$219,414 which represents a 4.03% increase in deficit net assets from 2005.
- General revenues accounted for \$33,907,775 in revenue or 90.71% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,470,880 or 9.29% of all revenues. The District had total revenues of \$37,378,655.
- The District had \$37,598,069 in expenses related to governmental activities; only \$3,470,880 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 \$33,907,775 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$30,812,873 in revenues and \$31,091,066 in expenditures. During fiscal 2006, the general fund's deficit fund balance increased \$298,565 from \$2,446,034 to \$2,744,599.
- The debt service fund had \$12,259,801 in revenues and other financing sources and \$11,940,570 in expenditures and other financing uses. During fiscal year 2006, the debt service fund's deficit fund balance decreased \$319,231 from \$533,746 to \$214,515.
- The District advance refunded \$6,395,000 of the Series 2000 Facilities Improvement general obligation bonds during fiscal year 2006.

**Using the Basic Financial Statements**

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 and debt service fund are by far the most significant funds, and the only governmental funds reported as major funds.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
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 2006?" 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.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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 funds begins on page 9. 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 major governmental funds are the general fund and debt service fund.

***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* than 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 15-20 of this report.

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

The District acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 21 and 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED

***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 23-52 of this report.

**The District as a Whole**

The Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2006 and 2005.

	<b>Net Assets</b>	
	Governmental Activities 2006	Governmental Activities 2005
<b><u>Assets</u></b>		
Current and other assets	\$ 26,926,821	\$ 25,443,964
Capital assets	<u>26,470,885</u>	<u>27,365,131</u>
Total assets	<u>53,397,706</u>	<u>52,809,095</u>
<b><u>Liabilities</u></b>		
Current liabilities	27,500,045	25,962,185
Long-term liabilities	<u>31,555,500</u>	<u>32,285,335</u>
Total liabilities	<u>59,055,545</u>	<u>58,247,520</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	2,249,212	(1,361,877)
Restricted	375,496	896,565
Unrestricted (deficit)	<u>(8,282,547)</u>	<u>(4,973,113)</u>
Total net assets	<u>\$ (5,657,839)</u>	<u>\$ (5,438,425)</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's liabilities exceeded assets by \$5,657,839. At year-end, restricted net assets were \$375,496.

At year-end, capital assets represented 49.57% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets, at June 30, 2006 was \$2,249,212. 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.

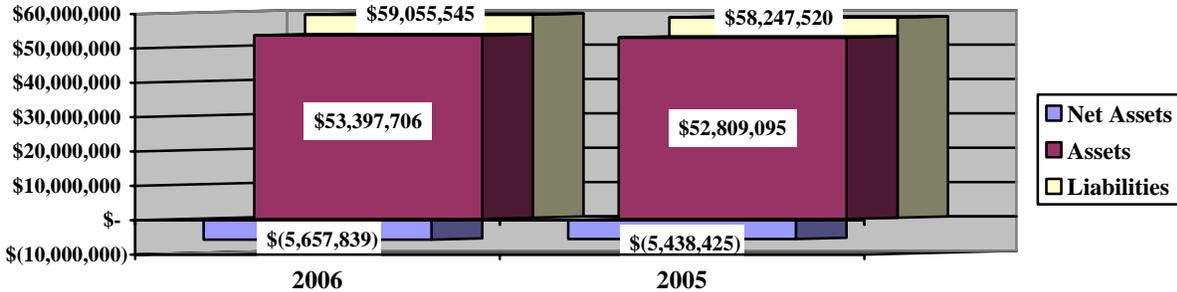
A portion of the District's net assets, \$375,496, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$8,282,547.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED**

The table below provides a summary of the District's net assets for 2006 and 2005:

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2006 and 2005.

**Change in Net Assets**

	Governmental Activities 2006	Governmental Activities 2005
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 2,006,816	\$ 1,868,967
Operating grants and contributions	1,464,064	1,384,918
Capital grants and contributions	-	30,555
General revenues:		
Property taxes	24,068,957	22,107,251
Grants and entitlements	9,600,624	9,306,227
Investment earnings	180,796	104,487
Other	57,398	32,021
Total revenues	<u>37,378,655</u>	<u>34,834,426</u>

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED**

**Change in Net Assets**

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 17,451,108	\$ 16,074,086
Special	2,060,153	1,952,094
Vocational	180,716	271,095
Other	60,279	-
Support services:		
Pupil	1,534,672	1,278,985
Instructional staff	940,404	903,928
Board of education	734,216	770,875
Administration	2,482,812	2,249,559
Fiscal	951,818	825,061
Business	122,468	164,751
Operations and maintenance	4,729,583	4,657,508
Pupil transportation	2,451,991	2,265,808
Central	97,406	112,896
Operations of non-instructional services	17,504	17,474
Food service operations	1,045,908	1,047,981
Extracurricular activities	1,003,041	967,146
Intergovernmental pass through	107,485	100,392
Interest and fiscal charges	<u>1,626,505</u>	<u>1,642,280</u>
Total expenses	<u>37,598,069</u>	<u>35,301,919</u>
Change in net assets	(219,414)	(467,493)
Net assets at beginning of year	<u>(5,438,425)</u>	<u>(4,970,932)</u>
Net assets at end of year	<u>\$ (5,657,839)</u>	<u>\$ (5,438,425)</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$219,414. Total governmental expenses of \$37,598,069 were offset by program revenues of \$3,470,880 and general revenues of \$33,907,775. Program revenues supported 9.23% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 90.08% of total governmental revenue. Real estate property is reappraised every six years

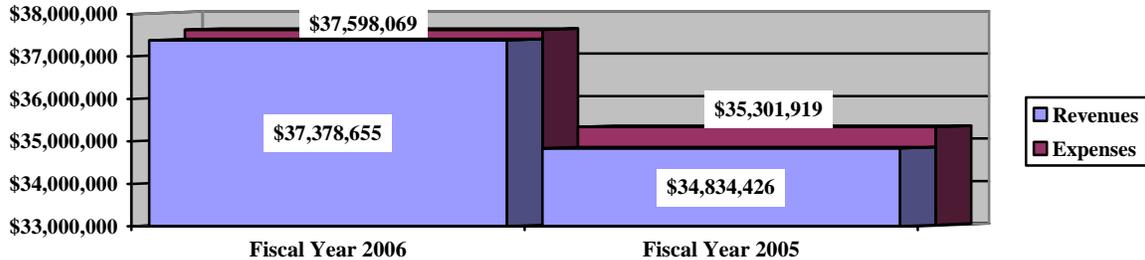
The largest expense of the District is for instructional programs. Instruction expenses totaled \$19,752,256 or 52.54% of total governmental expenses for fiscal 2006.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2006 and 2005.

