

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

**BASIC FINANCIAL STATEMENTS  
(AUDITED)**

***FOR THE FISCAL YEAR ENDED JUNE 30, 2007***

**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 & Grube, Inc., for the audit period July 1, 2006 through June 30, 2007. 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

December 21, 2007

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**ANTHONY WAYNE LOCAL SCHOOL DISTRICT**  
**LUCAS COUNTY, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

TABLE OF CONTENTS

Independent Auditor’s Report .....	1 - 2
Management’s Discussion and Analysis .....	3 - 13
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	14
Statement of Activities.....	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) - Governmental Funds .....	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) - General Fund.....	20
Statement of Fiduciary Net Assets - Fiduciary Funds .....	21
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund.....	22
Notes to the Basic Financial Statements.....	23 - 52
Supplementary Data:	
Schedule of Receipts and Expenditures of Federal Awards .....	53
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	54 - 55
Report on Compliance With Requirements Applicable to Its Major Program and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i> .....	56 - 57
Schedule of Findings and Responses <i>OMB Circular A-133 § .505</i> .....	58 - 60

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

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, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise the Anthony Wayne Local School 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 respective 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, 2007, 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 November 8, 2007, on our consideration of the Anthony Wayne Local 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 required 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 Anthony Wayne Local School 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 Anthony Wayne Local School District. The schedule of receipts and expenditures have 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.  
November 8, 2007



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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, 2007. 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 2007 are as follows:

- In total, net assets of governmental activities decreased \$1,058,699 which represents a 18.71% increase in deficit net assets from 2006.
- General revenues accounted for \$34,542,934 in revenue or 89.71% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,962,900 or 10.29% of all revenues. The District had total revenues of \$38,505,834.
- The District had \$37,447,135 in expenses related to governmental activities; only \$3,962,900 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 \$34,542,934 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 \$31,575,538 in revenues and \$32,004,059 in expenditures and other financing uses. During fiscal 2007, the general fund's deficit fund balance increased \$428,521 from a deficit \$2,744,599 to a deficit \$3,167,963.
- The debt service fund had \$5,644,948 in revenues and other financing sources and \$5,349,926 in expenditures. During fiscal year 2007, the debt service fund's deficit fund balance increased \$295,022 from a deficit \$214,515 to a positive \$80,507.

**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, 2007**

**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 2007?" 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 14-15 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 16-20 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, 2007

***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 2007 and 2006.

	<b>Net Assets</b>	
	Governmental Activities 2007	Governmental Activities 2006
<b><u>Assets</u></b>		
Current and other assets	\$ 29,090,075	\$ 26,926,821
Capital assets, net	<u>26,050,736</u>	<u>26,470,885</u>
Total assets	<u>55,140,811</u>	<u>53,397,706</u>
<b><u>Liabilities</u></b>		
Current liabilities	29,186,190	27,500,045
Long-term liabilities	<u>30,553,761</u>	<u>31,555,500</u>
Total liabilities	<u>59,739,951</u>	<u>59,055,545</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	85,248	2,249,212
Restricted	1,210,365	375,496
Unrestricted (deficit)	<u>(5,894,753)</u>	<u>(8,282,547)</u>
Total net assets	<u>\$ (4,599,140)</u>	<u>\$ (5,657,839)</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's liabilities exceeded assets by a deficit of \$4,599,140. At year-end, restricted net assets were \$1,210,365.

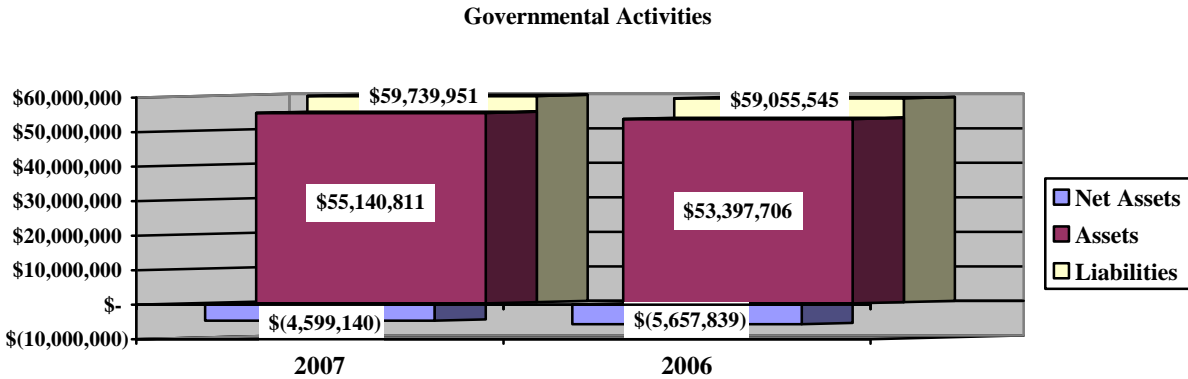
At year-end, capital assets represented 47.24% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets, at June 30, 2007 was \$85,248. These capital assets are used to 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, \$1,210,365, 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 \$5,894,753.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The chart below shows the District's governmental activities assets, liabilities and net assets at June 30, 2007 and 2006:



The table below shows the change in net assets for fiscal year 2007 and 2006.