**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**

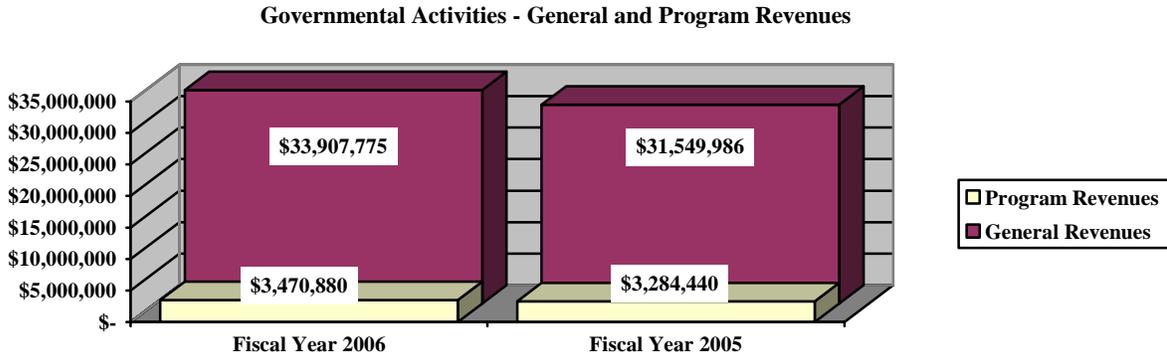
	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
<b>Program expenses</b>				
Instruction:				
Regular	\$ 17,451,108	\$ 16,494,815	\$ 16,074,086	\$ 15,082,361
Special	2,060,153	1,915,692	1,952,094	1,827,214
Vocational	180,716	180,716	271,095	271,095
Other	60,279	60,279	-	-
Support services:				
Pupil	1,534,672	1,098,378	1,278,985	973,255
Instructional staff	940,404	934,802	903,928	882,335
Board of education	734,216	734,216	770,875	757,853
Administration	2,482,812	2,460,718	2,249,559	2,192,768
Fiscal	951,818	951,818	825,061	825,061
Business	122,468	122,468	164,751	164,751
Operations and maintenance	4,729,583	4,702,419	4,657,508	4,530,460
Pupil transportation	2,451,991	2,220,544	2,265,808	2,205,422
Central	97,406	68,108	112,896	80,140
Operations of non-instructional services	17,504	(98,528)	17,474	(53,310)
Food service operations	1,045,908	36,074	1,047,981	48,817
Extracurricular activities	1,003,041	618,165	967,146	586,977
Intergovernmental pass through	107,485	-	100,392	-
Interest and fiscal charges	1,626,505	1,626,505	1,642,280	1,642,280
<b>Total expenses</b>	<u>\$ 37,598,069</u>	<u>\$ 34,127,189</u>	<u>\$ 35,301,919</u>	<u>\$ 32,017,479</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 94.43% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 90.77%. The District's taxpayers, as a whole, are by far the primary support for District's students.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED

The graph below presents the District's governmental activities revenue for fiscal year 2006 and 2005.



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund deficit balance of \$2,381,411, which is lower than last year's fund deficit total of \$1,889,945. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance Deficit <u>June 30, 2006</u>	Fund Balance Deficit <u>June 30, 2005</u>	Increase (Decrease)
General	\$ (2,744,599)	\$ (2,446,034)	\$ (298,565)
Debt Service	(214,515)	(533,746)	319,231
Other Governmental	<u>577,703</u>	<u>1,089,835</u>	<u>(512,132)</u>
Total	<u>\$ (2,381,411)</u>	<u>\$ (1,889,945)</u>	<u>\$ (491,466)</u>

**General Fund**

The District's general fund deficit increased \$298,565. The increase in fund balance deficit can be attributed to expenditures continuing to exceed revenues. The table that follows assists in illustrating the financial activities of the general fund.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
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	2006 <u>Amount</u>	2005 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 20,673,850	\$ 19,407,860	6.52 %
Tuition	405,475	334,308	21.29 %
Earnings on investments	187,832	100,342	87.19 %
Intergovernmental	9,246,395	9,013,181	2.59 %
Other revenues	<u>299,321</u>	<u>213,712</u>	40.06 %
Total	<u>\$ 30,812,873</u>	<u>\$ 29,069,403</u>	6.00 %
<b><u>Expenditures</u></b>			
Instruction	\$ 17,697,613	\$ 16,815,705	5.24 %
Support services	12,355,368	11,542,222	7.04 %
Extracurricular activities	510,449	507,915	0.50 %
Facilities acquisition and construction	56,422	93,615	(39.73) %
Debt service	<u>471,214</u>	<u>370,669</u>	27.13 %
Total	<u>\$ 31,091,066</u>	<u>\$ 29,330,126</u>	6.00 %

***Debt Service Fund***

The debt service fund had \$12,259,801 in revenues and other financing sources and \$11,940,570 in expenditures and other financing uses. During fiscal 2006, the debt service fund's deficit fund balance decreased \$319,231 from \$533,746 to \$214,515.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2006, the District amended its general fund budget numerous times. For the general fund, actual and final budgeted revenues and other financing sources were \$31,270,690, which was \$166,905 higher than the original budgeted revenues estimate of \$31,103,785.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$29,752,389 were increased to \$31,163,460 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2006 totaled \$31,163,460, which was equal to the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2006, the District had \$26,470,885 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2006 balances compared to 2005:

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED

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

	Governmental Activities	
	2006	2005
Land	\$ 1,688,060	\$ 1,628,060
Land improvements	313,938	255,070
Building and improvements	22,029,458	22,464,206
Furniture and equipment	676,948	1,175,131
Vehicles	1,762,481	1,842,664
Total	\$ 26,470,885	\$ 27,365,131

Total additions to capital assets for 2006 were \$783,837 and total disposals were \$547,607 (net of accumulated depreciation). The District recorded \$1,130,476 in depreciation expense for fiscal 2006.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2006, the District had \$25,676,212 in general obligation bonds outstanding. Of this total, \$945,000 is due within one year and \$24,731,212 is due within greater than one year. The District also had \$3,816,902 in notes, capital leases, and lease purchase agreements outstanding at June 30, 2006. The following table summarizes the debt outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities 2006	Governmental Activities 2005
General obligation bonds:		
Term	\$ 6,080,000	\$ 12,965,000
Capital appreciation	1,044,485	909,489
Accreted interest	2,076,727	1,691,507
Refunding	16,475,000	10,515,000
Total general obligation bonds	25,676,212	26,080,996
Other debt:		
Notes	2,945,000	2,945,000
Capital leases	332,902	687,519
Lease purchase	539,000	705,000
Total debt obligations	\$ 29,493,114	\$ 30,418,515

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED**

**Current Financial Related Activities**

The District has continued to maintain the highest standards of service to our students, parents and community. The District is always presented with challenges and opportunities. National events economically affect the District and the surrounding area. However, the District has a relatively small percentage of personal property tax base and collections and therefore is not affected negatively, to the degree of most districts during times of economic downturns.

The District has some challenges regarding its financial outlook. The Board of Education and administration will closely monitor its revenues and expenditures in accordance with its financial forecast and the Ohio Department of Educations Financial Analysis. Overall, the District continues to perform at the highest level determined by the State of Ohio, which is measured by a defined set of proficiency criteria. Our most recent state report card shows the district students achieving 25 out of 25 with an "Excellent" rating.

As the preceding information shows, the District heavily depends on its property taxpayers. At present, the local taxpayers support represents approximately 65% of the total revenues of the District. Our communities' support was recently measured by one most outstanding accomplishment, in May of 2003 the community passed a \$3 million, 4.85 mill emergency operating levy. The support of this issue demonstrates the strong belief of parents and community members that their schools are one of the highest priorities and one of the most important public institutions in their communities. It was the first operating levy asked for in over 11 years.

The District communicates to its residents through a newsletter that is published and mailed to over 8,000 residences at least 9 times per year. They work to keep the taxpayers informed as they rely upon their support for the major part of its operations, and will continue to work diligently to plan expenses, staying carefully within the District's five-year financial plan. State law generally retards the growth of income generated by local levies rendering revenue relatively constant. This lack of revenue growth normally forces the District to come back to the voters from time to time and ask for additional financial support. However, the District's general operating millage will no longer be rolled back as the District's operating millage has now dropped to the 20 mill floor. This is the lowest possible collection point for property tax collections allowed by law.