**Change in Net Assets**

	Governmental Activities 2007	Governmental Activities 2006
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 2,069,823	\$ 2,006,816
Operating grants and contributions	1,642,517	1,464,064
Capital grants and contributions	250,560	-
General revenues:		
Property taxes	24,506,838	24,068,957
Grants and entitlements	9,730,024	9,600,624
Investment earnings	244,685	180,796
Other	61,387	57,398
Total revenues	<u>38,505,834</u>	<u>37,378,655</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Change in Net Assets**

	<u>Governmental Activities 2007</u>	<u>Governmental Activities 2006</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 17,630,513	\$ 17,451,108
Special	2,337,699	2,060,153
Vocational	135,717	180,716
Other	-	60,279
Support services:		
Pupil	1,498,014	1,534,672
Instructional staff	1,023,524	940,404
Board of education	743,818	734,216
Administration	2,691,509	2,482,812
Fiscal	836,110	951,818
Business	141,717	122,468
Operations and maintenance	3,973,366	4,729,583
Pupil transportation	2,518,081	2,451,991
Central	103,963	97,406
Operations of non-instructional services	11,035	17,504
Food service operations	1,030,893	1,045,908
Extracurricular activities	933,770	1,003,041
Intergovernmental pass through	103,531	107,485
Interest and fiscal charges	<u>1,733,875</u>	<u>1,626,505</u>
Total expenses	<u>37,447,135</u>	<u>37,598,069</u>
Change in net assets	1,058,699	(219,414)
Net assets at beginning of year	<u>(5,657,839)</u>	<u>(5,438,425)</u>
Net assets at end of year	<u>\$ (4,599,140)</u>	<u>\$ (5,657,839)</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$1,058,699. Total governmental expenses of \$37,447,135 were offset by program revenues of \$3,962,900 and general revenues of \$34,542,934. Program revenues supported 10.58% 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 88.91% of total governmental revenue. Real estate property is reappraised every six years.

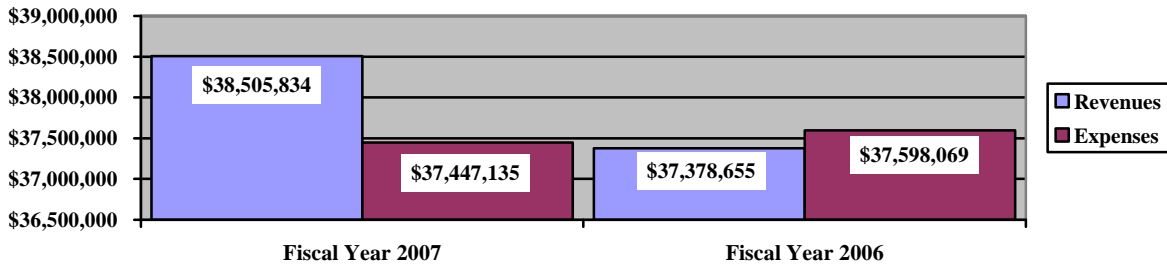
The largest expense of the District is for instructional programs. Instruction expenses totaled \$20,103,929 or 53.69% of total governmental expenses for fiscal 2007.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2007 and 2006.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

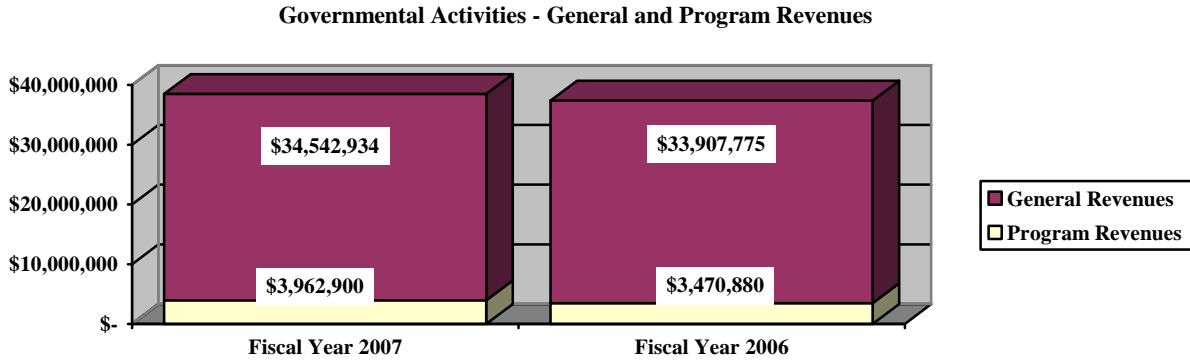
	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 17,630,513	\$ 16,861,231	\$ 17,451,108	\$ 16,494,815
Special	2,337,699	1,852,523	2,060,153	1,915,692
Vocational	135,717	127,727	180,716	180,716
Other	-	-	60,279	60,279
Support services:				
Pupil	1,498,014	1,173,042	1,534,672	1,098,378
Instructional staff	1,023,524	980,185	940,404	934,802
Board of education	743,818	743,818	734,216	734,216
Administration	2,691,509	2,607,966	2,482,812	2,460,718
Fiscal	836,110	833,021	951,818	951,818
Business	141,717	141,681	122,468	122,468
Operations and maintenance	3,973,366	3,949,644	4,729,583	4,702,419
Pupil transportation	2,518,081	2,201,615	2,451,991	2,220,544
Central	103,963	71,784	97,406	68,108
Operations of non-instructional services	11,035	(178,502)	17,504	(98,528)
Food service operations	1,030,893	(13,628)	1,045,908	36,074
Extracurricular activities	933,770	417,198	1,003,041	618,165
Intergovernmental pass through	103,531	-	107,485	-
Interest and fiscal charges	<u>1,733,875</u>	<u>1,714,930</u>	<u>1,626,505</u>	<u>1,626,505</u>
Total expenses	<u>\$ 37,447,135</u>	<u>\$ 33,484,235</u>	<u>\$ 37,598,069</u>	<u>\$ 34,127,189</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 93.72% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 89.42%. 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, 2007**

The graph below presents the District's governmental activities revenue for fiscal year 2007 and 2006.



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund deficit balance of \$2,096,968, which is lower than last year's fund deficit total of \$2,381,411. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006

	Fund Balance (Deficit) <u>June 30, 2007</u>	Fund Balance (Deficit) <u>June 30, 2006</u>	Increase (Decrease)
General	\$ (3,167,963)	\$ (2,744,599)	\$ (423,364)
Debt Service	80,507	(214,515)	295,022
Other Governmental	<u>990,488</u>	<u>577,703</u>	<u>412,785</u>
Total	<u>\$ (2,096,968)</u>	<u>\$ (2,381,411)</u>	<u>\$ 284,443</u>

**General Fund**

The District's general fund deficit increased \$423,364. The increase in the general fund balance deficit is primarily due to relatively flat tax revenue compared to an approximate 6.0 percent increase in instruction related expenses.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 20,723,957	\$ 20,673,850	0.24 %
Tuition	281,539	405,475	(30.57) %
Earnings on investments	244,685	187,832	30.27 %
Intergovernmental	9,923,625	9,246,395	7.32 %
Other revenues	<u>401,732</u>	<u>299,321</u>	34.21 %
Total	<u>\$ 31,575,538</u>	<u>\$ 30,812,873</u>	2.48 %
<b><u>Expenditures</u></b>			
Instruction	\$ 18,757,060	\$ 17,697,613	5.99 %
Support services	12,376,624	12,355,368	0.17 %
Extracurricular activities	539,812	510,449	5.75 %
Facilities acquisition and construction	1,410	56,422	(97.50) %
Debt service	<u>10,844</u>	<u>471,214</u>	(97.70) %
Total	<u>\$ 31,685,750</u>	<u>\$ 31,091,066</u>	1.91 %

As stated earlier, tax revenue remained flat compared to the prior year. Intergovernmental revenue, the District's second largest revenue source, increased approximately 7 percent from the prior year. Intergovernmental revenue in the general fund consists primarily of State Foundation receipts. The most significant change in revenues occurred in tuition, earnings on investments and other local revenues. Tuition decreased by 30.57% due to the District receiving fewer payments from other school districts during fiscal year 2007. The 30.27% increase of earnings on investments was due to an increase in interest rates received on investments. Other local revenues increased due to an increase of fuel distribution to others within the community and the back payments for usages of the District's buildings.

Overall, expenditures increased 1.91%. The largest increase (\$1,059,447) was in the area of instructional expenditures. This increase was the result of normal and customary wage and benefit cost increases over the prior year. The most significant change was in facilities acquisitions and construction and debt service. Facilities acquisitions and construction decreased 97.50% due to the District placing a freeze on spending since entering into fiscal caution during fiscal 2007. Debt service expenditures decreases; however, this was primarily due to the District transferring money from the general fund to the debt service fund rather than making the expenditure directly from the general fund.