The District is also going through a period of tremendous growth. The student population has grown by roughly 630 students since 2003. It appears that there is no end in sight to the growth, and in fact we will probably see more rapid growth in the future. The rapid growth is also seen in the assessed property valuation of the District. The District went from an assessed valuation of approximately \$703,000,000 in 2003 to an assessed valuation of approximately \$757,500,000 in 2004, approximately \$820,670,000 in 2005, and \$910,802,000 in 2006. Part of this increase from 2002 to 2003 was a result of the triennial update of property values in the District and the continued growth of new construction, primarily in the area of new homes. The increase from 2004 to 2005 was a result of the continued growth of new construction, primarily in the area of new homes and the increase from 2005 to 2006 was a result of the Lucas County re-valuation of property values and again, new construction.

As a result, all of the District's financial abilities will be called upon to meet the challenges the future will bring. It is imperative the District's Board and management team continue to carefully and prudently plan in order to provide the resources required to meet the student's desired needs over the next several years. It is likely that the district will have to ask for voter support in the near future to maintain financial stability. Without voter support, the current 5-year forecast shows an unstable picture over the next five years.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's 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 Ms. Kerri L. Johnson, Treasurer, Anthony Wayne Local School District, 9565 Bucher Rd., P.O. Box 2487, Whitehouse, Ohio 43571.

**BASIC  
FINANCIAL STATEMENTS**

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2006

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 1,617,223
Receivables:	
Taxes . . . . .	24,990,387
Accounts . . . . .	222
Intergovernmental . . . . .	25,935
Prepayments . . . . .	126,233
Materials and supplies inventory . . . . .	27,965
Unamortized bond issue costs . . . . .	138,856
Capital assets:	
Land . . . . .	1,688,060
Depreciable capital assets, net. . . . .	24,782,825
Capital assets, net . . . . .	26,470,885
 Total assets. . . . .	 53,397,706
 <b>Liabilities:</b>	
Accounts payable. . . . .	30,119
Contracts payable. . . . .	301,017
Accrued wages and benefits . . . . .	3,389,213
Pension obligation payable. . . . .	822,652
Intergovernmental payable . . . . .	220,962
Deferred revenue . . . . .	22,526,435
Accrued interest payable . . . . .	209,647
Long-term liabilities:	
Due within one year. . . . .	4,712,818
Due in more than one year . . . . .	26,842,682
Total liabilities . . . . .	59,055,545
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	2,249,212
Restricted for:	
Capital projects . . . . .	229,165
State funded programs. . . . .	18,347
Federally funded programs . . . . .	29,948
Student activities . . . . .	63,338
Other purposes . . . . .	34,698
Unrestricted (deficit) . . . . .	(8,282,547)
 Total net assets . . . . .	 \$ (5,657,839)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 17,451,108	\$ 607,880	\$ 348,413	\$ (16,494,815)
Special . . . . .	2,060,153	-	144,461	(1,915,692)
Vocational . . . . .	180,716	-	-	(180,716)
Other . . . . .	60,279	-	-	(60,279)
Support services:				
Pupil . . . . .	1,534,672	-	436,294	(1,098,378)
Instructional staff . . . . .	940,404	3,081	2,521	(934,802)
Board of education . . . . .	734,216	-	-	(734,216)
Administration . . . . .	2,482,812	-	22,094	(2,460,718)
Fiscal . . . . .	951,818	-	-	(951,818)
Business . . . . .	122,468	-	-	(122,468)
Operations and maintenance . . . . .	4,729,583	-	27,164	(4,702,419)
Pupil transportation . . . . .	2,451,991	71,907	159,540	(2,220,544)
Central . . . . .	97,406	-	29,298	(68,108)
Operation of non-instructional				
services . . . . .	17,504	99,325	16,707	98,528
Food service operations . . . . .	1,045,908	839,747	170,087	(36,074)
Extracurricular activities . . . . .	1,003,041	384,876	-	(618,165)
Intergovernmental pass-through . . . . .	107,485	-	107,485	-
Interest and fiscal charges . . . . .	1,626,505	-	-	(1,626,505)
<b>Total governmental activities . . . . .</b>	<b>\$ 37,598,069</b>	<b>\$ 2,006,816</b>	<b>\$ 1,464,064</b>	<b>(34,127,189)</b>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				20,928,257
Debt service . . . . .				2,054,998
Capital projects . . . . .				1,085,702
Grants and entitlements not restricted to specific programs . . . . .				9,600,624
Investment earnings . . . . .				180,796
Miscellaneous . . . . .				57,398
<b>Total general revenues . . . . .</b>				<b>33,907,775</b>
Change in net assets . . . . .				(219,414)
<b>Net assets at beginning of year . . . . .</b>				<b>(5,438,425)</b>
<b>Net assets at end of year . . . . .</b>				<b>\$ (5,657,839)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 611,320	\$ 5,000	\$ 966,205	\$ 1,582,525
Receivables:				
Taxes . . . . .	21,730,488	2,144,651	1,115,248	24,990,387
Accounts . . . . .	222	-	-	222
Intergovernmental . . . . .	-	-	25,935	25,935
Interfund loans . . . . .	307,340	-	-	307,340
Prepayments . . . . .	126,233	-	-	126,233
Materials and supplies inventory . . . . .	9,590	-	18,375	27,965
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	34,698	-	-	34,698
<b>Total assets . . . . .</b>	<u>\$ 22,819,891</u>	<u>\$ 2,149,651</u>	<u>\$ 2,125,763</u>	<u>\$ 27,095,305</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 101	\$ -	\$ 30,018	\$ 30,119
Contracts payable . . . . .	-	-	301,017	301,017
Accrued wages and benefits . . . . .	3,291,779	-	97,434	3,389,213
Compensated absences payable . . . . .	299,932	-	-	299,932
Pension obligation payable . . . . .	773,643	-	49,009	822,652
Intergovernmental payable . . . . .	214,538	-	6,424	220,962
Interfund loans . . . . .	-	304,062	3,278	307,340
Deferred revenue . . . . .	20,984,497	2,060,104	1,060,880	24,105,481
<b>Total liabilities . . . . .</b>	<u>25,564,490</u>	<u>2,364,166</u>	<u>1,548,060</u>	<u>29,476,716</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	35,998	-	140,823	176,821
Reserved for materials and supplies inventory . . . . .	9,590	-	18,375	27,965
Reserved for prepayments . . . . .	126,233	-	-	126,233
Reserved for property tax unavailable for appropriation . . . . .	657,005	75,086	45,588	777,679
Reserved for BWC refunds . . . . .	34,698	-	-	34,698
Unreserved:				
Undesignated (deficit), reported in:				
General fund . . . . .	(3,608,123)	-	-	(3,608,123)
Special revenue funds . . . . .	-	-	397,295	397,295
Debt service fund . . . . .	-	(289,601)	-	(289,601)
Capital projects funds . . . . .	-	-	(24,378)	(24,378)
<b>Total fund balances (deficit) . . . . .</b>	<u>(2,744,599)</u>	<u>(214,515)</u>	<u>577,703</u>	<u>(2,381,411)</u>
<b>Total liabilities and fund balances . . . . .</b>	<u>\$ 22,819,891</u>	<u>\$ 2,149,651</u>	<u>\$ 2,125,763</u>	<u>\$ 27,095,305</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2006