***Debt Service Fund***

The debt service fund had \$5,644,948 in revenues and other financing sources and \$5,349,926 in expenditures. During fiscal 2007, the debt service fund's deficit fund balance increased \$295,022 from a deficit \$214,515 to a positive \$80,507.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

***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 2007, the District amended its general fund budget numerous times. For the general fund, actual budgeted revenues and other financing sources were \$32,296,554 and final budgeted revenues and other financing sources were \$32,224,464.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$32,562,133 were the same as the final budgeted appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$32,445,195, which was \$116,938 higher than the original and final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2007, the District had \$26,050,736 (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 2007 balances compared to 2006:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Land	\$ 1,848,060	\$ 1,688,060
Land improvements	326,662	313,938
Building and improvements	21,677,039	22,029,458
Furniture and equipment	595,065	676,948
Vehicles	<u>1,603,910</u>	<u>1,762,481</u>
Total	<u>\$ 26,050,736</u>	<u>\$ 26,470,885</u>

Total additions to capital assets for 2007 were \$651,886. The District did not have any disposals over the threshold during fiscal year 2007. The District recorded \$1,072,035 in depreciation expense for fiscal 2007.

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

***Debt Administration***

At June 30, 2007, the District had \$25,195,972 in general obligation bonds outstanding. Of this total, \$1,000,000 is due within one year and \$24,195,972 is due within greater than one year. The District also had \$3,530,046 in notes, capital leases, and lease purchase agreements outstanding at June 30, 2007.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The following table summarizes the debt outstanding.

**Outstanding Debt, at Year End**

	<u>Governmental Activities 2007</u>	<u>Governmental Activities 2006</u>
General obligation bonds:		
Term	\$ 5,930,000	\$ 6,080,000
Capital appreciation	1,044,485	1,044,485
Accreted interest	2,541,487	2,076,727
Refunding	<u>15,680,000</u>	<u>16,475,000</u>
Total general obligation bonds	<u>25,195,972</u>	<u>25,676,212</u>
Other debt:		
Notes	2,945,000	2,945,000
Capital leases	219,046	332,902
Lease purchase	<u>366,000</u>	<u>539,000</u>
Total debt obligations	<u>\$ 28,726,018</u>	<u>\$ 29,493,114</u>

At June 30, 2007, the District's overall legal debt margin was \$57,053,660 with an unvoted debt margin of \$884,752. See Note 10 to the basic financial statements for additional information on the District's debt administration.

**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.

The District has some challenges regarding its financial outlook. The Board of Education and administration will continue to closely monitor its revenues and expenditures in accordance with its financial forecast and the Ohio Department of Education's 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 29 out of 30 with an "Excellent" rating, the fifth straight year in a row.

As the preceding information shows, the District heavily depends on its property taxpayers. At present, the local taxpayers support represents approximately 63% of the total revenues of the District. Our communities' support was last measured by an outstanding accomplishment, in May of 2003 when 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 has also been experiencing a period of tremendous growth. Our student population has grown over 700 students since 2003!!! It does appear that there is some tampering off of new home developments, due to the economic times in general, but we continue to see an increase in student growth each year with no additional State Aide. The rapid growth is also seen in the assessed property valuation of the District. The District's assessed valuation has increased over \$210,000,000 since 2003. This increase is a result of the triennial updates of property values in the District, continued growth of new construction, primarily in the area of new homes, and Lucas County re-valuation of property values.

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. The voters will be asked to RENEW the 4.85 mill levy they approved in 2003 in March 2008 and most likely an emergency operating levy. 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 Mrs. 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, 2007

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 2,044,619
Receivables:	
Taxes . . . . .	26,712,652
Intergovernmental . . . . .	16,243
Prepayments . . . . .	153,054
Materials and supplies inventory . . . . .	30,338
Unamortized bond issue costs . . . . .	133,169
Capital assets:	
Land . . . . .	1,848,060
Depreciable capital assets, net. . . . .	24,202,676
Capital assets, net . . . . .	26,050,736
Total assets. . . . .	55,140,811
<b>Liabilities:</b>	
Accounts payable. . . . .	45,111
Accrued wages and benefits . . . . .	3,356,054
Pension obligation payable. . . . .	887,166
Intergovernmental payable . . . . .	279,356
Unearned revenue . . . . .	24,413,061
Accrued interest payable . . . . .	205,442
Long-term liabilities:	
Due within one year. . . . .	4,681,485
Due in more than one year . . . . .	25,872,276
Total liabilities . . . . .	59,739,951
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	85,248
Restricted for:	
Capital projects . . . . .	738,441
Debt service. . . . .	16,131
State funded programs. . . . .	27,896
Federally funded programs . . . . .	258,942
Student activities . . . . .	134,257
Other purposes . . . . .	34,698
Unrestricted (deficit) . . . . .	(5,894,753)
Total net assets (deficit) . . . . .	\$ (4,599,140)

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, 2007

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 17,630,513	\$ 489,061	\$ 217,353	\$ 62,868	\$ (16,861,231)
Special . . . . .	2,337,699	-	485,176	-	(1,852,523)
Vocational . . . . .	135,717	-	7,990	-	(127,727)
Support services:					
Pupil . . . . .	1,498,014	-	324,972	-	(1,173,042)
Instructional staff . . . . .	1,023,524	-	40,916	2,423	(980,185)
Board of education . . . . .	743,818	-	-	-	(743,818)
Administration . . . . .	2,691,509	-	83,543	-	(2,607,966)
Fiscal . . . . .	836,110	-	-	3,089	(833,021)
Business . . . . .	141,717	-	-	36	(141,681)
Operations and maintenance . . . . .	3,973,366	-	-	23,722	(3,949,644)
Pupil transportation . . . . .	2,518,081	83,609	182,572	50,285	(2,201,615)
Central . . . . .	103,963	-	32,179	-	(71,784)
Operation of non-instructional services . . . . .	11,035	186,756	2,781	-	178,502
Food service operations . . . . .	1,030,893	891,428	153,093	-	13,628
Extracurricular activities . . . . .	933,770	418,969	8,411	89,192	(417,198)
Intergovernmental pass-through . . . . .	103,531	-	103,531	-	-
Interest and fiscal charges . . . . .	1,733,875	-	-	18,945	(1,714,930)
<b>Total governmental activities . . . . .</b>	<b><u>\$ 37,447,135</u></b>	<b><u>\$ 2,069,823</u></b>	<b><u>\$ 1,642,517</u></b>	<b><u>\$ 250,560</u></b>	<b><u>(33,484,235)</u></b>
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					20,943,936
Debt service . . . . .					2,075,285
Capital projects . . . . .					1,487,617
Grants and entitlements not restricted to specific programs . . . . .					9,730,024
Investment earnings . . . . .					244,685
Miscellaneous . . . . .					61,387
<b>Total general revenues . . . . .</b>					<b><u>34,542,934</u></b>
Change in net assets . . . . .					1,058,699
<b>Net assets (deficit) at beginning of year . . . . .</b>					<b><u>(5,657,839)</u></b>
<b>Net assets (deficit) at end of year . . . . .</b>					<b><u>\$ (4,599,140)</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	<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 . . . . .	\$ 613,322	\$ 43,463	\$ 1,353,136	\$ 2,009,921
Receivables:				
Taxes. . . . .	22,631,616	2,280,989	1,800,047	26,712,652
Intergovernmental . . . . .	-	-	16,243	16,243
Interfund loans. . . . .	241,025	-	-	241,025
Prepayments. . . . .	153,054	-	-	153,054
Materials and supplies inventory . . . . .	14,747	-	15,591	30,338
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	34,698	-	-	34,698
Total assets . . . . .	<u>\$ 23,688,462</u>	<u>\$ 2,324,452</u>	<u>\$ 3,185,017</u>	<u>\$ 29,197,931</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 33,095	\$ -	\$ 12,016	\$ 45,111
Accrued wages and benefits . . . . .	3,245,277	-	110,777	3,356,054
Compensated absences payable . . . . .	241,854	-	-	241,854
Pension obligation payable. . . . .	840,609	-	46,557	887,166
Intergovernmental payable. . . . .	269,165	-	10,191	279,356
Interfund loans . . . . .	-	-	241,025	241,025
Deferred revenue. . . . .	1,577,495	141,066	112,711	1,831,272
Unearned revenue . . . . .	20,648,930	2,102,879	1,661,252	24,413,061
Total liabilities . . . . .	<u>26,856,425</u>	<u>2,243,945</u>	<u>2,194,529</u>	<u>31,294,899</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	148,397	-	82,493	230,890
Reserved for materials and supplies inventory. . . . .	14,747	-	15,591	30,338
Reserved for prepayments . . . . .	153,054	-	-	153,054
Reserved for property tax unavailable for appropriation . . . . .	244,146	23,600	18,179	285,925
Reserved for debt service . . . . .	-	56,907	-	56,907
Reserved for BWC refunds. . . . .	34,698	-	-	34,698
Unreserved:				
Undesignated (deficit), reported in:				
General fund . . . . .	(3,763,005)	-	-	(3,763,005)
Special revenue funds. . . . .	-	-	284,016	284,016
Capital projects funds. . . . .	-	-	590,209	590,209
Total fund balances (deficit) . . . . .	<u>(3,167,963)</u>	<u>80,507</u>	<u>990,488</u>	<u>(2,096,968)</u>
Total liabilities and fund balances . . . . .	<u>\$ 23,688,462</u>	<u>\$ 2,324,452</u>	<u>\$ 3,185,017</u>	<u>\$ 29,197,931</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, 2007