<b>Total governmental fund balances (deficit)</b>		\$ (2,381,411)
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		26,470,885
Other long-term assets (taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.		1,579,046
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(209,647)
Unamortized premiums on bond issuance is not recognized in the funds.		(617,857)
Unamortized bond issuance costs are not recognized in the funds.		138,856
Unamortized deferred charges on refundings are not recognized in the funds.		478,997
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	1,623,594	
General obligation bonds payable	25,676,212	
General obligation notes payable	2,945,000	
Lease purchases payable	539,000	
Capital lease obligation	332,902	
Total		(31,116,708)
<b>Net assets of governmental activities</b>		<b>\$ (5,657,839)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 20,673,850	\$ 2,036,433	\$ 1,054,569	\$ 23,764,852
Tuition . . . . .	405,475	-	-	405,475
Transportation fees . . . . .	355	-	-	355
Charges for services . . . . .	-	-	839,747	839,747
Earnings on investments . . . . .	187,832	-	3,482	191,314
Extracurricular . . . . .	-	-	384,876	384,876
Classroom materials and fees . . . . .	91,807	-	110,598	202,405
Other local revenues . . . . .	207,159	-	227,794	434,953
Intergovernmental - State . . . . .	9,142,968	231,342	273,123	9,647,433
Intergovernmental - Federal . . . . .	103,427	-	1,121,072	1,224,499
Total revenues . . . . .	<u>30,812,873</u>	<u>2,267,775</u>	<u>4,015,261</u>	<u>37,095,909</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	15,614,564	-	565,669	16,180,233
Special . . . . .	1,852,594	-	149,512	2,002,106
Vocational . . . . .	170,176	-	-	170,176
Other . . . . .	60,279	-	-	60,279
Support services:				
Pupil . . . . .	1,098,854	-	454,463	1,553,317
Instructional staff . . . . .	920,725	-	3,046	923,771
Board of education . . . . .	734,216	-	-	734,216
Administration . . . . .	2,457,358	-	34,846	2,492,204
Fiscal . . . . .	887,229	-	14,887	902,116
Business . . . . .	107,153	39,256	49,436	195,845
Operations and maintenance . . . . .	3,936,570	-	184,036	4,120,606
Pupil transportation . . . . .	2,141,246	-	165,162	2,306,408
Central . . . . .	72,017	-	22,445	94,462
Operation of non-instructional services . . . . .	-	-	13,875	13,875
Food service operations . . . . .	-	-	1,012,335	1,012,335
Extracurricular activities . . . . .	510,449	-	417,537	927,986
Facilities acquisition and construction . . . . .	56,422	-	1,166,314	1,222,736
Capital outlay . . . . .	-	-	332,902	332,902
Intergovernmental pass through . . . . .	-	-	107,485	107,485
Debt service:				
Principal retirement . . . . .	432,120	3,735,000	154,032	4,321,152
Interest and fiscal charges . . . . .	39,094	1,140,809	17,085	1,196,988
Bond issuance costs . . . . .	-	141,699	-	141,699
Total expenditures . . . . .	<u>31,091,066</u>	<u>5,056,764</u>	<u>4,865,067</u>	<u>41,012,897</u>
Excess of revenues under expenditures . . . . .	(278,193)	(2,788,989)	(849,806)	(3,916,988)
<b>Other financing sources (uses):</b>				
Capital lease transaction . . . . .	-	-	332,902	332,902
Sale of bonds . . . . .	-	6,394,996	-	6,394,996
Payment to refunding bond escrow agent . . . . .	-	(6,883,806)	-	(6,883,806)
Premium on bonds . . . . .	-	630,509	-	630,509
Sale of notes . . . . .	-	2,945,000	-	2,945,000
Premium on sale of notes . . . . .	-	21,521	-	21,521
Total other financing sources (uses) . . . . .	<u>-</u>	<u>3,108,220</u>	<u>332,902</u>	<u>3,441,122</u>
Net change in fund balances . . . . .	(278,193)	319,231	(516,904)	(475,866)
<b>Fund balances (deficit)</b>				
at beginning of year . . . . .	(2,446,034)	(533,746)	1,089,835	(1,889,945)
Increase (decrease) in reserve for inventory . . . . .	(20,372)	-	4,772	(15,600)
Fund balances (deficit) at end of year . . . . .	<u>\$ (2,744,599)</u>	<u>\$ (214,515)</u>	<u>\$ 577,703</u>	<u>\$ (2,381,411)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**ANTHONY WAYNE 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, 2006

**Net change in fund balances - total governmental funds** \$ (475,866)

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

Governmental funds report capital outlays as expenditures. However, on 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	\$	783,837	
Current year depreciation		(1,130,476)	
Total			(346,639)

Governmental funds only report the gain from the disposal of capital assets to the extent proceeds are received from the sale. On the statement of activities, a gain or loss is reported for each disposal. (547,607)

Governmental funds report expenditures for inventory when purchased. However, on the statement of activities, they are reported as an expense when consumed. (15,600)

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

Taxes		304,105	
Intergovernmental revenue		(10,841)	
Accrued interest		(10,518)	
Total			282,746

Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 4,321,152

Payments to refunding bond escrow agents are an other financing use in the governmental funds, but the payment reduces long-term liabilities on the statement of net assets. 6,395,000

The issuance of refunding bonds are recorded as an other financing source in the governmental funds; however, the proceeds increase long-term liabilities on the statement net assets. (6,394,996)

Premiums on refunding bonds are recognized as an other financing source in the governmental funds; however, they are amortized over the life of the issuance in the statement of activities. (617,857)

Bond issuance costs are recognized as expenditures in the governmental funds; however, they are amortized over the life of the issuance in the statement of activities. 138,856

Deferred charges on refundings are recognized as expenditures in the governmental funds; however, they are amortized over the life of the issuance in the statement of activities. 478,997

- Continued

**ANTHONY WAYNE 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 - (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Sale of notes and capital lease transactions are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.	\$	(3,277,902)
Disposal of capital leases decrease liabilities on the statement of net assets.		267,367
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.		
Accrued interest	(65,818)	
Accreted interest	<u>(385,220)</u>	
Total		(451,038)
Some expenses reported on 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>23,973</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u><u>(219,414)</u></u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**ANTHONY WAYNE 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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	20,175,722	20,283,986	\$ 20,283,986	\$ -
Tuition . . . . .	403,311	405,475	405,475	-
Transportation fees . . . . .	353	355	355	-
Earnings on investments . . . . .	184,715	185,707	185,707	-
Classroom materials and fees . . . . .	91,317	91,807	91,807	-
Other local revenues . . . . .	194,994	196,040	196,040	-
Intergovernmental - State . . . . .	9,094,168	9,142,968	9,142,968	-
Intergovernmental - Federal . . . . .	102,875	103,427	103,427	-
Total revenues . . . . .	<u>30,247,455</u>	<u>30,409,765</u>	<u>30,409,765</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	14,727,400	15,425,879	15,425,879	-
Special . . . . .	1,800,310	1,885,694	1,885,694	-
Vocational . . . . .	201,579	211,139	211,139	-
Other . . . . .	14,189	14,862	14,862	-
Support services:				
Pupil . . . . .	1,038,045	1,087,276	1,087,276	-
Instructional staff . . . . .	877,573	919,194	919,194	-
Board of education . . . . .	707,836	741,407	741,407	-
Administration . . . . .	2,293,990	2,402,787	2,402,787	-
Fiscal . . . . .	849,188	889,463	889,463	-
Business . . . . .	101,257	106,059	106,059	-
Operations and maintenance . . . . .	3,797,810	3,977,929	3,977,929	-
Pupil transportation . . . . .	2,432,468	2,547,833	2,547,833	-
Central . . . . .	68,406	71,650	71,650	-
Extracurricular activities . . . . .	494,984	518,460	518,460	-
Facilities acquisition and construction . . . . .	53,930	56,488	56,488	-
Total expenditures . . . . .	<u>29,458,965</u>	<u>30,856,120</u>	<u>30,856,120</u>	<u>-</u>
Excess of revenues over (under) expenditures . . . . .	<u>788,490</u>	<u>(446,355)</u>	<u>(446,355)</u>	<u>-</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditures . . . . .	11,308	11,369	11,369	-
Advances in . . . . .	833,376	837,848	837,848	-
Advances out . . . . .	(293,424)	(307,340)	(307,340)	-
Sale of capital assets . . . . .	11,646	11,708	11,708	-
Total other financing sources (uses) . . . . .	<u>562,906</u>	<u>553,585</u>	<u>553,585</u>	<u>-</u>
Net change in fund balance . . . . .	1,351,396	107,230	107,230	-
<b>Fund balance at beginning of year . . . . .</b>	296,670	296,670	296,670	-
<b>Prior year encumbrances appropriated . . . . .</b>	206,120	206,120	206,120	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,854,186</u>	<u>\$ 610,020</u>	<u>\$ 610,020</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$ 39,512	\$ 122,450
Total assets . . . . .	39,512	\$ 122,450
<b>Liabilities:</b>		
Due to students . . . . .	-	\$ 122,450
Total liabilities . . . . .	-	\$ 122,450
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	39,512	
Total net assets . . . . .	\$ 39,512	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 1,105
Gifts and contributions. . . . .	3,500
	4,605
Total additions. . . . .	4,605
<b>Deductions:</b>	
Scholarships awarded . . . . .	19,433
	(14,828)
Change in net assets . . . . .	(14,828)
<b>Net assets at beginning of year . . . . .</b>	<b>54,340</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 39,512</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

The Anthony Wayne Local School District (the "District") is located in Southwestern Lucas County including all of the Village of Whitehouse, Ohio, and portions of surrounding townships. The District serves an area of approximately 76.8 square miles.

The District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District ranks as the 94<sup>th</sup> largest by enrollment among the 615 public school districts in the state. It currently operates 3 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 180 non-certified and 253 certified (including administrative) full-time and part-time employees to provide services to approximately 4,249 students in grades K through 12 and various community groups.

**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 organization 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, foods 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 organizations' government 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 have access to the organizations resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

*JOINTLY GOVERNED ORGANIZATIONS*

Penta County Career Center

The Career Center is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts non-tuition students from the District as a member school, however, it is considered a separate political subdivision and is not considered to be part of the District.

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.

**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. The District has no proprietary funds.

*GOVERNMENTAL FUNDS*

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

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds and notes payable.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by and trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

*FIDUCIARY FUNDS*

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

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

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Interfund services provided and used are not eliminated in the process of consolidation.

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.

*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. Fiduciary funds are reported by fund type.

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.

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

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

**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. 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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income 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, student fees and rentals.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported 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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for is as follows:

1. Prior to January 15 of the preceding year, 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 express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Lucas County Budget Commission for tax rate determination. The Lucas County Budget Commission waived the tax budget filing requirement for the fiscal year 2006.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificated of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. 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 in the budgetary statement reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 2006.
4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation total.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2006. All amounts reported in the budgetary statement reflect the original and final appropriations legally enacted by the Board.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

To improve cash management, cash received by the District other than cash with escrow agent 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 2006, investments were limited to a repurchase agreement and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2006.

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 2006 amounted to \$187,832, which includes \$127,081 assigned from other District funds.

For presentation on the basic financial statements, investments of 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 year-end is provided in Note 4.

**G. Inventory**

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis. Inventories are expensed when consumed on the government wide statements. Inventories are accounted for using the purchases method on the fund financial statements.

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

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**H. Capital Assets**

General capital assets generally 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 \$5,000. 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 are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

**J. Compensated Absences**

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

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

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2006, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. Compensated absences will be paid primarily from the general fund and food service fund.

**K. 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 using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved in the fund financial statements by an amount equal to the carrying value of the asset.

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

**M. Fund Reserves**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, tax advance unavailable for appropriation and Bureau of Workers' Compensation (BWC) refunds. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under state statute.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

**N. Net Assets**

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

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

**O. 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.

**P. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. See Note 17 for detail.

**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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**R. Nonpublic Schools**

Within the boundaries of the District, Lial Catholic operates as a private school. State legislation provides funding to this parochial school. The District receives the money and then disburses the money to the Lucas County, ESC. These transactions are reported as a governmental activity of the District.

**S. 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. The District did not have any extraordinary or special items during fiscal 2006.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

**T. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss**

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the Statement of Net Assets.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 10.A.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles**

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2006 included the following individual fund deficits:

	<u>Deficit</u>
<u>Major Funds</u>	
General Fund	\$ 2,744,599
Debt Service	214,515
<u>Nonmajor Funds</u>	
SchoolNet Professional Development	64
Ohio Reads	97
Title I	898
Improving Teacher Quality	6,140

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. 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 result from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify 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 that 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 moneys 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 or deposit accounts including passbook accounts.

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

Interim monies to 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 and interest by the United States;

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent 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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At year-end, the District had \$7,289 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**B. Deposits with Financial Institutions**

At June 30, 2006, the carrying amount of all District deposits was \$227,137. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2006, \$493,112 of the District’s bank balance of \$693,112 was exposed to custodial risk as discussed below, while \$200,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**C. Investments**

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> 6 months or less
Repurchase agreement	\$ 1,002,000	\$ 1,002,000
STAR Ohio	<u>542,759</u>	<u>542,759</u>
	<u>\$ 1,544,759</u>	<u>\$ 1,544,759</u>

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

*Credit Risk:* Standard & Poor’s has assigned STAR Ohio an AAAM money market rating.

*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 investment or collateral securities that are in the possession of an outside party. Of the District’s investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment’s counterparty, not in the name of the District.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

*Concentration of Credit Risk:* The District 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, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 1,002,000	64.86%
STAR Ohio	<u>542,759</u>	<u>35.14%</u>
	<u>\$ 1,544,759</u>	<u>100.00%</u>

**D. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 227,137
Investments	1,544,759
Cash on hand	<u>7,289</u>
Total	<u>\$ 1,779,185</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 1,617,223
Private-purpose trust fund	39,512
Agency funds	<u>122,450</u>
Total	<u>\$ 1,779,185</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2006 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Debt Service Fund	\$ 304,062
General Fund	Nonmajor Governmental Funds	3,278

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. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2006 are reported on the Statement of Net Assets.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Lucas, Fulton, and Wood Counties. These County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2006, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

The amount available as an advance at June 30, 2006 was \$657,005 in the general fund, \$75,086 in the debt service fund and \$45,588 in the permanent improvement fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2005 was \$272,115 in the general fund, \$31,298 in the debt service fund and \$13,079 in the permanent improvement fund.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 686,092,240	90.57	\$ 746,162,110	90.92
Public utility personal	19,787,870	2.61	17,464,010	2.13
Tangible personal property	<u>51,617,356</u>	<u>6.82</u>	<u>57,046,721</u>	<u>6.95</u>
Total	<u>\$ 757,497,466</u>	<u>100.00</u>	<u>\$ 820,672,841</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 71.40		\$ 71.40	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2006 consisted 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 items of receivables reported on the Statement of Net Assets follows:

<b>Governmental Activities:</b>	
Taxes	\$ 24,990,387
Accounts	222
Intergovernmental	<u>25,935</u>
Total	<u>\$ 25,016,544</u>