<b>Total governmental fund balances (deficit)</b>		\$ (2,096,968)
<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.		26,050,736
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 1,828,614	
Intergovernmental revenue	2,658	
Total		1,831,272
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(205,442)
Unamortized premiums on bond issuance is not recognized in the funds.		(592,552)
Unamortized bond issuance costs are not recognized in the funds.		133,169
Unamortized deferred charges on refundings are not recognized in the funds.		459,380
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	1,452,717	
General obligation bonds payable	25,195,972	
General obligation notes payable	2,945,000	
Lease purchases payable	366,000	
Capital lease obligation	219,046	
Total		(30,178,735)
<b>Net assets (deficit) of governmental activities</b>		<b>\$ (4,599,140)</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, 2007

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 20,723,957	\$ 2,071,408	\$ 1,461,905	\$ 24,257,270
Tuition. . . . .	281,539	-	-	281,539
Charges for services. . . . .	-	-	891,428	891,428
Earnings on investments. . . . .	244,685	-	9,265	253,950
Extracurricular. . . . .	-	-	418,969	418,969
Classroom materials and fees . . . . .	69,980	-	137,542	207,522
Other local revenues. . . . .	331,752	-	120,876	452,628
Intergovernmental - State. . . . .	9,923,625	324,962	348,567	10,597,154
Intergovernmental - Federal . . . . .	-	-	893,148	893,148
Total revenues. . . . .	<u>31,575,538</u>	<u>2,396,370</u>	<u>4,281,700</u>	<u>38,253,608</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	16,468,243	-	750,514	17,218,757
Special. . . . .	2,162,042	-	155,846	2,317,888
Vocational. . . . .	126,775	-	-	126,775
Support services:				
Pupil. . . . .	1,163,160	-	329,766	1,492,926
Instructional staff . . . . .	956,734	-	57,006	1,013,740
Board of education . . . . .	743,818	-	-	743,818
Administration. . . . .	2,609,704	-	99,791	2,709,495
Fiscal . . . . .	805,956	30,492	19,553	856,001
Business . . . . .	126,937	-	227	127,164
Operations and maintenance. . . . .	3,681,405	-	150,145	3,831,550
Pupil transportation . . . . .	2,216,637	-	158,200	2,374,837
Central. . . . .	72,273	-	27,323	99,596
Operation of non-instructional services. . . . .	-	-	7,406	7,406
Food service operations. . . . .	-	-	1,009,721	1,009,721
Extracurricular activities . . . . .	539,812	-	327,411	867,223
Facilities acquisition and construction . . . . .	1,410	-	564,523	565,933
Intergovernmental pass through. . . . .	-	-	103,531	103,531
Debt service:				
Principal retirement . . . . .	-	4,063,000	113,856	4,176,856
Interest and fiscal charges . . . . .	10,844	1,256,434	6,043	1,273,321
Total expenditures . . . . .	<u>31,685,750</u>	<u>5,349,926</u>	<u>3,880,862</u>	<u>40,916,538</u>
Excess of revenues over (under) expenditures . . . . .	<u>(110,212)</u>	<u>(2,953,556)</u>	<u>400,838</u>	<u>(2,662,930)</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	303,578	14,731	318,309
Transfers (out) . . . . .	(318,309)	-	-	(318,309)
Sale of notes . . . . .	-	2,945,000	-	2,945,000
Total other financing sources (uses) . . . . .	<u>(318,309)</u>	<u>3,248,578</u>	<u>14,731</u>	<u>2,945,000</u>
Net change in fund balances . . . . .	(428,521)	295,022	415,569	282,070
<b>Fund balances (deficit)</b>				
at beginning of year . . . . .	(2,744,599)	(214,515)	577,703	(2,381,411)
Increase (decrease) in reserve for inventory . . . . .	5,157	-	(2,784)	2,373
Fund balances (deficit) at end of year. . . . .	<u>\$ (3,167,963)</u>	<u>\$ 80,507</u>	<u>\$ 990,488</u>	<u>\$ (2,096,968)</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, 2007

<b>Net change in fund balances - total governmental funds</b>	\$	282,070
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 651,886	
Current year depreciation	<u>(1,072,035)</u>	
Total		(420,149)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		2,373
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	249,568	
Intergovernmental revenue	<u>2,658</u>	
Total		252,226
Repayment of long-term obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. The District made the following principal payments:		
Bonds	945,000	
Capital lease	113,856	
Lease purchase	173,000	
Notes	<u>2,945,000</u>	
Total		4,176,856
Sale of notes are recorded as an other financing source in the funds, however, in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets.		
		(2,945,000)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The following items resulted in additional interest being reported on the statement of activities:		
Decrease in accrued interest payable	4,205	
Accreted interest on "capital appreciation" bonds	(464,760)	
Amortization of bond issue cost	(5,687)	
Amortization of bond premiums	25,305	
Amortization of deferred charges on refundings	<u>(19,617)</u>	
Total		(460,554)
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>170,877</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>1,058,699</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, 2007

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 21,216,986	\$ 21,216,986	\$ 21,064,757	\$ (152,229)
Tuition. . . . .	190,423	190,423	281,539	91,116
Transportation fees . . . . .	355	355	-	(355)
Earnings on investments. . . . .	185,707	185,707	244,684	58,977
Classroom materials and fees . . . . .	83,187	83,187	69,979	(13,208)
Other local revenues . . . . .	259,040	259,040	328,236	69,196
Intergovernmental - State . . . . .	<u>9,873,566</u>	<u>9,873,566</u>	<u>9,923,625</u>	<u>50,059</u>
Total revenues . . . . .	<u>31,809,264</u>	<u>31,809,264</u>	<u>31,912,820</u>	<u>103,556</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	16,568,366	16,568,366	16,562,398	5,968
Special. . . . .	2,128,106	2,128,106	2,125,774	2,332
Vocational. . . . .	179,402	179,402	173,233	6,169
Other. . . . .	523	523	374	149
Support services:				
Pupil. . . . .	1,179,624	1,179,624	1,166,325	13,299
Instructional staff . . . . .	940,127	940,127	933,199	6,928
Board of education . . . . .	774,785	774,785	766,284	8,501
Administration. . . . .	2,638,414	2,638,414	2,629,888	8,526
Fiscal . . . . .	801,128	801,128	794,714	6,414
Business . . . . .	124,373	124,373	122,540	1,833
Operations and maintenance. . . . .	3,780,620	3,780,620	3,751,336	29,284
Pupil transportation . . . . .	2,173,382	2,173,382	2,157,383	15,999
Central. . . . .	77,827	77,827	73,887	3,940
Extracurricular activities. . . . .	549,799	549,799	542,203	7,596
Facilities acquisition and construction. . . . .	1,410	1,410	1,410	-
Total expenditures . . . . .	<u>31,917,886</u>	<u>31,917,886</u>	<u>31,800,948</u>	<u>116,938</u>
Excess of revenues over (under) expenditures. . . . .	<u>(108,622)</u>	<u>(108,622)</u>	<u>111,872</u>	<u>220,494</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditures . . . . .	6,719	6,719	6,731	12
Refund of prior year receipts . . . . .	(18,988)	(18,988)	(18,988)	-
Transfers in. . . . .	65,925	65,925	65,925	-
Transfers (out) . . . . .	(384,234)	(384,234)	(384,234)	-
Advances in. . . . .	337,848	337,848	307,340	(30,508)
Advances out . . . . .	(241,025)	(241,025)	(241,025)	-
Sale of capital assets . . . . .	<u>4,708</u>	<u>4,708</u>	<u>3,738</u>	<u>(970)</u>
Total other financing sources (uses) . . . . .	<u>(229,047)</u>	<u>(229,047)</u>	<u>(260,513)</u>	<u>(31,466)</u>
Net change in fund balance . . . . .	(337,669)	(337,669)	(148,641)	189,028
<b>Fund balance at beginning of year. . . . .</b>	610,020	610,020	610,020	-
<b>Prior year encumbrances appropriated . . . . .</b>	35,998	35,998	35,998	-
<b>Fund balance (deficit) at end of year. . . . .</b>	<u>\$ 308,349</u>	<u>\$ 308,349</u>	<u>\$ 497,377</u>	<u>\$ 189,028</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, 2007

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$ 43,146	\$ 117,598
Total assets . . . . .	43,146	\$ 117,598
<b>Liabilities:</b>		
Due to students . . . . .	-	\$ 117,598
Total liabilities . . . . .	-	\$ 117,598
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	43,146	
Total net assets . . . . .	\$ 43,146	

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, 2007

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions. . . . .	\$ 4,200
Total additions. . . . .	4,200
<b>Deductions:</b>	
Scholarships awarded . . . . .	566
Change in net assets . . . . .	3,634
<b>Net assets at beginning of year . . . . .</b>	<b>39,512</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 43,146</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, 2007**

**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 876 public and community school districts in the state. It currently operates 3 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 218 non-certified and 278 certified (including administrative) full-time and part-time employees to provide services to approximately 4,027 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 also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental type activity and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. 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, 2007

**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, 2007**

**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 (deficit) 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, 2007

**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, 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.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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.

**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. 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 2007.
2. 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 Certificate 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 Certificate of estimated resources issued for fiscal year 2007.
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 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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 2007. All amounts reported in the budgetary statement reflect the original and final appropriations legally enacted by the Board.
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 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 2007, 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. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2007. 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, 2007.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund or 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 2007 amounted to \$244,685, which includes \$162,211 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 and are expensed when purchased. Inventories are accounted for using the purchase method.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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.

**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>	Governmental Activities <u>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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2007, 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 net assets.

**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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

**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, debt service 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.