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

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance</u> <u>06/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/06</u>
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,628,060	\$ 60,000	\$ -	\$ 1,688,060
Total capital assets, not being depreciated	<u>1,628,060</u>	<u>60,000</u>	<u>-</u>	<u>1,688,060</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,162,591	165,375	-	2,327,966
Building and improvements	32,952,226	199,794	-	33,152,020
Furniture and equipment	2,198,647	149,077	(788,044)	1,559,680
Vehicles	3,631,290	209,591	-	3,840,881
Total capital assets, being depreciated	<u>40,944,754</u>	<u>723,837</u>	<u>(788,044)</u>	<u>40,880,547</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,907,521)	(106,507)	-	(2,014,028)
Building and improvements	(10,488,020)	(634,542)	-	(11,122,562)
Furniture and equipment	(1,023,516)	(99,653)	240,437	(882,732)
Vehicles	(1,788,626)	(289,774)	-	(2,078,400)
Total accumulated depreciation	<u>(15,207,683)</u>	<u>(1,130,476)</u>	<u>240,437</u>	<u>(16,097,722)</u>
Governmental activities capital assets, net	<u>\$ 27,365,131</u>	<u>\$ (346,639)</u>	<u>\$ (547,607)</u>	<u>\$ 26,470,885</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 619,840
Special	29,628
Vocational	7,408
<u>Support Services:</u>	
Instructional staff	2,917
Administration	9,347
Fiscal	2,000
Business	7,519
Operations and maintenance	45,372
Pupil transportation	288,463
Central	1,901
Non-instructional	3,629
Extracurricular activities	75,055
Food service operations	<u>37,397</u>
Total depreciation expense	<u>\$ 1,130,476</u>

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

- A. During fiscal year 2006, the District entered into a new capitalized lease for computer equipment. This lease replaced the previously held leases for computer equipment. In prior years, the District entered into capitalized leases for buses. The District made their final principal payment on the bus lease during 2006. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as regular, pupil transportation, and operations and maintenance and function expenditures on the budgetary statements.

Capital assets consisting of vehicles have been capitalized in the amount of \$429,765. These amounts represent the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Accumulated depreciation as of June 30, 2006 was \$193,394, leaving a current book value of \$236,371. Assets under capital lease consisting of computer equipment have not been capitalized since the computer equipment is individually less than the District’s capitalization threshold of \$5,000.

During fiscal 2006, principal and interest payments of \$154,032 and \$17,085, respectively, were paid from the permanent improvement fund (a nonmajor governmental fund) and principal and interest payments of \$266,120 and \$10,789, respectively, were paid from the general fund. The new capital lease entered into during fiscal year 2006 for computer equipment replaced two previous capital lease agreements for computer equipment with a principal balance of \$267,367. This amount has been included in deletions to capital leases payable in Note 10.A.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2006:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 119,899
2008	119,899
2009	<u>119,898</u>
Total minimum lease payments	359,696
Less: amount representing interest	<u>(26,794)</u>
Total	<u><u>\$ 332,902</u></u>

**B. Lease Purchase Obligation**

In a prior fiscal year, the District entered into a lease-purchase agreement with the Rickenbacker Port Authority (through the OASBO Expanded Asset Pooled Financing Program) for the purchase of school buses. US Bank has been designated as trustee for the agreement. The source of revenue to fund the principal and interest payments are general operating revenue of the District. During fiscal 2004, the District refinanced the lease for an additional \$336,000, for a total of \$865,000.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)**

Capital assets consisting of vehicles have been capitalized in the amount of \$938,598. Accumulated depreciation as of June 30, 2006 was \$179,016, leaving a current book value of \$759,582. A liability in the amount of the present value of minimum lease payments has been recorded in the Government-wide Financial Statement. During fiscal 2006, principal and interest payments of \$166,000 and \$28,305, respectively, were paid from the general fund.

The following is a summary of the District's future minimum annual payments to termination of the lease-purchase agreement:

<u>Fiscal Year Ending</u>	<u>Payments</u>
2007	\$ 194,686
2008	193,795
2009	<u>194,659</u>
Total	583,140
Less: interest	<u>(44,140)</u>
Present value	<u>\$ 539,000</u>

In conjunction with the lease-purchase agreement, the District entered into an escrow agreement with U.S. Bank whereby U.S. Bank acts as escrow agent for the funds received under the lease-purchase agreement. Under the escrow agreement, the District authorizes and directs U.S. Bank to make disbursements to pay the lease payments from the amount deposited with the escrow agent. The escrow agreement terminates upon termination of the lease-purchase agreement. The balance in this account was zero at June 30, 2006.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. The District's long-term obligations during the year consist of the following:

	<u>Balance at June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2006</u>	<u>Amounts Due Within One Year</u>
<b>General obligation bonds:</b>					
<u>Series 1993, refunding</u>					
Current interest bonds	\$ 355,000	\$ -	\$ (170,000)	\$ 185,000	\$ 185,000
Capital appreciation bonds	129,790	-	-	129,790	-
Accreted interest	531,361	98,655	-	630,016	-
<u>Series 1995, facilities improvement</u>					
Current interest bonds	345,000	-	(345,000)	-	-
Capital appreciation bonds	299,704	-	-	299,704	-
Accreted interest	843,578	168,285	-	1,011,863	-
<u>Series 2000, facilities improvement</u>					
Current interest bonds	7,535,000	-	(6,440,000)	1,095,000	50,000
Capital appreciation bonds	340,000	-	-	340,000	-
Accreted interest	157,338	42,817	-	200,155	-
<u>Series 2001, refunding</u>					
Current interest bonds	10,160,000	-	(130,000)	10,030,000	520,000
Capital appreciation bonds	139,995	-	-	139,995	-
Accreted interest	159,230	63,938	-	223,168	-
<u>Series 2001, facilities improvement</u>					
Current interest bonds	5,085,000	-	(100,000)	4,985,000	100,000
<u>Series 2006, refunding</u>					
Current interest bonds	-	6,260,000	-	6,260,000	90,000
Capital appreciation bonds	-	134,996	-	134,996	-
Accreted interest	-	11,525	-	11,525	-
Total G.O. Bonds	<u>26,080,996</u>	<u>6,780,216</u>	<u>(7,185,000)</u>	<u>25,676,212</u>	<u>945,000</u>
Other long-term obligations:					
Capital leases payable	687,519	332,902	(687,519)	332,902	113,856
Lease purchase payable	705,000	-	(166,000)	539,000	173,000
Note payable	<u>2,945,000</u>	<u>2,945,000</u>	<u>(2,945,000)</u>	<u>2,945,000</u>	<u>2,945,000</u>
Total other long-term obligations	<u>4,337,519</u>	<u>3,277,902</u>	<u>(3,798,519)</u>	<u>3,816,902</u>	<u>3,231,856</u>
Compensated absences:					
Severance	1,651,998	299,752	(264,254)	1,687,496	299,932
Vacation leave	<u>214,822</u>	<u>236,030</u>	<u>(214,822)</u>	<u>236,030</u>	<u>236,030</u>
Total compensated absences	<u>1,866,820</u>	<u>535,782</u>	<u>(479,076)</u>	<u>1,923,526</u>	<u>535,962</u>
Total	<u>\$ 32,285,335</u>	<u>\$ 10,593,900</u>	<u>\$ (11,462,595)</u>	31,416,640	<u>\$ 4,712,818</u>
				Add: Unamortized premium on bonds	617,857
				Less: Unamortized deferred charges on refunding	<u>(478,997)</u>
					<u>\$ 31,555,500</u>

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

- B.** In July of 1993, the District issued general obligation refunding bonds (Series 1993, Refunding Bonds). These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net assets. The source of payment is derived from a current 2.80 (average) mill bonded debt tax levy.

This issue is comprised of current interest bonds, present value \$185,000 at June 30, 2006, and capital appreciation bonds, par value \$1,325,000. The capital appreciation bonds mature each December 1, 2007 through 2013, (average interest 14.17%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported on the statement of net assets at June 30, 2006 was \$129,790. Total accreted interest of \$630,016 has been included on the statement of net assets at June 30, 2005.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2013.

- C.** In 1995, the District issued general obligation bonds (Series 1995, Facilities Improvement Bonds). These bonds were partially refunded in September of 2001 (see Note 10.E.). The non-refunded bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net assets. The source of payment is derived from a current 2.80 (average) mill bonded debt tax levy.

This issue is comprised of current interest bonds and capital appreciation bonds, par value \$2,770,000. The final principal payment was made on the current interest bonds during fiscal year 2006. The capital appreciation bonds mature each December 1, 2009 through 2013, (average interest 14.25%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported on the statement of net assets at June 30, 2006 was \$299,704. Total accreted interest of \$1,011,863 has been included on the statement of net assets at June 30, 2006.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2013.

- D.** On October 1, 2000, the District issued general obligation bonds (Series 2000, School Facilities Improvement Bonds). A portion of these bonds (\$6,395,000) was refunded in 2006 (see Note 10.G.). These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net assets. The source of payment is derived from a current 2.80 (average) mill bonded debt tax levy.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

This issue was comprised of current interest bonds, present value \$1,095,000 at June 30, 2006, and capital appreciation bonds, par value \$1,055,000. The capital appreciation bonds mature each December 1, 2012 through 2015, (effective interest 8.4311%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported on the statement of net assets at June 30, 2006 was \$340,000. Total accreted interest of \$200,155 has been included on the statement of net assets at June 30, 2006.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2030.

- E. In September of 2001, the District issued general obligation refunding bonds (Series 2001, Refunding Bonds). These bonds refunded callable portion of the Series 1995 issue. These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund.

On the government-wide financial statements, principal payments reduce the liability reported on the statement of net assets.

This issue was comprised of current interest bonds, present value \$10,030,000 at June 30, 2006, and capital appreciation bonds, par value \$2,410,000. The capital appreciation bonds mature each December 1, 2014 through 2016, (effective interests 21.218% - 21.541%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported on the statement of net assets at June 30, 2006 was \$139,995. Total accreted interest of \$223,168 has been included on the statement of net assets at June 30, 2006.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2016.

- F. On November 27, 2001, the District issued \$5,750,000 in general obligation bonds (Series 2001, School Facilities Construction and Improvement Bonds). These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net assets. The issue consists of current interest bonds, present value of \$4,985,000 at June 30, 2006, with interest rates ranging from 3.00% to 5.50%.

- G. On December 28, 2005, the District issued general obligation refunding bonds (Series 2006, School Facilities Improvement Bonds). These bonds refunded the \$6,395,000 callable portion of the Series 2000 issue. These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund.

On the government-wide financial statements, principal payments reduce the liability reported on the statement of net assets.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

This issue was comprised of current interest bonds, present value \$6,260,000 at June 30, 2006, and capital appreciation bonds, par value \$1,310,000. The capital appreciation bonds mature each December 1, 2016 through 2018, (effective interest 20.109%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported on the statement of net assets at June 30, 2006 was \$134,996. Total accreted interest of \$11,525 has been included on the statement of net assets at June 30, 2006.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2030.

The reacquisition price exceeded the net carrying amount of the old debt by \$488,806. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next nine years by \$964,361 and resulted in an economic gain of 9.285%.

- H.** On January 27, 2005, the District issued \$2,945,000 in Facilities Notes in anticipation of the issuance of bonds for the purpose of constructing, renovating and improving facilities, and acquiring land. The notes bore an annual interest rate of 2.00% and matured on August 2, 2005. The notes were retired with the issuance of \$2,945,000 in Facilities Notes on August 1, 2005. The notes mature July 20, 2006 and bear an annual interest rate of 3.75%.
- I.** Principal and interest requirements to retire the long-term obligations are as follows:

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 945,000	\$ 1,027,640	\$ 1,972,640	\$ -	\$ -	\$ -
2008	815,000	989,558	1,804,558	185,000	-	185,000
2009	875,000	957,947	1,832,947	190,000	-	190,000
2010	460,000	931,544	1,391,544	700,000	-	700,000
2011	480,000	912,161	1,392,161	3,370,000	-	3,370,000
2012-2016	1,915,000	4,275,984	6,190,984	3,115,000	-	3,115,000
2017-2021	5,465,000	3,563,395	9,028,395	1,310,000	-	1,310,000
2022-2026	8,185,000	1,700,023	9,885,023	-	-	-
2027-2031	3,415,000	438,487	3,853,487	-	-	-
<b>Total</b>	<b>\$ 22,555,000</b>	<b>\$ 14,796,739</b>	<b>\$ 37,351,739</b>	<b>\$ 8,870,000</b>	<b>\$ -</b>	<b>\$ 8,870,000</b>

**J. 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 effects of these debt limitations at June 30, 2006 are a voted debt margin of \$50,046,556 and an unvoted debt margin of \$820,673.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 11 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and state laws. Classified employees earn ten to twenty-two days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Each employee earns sick leave at the rate of one and one-fourth days per month. Upon retirement, payment to certified employees is made for 29 percent of the total sick leave accumulation, up to a maximum accumulation of seventy-five days. Classified employees are paid for 25 percent of the first 200 accumulated days, 33 percent for each day accumulated from 201 to 234 days, and one day for each year of service over 20 years. If a classified employee has accumulated a total of 235 sick days or more, and that employee has taken 15 or fewer sick days during the best 4 years of the last 6 years of employment, he/she may receive severance pay for a maximum of 80 days. An employee receiving such payment must meet the retirement provisions set by STRS and SERS.

**B. Insurance Benefits**

The District provides life insurance and accidental death and dismemberment insurance in the amount of \$50,000 to certified employees. For classified employees, group term life insurance is provided in the amount of \$50,000 employees under contract for thirty-five hours or more per week, \$20,000 for classified employees under contract for twenty to thirty-four hours per week, and \$10,000 for employees working less than twenty hours per week.

**NOTE 12 - RISK MANAGEMENT**

The District does not have a "self-insurance" fund with formalized risk management programs. The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters.

During fiscal year 2006, The District purchased from Indiana Insurance Company, general liability insurance, which carried a \$1 million per occurrence/\$3 million annual aggregate limitation. The district also carries a \$5 million commercial umbrella liability policy.

Fleet and property/casualty insurance are purchased through commercial carriers and traditionally funded, as are all benefit plans offered to employees.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has not been a significant reduction in amounts of insurance coverage from fiscal 2006.

The District has elected to provide employee medical/surgical benefits through Aetna HMO, a fully funded program. The District provides dental insurance through Core Source, a fully funded program. The District also provides life insurance through the National Administrative Schools Insurance Fund.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 12 - RISK MANAGEMENT - (Continued)**

*WORKERS' COMPENSATION*

The District uses the firm of Sheakley Uniservice, Inc. to provide administrative support for claims processing, and to assist the District in compliance with Bureau of Workers Compensation and Industrial Commission regulations. The District purchases its workers compensation coverage from the Bureau of Workers' Compensation.

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

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 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2006, 2005, and 2004 were \$510,726, \$481,118, \$372,239; 46.46 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$273,426 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 43215-3371 or by calling (614) 227-4090.

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 member contributions and earned interest matched by STRS Ohio funds times 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.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 13 - PENSION PLANS - (Continued)**

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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, 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 recommendation 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 fund pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,925,566, \$1,823,436 and \$1,703,674; 82.54 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$336,169 represents the unpaid contributions for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2006 were \$25,596 made by the District and \$72,387 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System of Ohio. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

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

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$148,120 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$236,488 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 were \$158.751 million. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million, which is about 221 percent of next years projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 59,492 participants currently receiving health care benefits.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of 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:

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

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:

<b>Net Change in Fund Balance</b>	<u>General Fund</u>
Budget basis	\$ 107,230
Net adjustment for revenue accruals	403,108
Net adjustment for expenditure accruals	(270,944)
Net adjustment for other financing sources/(uses)	(553,585)
Adjustment for encumbrances	<u>35,998</u>
GAAP basis	<u>\$ (278,193)</u>

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$5,622 per year. A portion of the refund may be recovered from additional State entitlement payments.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 16 - CONTINGENCIES - (Continued)**

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**NOTE 17 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>	<u>Budget Stabilization Designated</u>
Set-aside cash balance as of June 30, 2005	\$ (1,039,454)	\$ (10,551,621)	\$ 34,698	\$ 547,582
Current year set-aside requirement	568,950	568,950	-	-
Qualifying disbursements	<u>(549,077)</u>	<u>(2,083,082)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ (1,019,581)</u>	<u>\$ (12,065,753)</u>	<u>\$ 34,698</u>	<u>\$ 547,582</u>
Balance carried forward to FY 2007	<u>\$ (1,019,581)</u>	<u>\$ (10,551,621)</u>	<u>\$ 34,698</u>	<u>\$ 547,582</u>

Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute. The Board of Education resolved to maintain the budget reserve, which will be shown as designated fund balance in the general fund. The District is still required by state law to maintain the textbook reserve and the capital acquisition reserve. The District had qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbooks/instructional materials reserve. These extra amounts may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year. The capital acquisition reserve had debt related offsets that may be carried forward to future years. Excess qualifying disbursements may not be carried forward.

A schedule of the governmental fund restricted assets at June 30, 2006 follows:

Amount restricted for BWC refunds	<u>\$ 34,698</u>
Total restricted assets	<u>\$ 34,698</u>
Amount designated for budget stabilization was	<u>\$ 547,582</u>

The amount designated for budget stabilization was not shown on the fund financial statements due to a negative undesignated general fund balance.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 18 - SUBSEQUENT EVENTS**

In August 2006 Kerri Johnson was hired as Treasurer.

In January 2007 the District reissued \$2,945,000 in Facilities Notes in anticipation of the issuance of bonds for the purpose of constructing, renovating, improving facilities, and acquiring land.

**NOTE 19 - FISCAL CAUTION**

On March 22, 2007, the District was declared to be in a state of "Fiscal Caution" by the Auditor of State. Effective September 1996, legislation permitted this declaration regarding declining district financial conditions.

## **SUPPLEMENTAL DATA**

ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(C) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(C) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
(A) Food Donation	10.550	N/A	\$ -	\$ 58,304	\$ -	\$ 58,304
<b>Total Food Donation</b>			<b>-</b>	<b>58,304</b>	<b>-</b>	<b>58,304</b>
(B) National School Lunch Program	10.555	048207-LLP4-2005	30,131	-	30,131	-
(B) National School Lunch Program	10.555	048207-LLP4-2006	78,775	-	78,775	-
<b>Total National School Lunch Program</b>			<b>108,906</b>	<b>-</b>	<b>108,906</b>	<b>-</b>
<b>Total U.S. Department of Agriculture</b>			<b>108,906</b>	<b>58,304</b>	<b>108,906</b>	<b>58,304</b>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
Title I Grants to Local Educational Agencies	84.010	048207-C1S1-2005	27,843	-	-	-
Title I Grants to Local Educational Agencies	84.010	048207-C1S1-2006	82,325	-	82,325	-
<b>Total Title I Grants to Local Educational Agencies</b>			<b>110,168</b>	<b>-</b>	<b>82,325</b>	<b>-</b>
Special Education Grants to States	84.027	048207-6BSF-2005	180,619	-	77,212	-
Special Education Grants to States	84.027	048207-6BSF-2006	757,503	-	705,873	-
<b>Total Special Education Grants to States</b>			<b>938,122</b>	<b>-</b>	<b>783,085</b>	<b>-</b>
Safe and Drug-Free Schools and Communities State Grants	84.186	048207-DRS1-2005	4,973	-	2,809	-
Safe and Drug-Free Schools and Communities State Grants	84.186	048207-DRS1-2006	10,526	-	7,573	-
<b>Total Safe and Drug-Free Schools and Communities State Grants</b>			<b>15,499</b>	<b>-</b>	<b>10,382</b>	<b>-</b>
State Grants for Innovative Programs	84.298	048207-C2S1-2005	-	-	560	-
State Grants for Innovative Programs	84.298	048207-C2S1-2006	11,495	-	11,085	-
<b>Total State Grants for Innovative Programs</b>			<b>11,495</b>	<b>-</b>	<b>11,645</b>	<b>-</b>
Education Technology State Grants	84.318	048207-TJS1-2005	2,591	-	2,382	-
Education Technology State Grants	84.318	048207-TJS1-2006	1,498	-	1,438	-
<b>Total Education Technology State Grants</b>			<b>4,089</b>	<b>-</b>	<b>3,820</b>	<b>-</b>
Advanced Placement Program	84.330	AVTF-2004	156	-	-	-
<b>Total Advanced Placement Programs</b>			<b>156</b>	<b>-</b>	<b>-</b>	<b>-</b>
Improving Teacher Quality State Grants	84.367	048207-TRS1-2005	20,753	-	9,668	-
Improving Teacher Quality State Grants	84.367	048207-TRS1-2006	68,186	-	71,463	-
<b>Total Improving Teacher Quality State Grants</b>			<b>88,939</b>	<b>-</b>	<b>81,131</b>	<b>-</b>
<b>Total U.S. Department of Education</b>			<b>1,168,468</b>	<b>58,304</b>	<b>972,388</b>	<b>58,304</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES</b>						
Medical Assistance Program	93.778	N/A	103,427	-	103,427	-
<b>Total Medical Assistance Program</b>			<b>103,427</b>	<b>-</b>	<b>103,427</b>	<b>-</b>
<b>Total U.S. Department of Health and Human Services</b>			<b>103,427</b>	<b>-</b>	<b>103,427</b>	<b>-</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 1,380,801</b>	<b>\$ 58,304</b>	<b>\$ 1,184,721</b>	<b>\$ 58,304</b>

(A) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.

(B) Commingled with state and local revenue from sales of lunches, assumed expenditures were made on a first-in, first-out basis.

(C) This schedule was prepared on the cash basis of accounting.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Basic Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Board of Education  
Anthony Wayne Local School District  
9565 Bucher Road  
P.O. Box 2487  
Whitehouse, Ohio 43571

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Anthony Wayne Local School District (the "District") as of and for the fiscal year ended June 30, 2006, which collectively comprise the Anthony Wayne Local School District's basic financial statements and have issued our report thereon dated March 13, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Anthony Wayne Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Anthony Wayne Local School District in a separate letter dated March 13, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Anthony Wayne Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to the management of Anthony Wayne Local School District in a separate letter dated March 13, 2007.

Board of Education  
Anthony Wayne Local School District

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
March 13, 2007, except for Note 19 which is dated March 22, 2007



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### **Report on Compliance With Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance With *OMB Circular A-133***

Board of Education  
Anthony Wayne Local School District  
9565 Bucher Road  
P.O. Box 2487  
Whitehouse, Ohio 43571

#### Compliance

We have audited the compliance of the Anthony Wayne Local School District (the "District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to its major federal program for the fiscal year ended June 30, 2006. Anthony Wayne Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Anthony Wayne Local School District's management. Our responsibility is to express an opinion on the Anthony Wayne Local School District's compliance based on our audit.

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

In our opinion, Anthony Wayne Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2006.

#### Internal Control Over Compliance

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

Board of Education  
Anthony Wayne Local School District

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.  
March 13, 2007, except for Note 19 which is dated March 22, 2007

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO  
JUNE 30, 2006**

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

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

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

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



**Mary Taylor, CPA**  
Auditor of State

**ANTHONY WAYNE 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**  
**MAY 15, 2007**