**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 enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represent BWC refunds restricted by State statute for budget stabilization.

The District applies restricted resources first 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**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 2007.

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

On government-wide financial statements, issuance cost 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 statements of net assets is presented in Note 10.A.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balances**

Fund balances at June 30, 2007 included the following individual fund deficits:

<u>Major Fund</u>	<u>Deficit</u>
General Fund	\$ 3,167,963
<u>Nonmajor Funds</u>	
Ohio Reads	45
Title I	601
Improving Teacher Quality	8,643

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.

**B. Compliance**

- i. The District did not approve permanent appropriations before October 1, 2006, in noncompliance with Ohio Revised Code Section 5705.38. Temporary appropriations were approved at 25% of prior year totals in June 2006, and then an appropriation ordinance was approved on June 21, 2007.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

- ii.* The District had expenditures in excess of appropriations 11 out of 12 months during the fiscal year ended June 30, 2007 in noncompliance with Ohio Revised Code Section 5705.41(B).
- iii.* The District had expenditures exceed appropriations during the fiscal year ended June 30, 2007 in noncompliance with Ohio Revised Code Section 5705.40.

**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.

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;
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;



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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.

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.

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."

**B. Deposits with Financial Institutions**

At June 30, 2007, the carrying amount of all District deposits was \$183,882, exclusive of the \$2,001,000 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$188,718 of the District's bank balance of \$388,718 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**C. Investments**

As of June 30, 2007, 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	\$ 2,001,000	\$ 2,001,000
STAR Ohio	13,192	13,192
	<u>\$ 2,014,192</u>	<u>\$ 2,014,192</u>

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

*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.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$2,001,000 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State Statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Concentration of Credit Risk:* The District 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, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 2,001,000	99.35
STAR Ohio	13,192	0.65
Total	<u>\$ 2,014,192</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**D. Reconciliation of Cash and Investments 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, 2007:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 183,882
Investments	2,014,192
Cash on hand	<u>7,289</u>
Total	<u>\$ 2,205,363</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 2,044,619
Private-purpose trust fund	43,146
Agency funds	<u>117,598</u>
Total	<u>\$ 2,205,363</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund transfers for the year ended June 30, 2007, consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:	
Debt service fund	\$ 303,578
Nonmajor governmental funds	<u>14,731</u>
Total	<u>\$ 318,309</u>

All transfers were in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16. Transfers between governmental funds are eliminated for reporting on the government wide financial statements.

- B.** Interfund balances at June 30, 2007 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	Nonmajor Governmental Funds	<u>\$ 241,025</u>

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**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 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien January 1, 2006, were levied after April 1, 2006 and are collected in 2007 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 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. For 2006, tangible personal property was assessed at 18.75% for property including inventory. This percentage was reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. 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 2007-2010, 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, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date tax bills are sent. The amount available as an advance at June 30, 2007 was \$244,146 in the general fund, \$23,600 in the debt service fund and \$18,179 in the permanent improvement fund (a nonmajor governmental fund). This amount has been recorded as revenue. The amount that was 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 (a nonmajor governmental fund).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On 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 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 746,162,110	90.92	\$ 870,113,100	93.39
Public utility personal	17,464,010	2.13	17,742,870	1.90
Tangible personal property	<u>57,046,721</u>	<u>6.95</u>	<u>43,804,130</u>	<u>4.71</u>
Total	<u>\$ 820,672,841</u>	<u>100.00</u>	<u>\$ 931,660,100</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$71.40		\$71.40	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2007 consisted of taxes 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	\$ 26,712,652
Intergovernmental	<u>16,243</u>
Total	<u>\$ 26,728,895</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,688,060	\$ 160,000	\$ -	\$ 1,848,060
Total capital assets, not being depreciated	<u>1,688,060</u>	<u>160,000</u>	<u>-</u>	<u>1,848,060</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,327,966	35,065	-	2,363,031
Building and improvements	33,152,020	281,167	-	33,433,187
Furniture and equipment	1,559,680	29,454	-	1,589,134
Vehicles	<u>3,840,881</u>	<u>146,200</u>	<u>-</u>	<u>3,987,081</u>
Total capital assets, being depreciated	<u>40,880,547</u>	<u>491,886</u>	<u>-</u>	<u>41,372,433</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(2,014,028)	(22,341)	-	(2,036,369)
Building and improvements	(11,122,562)	(633,586)	-	(11,756,148)
Furniture and equipment	(882,732)	(111,337)	-	(994,069)
Vehicles	<u>(2,078,400)</u>	<u>(304,771)</u>	<u>-</u>	<u>(2,383,171)</u>
Total accumulated depreciation	<u>(16,097,722)</u>	<u>(1,072,035)</u>	<u>-</u>	<u>(17,169,757)</u>
Governmental activities capital assets, net	<u>\$ 26,470,885</u>	<u>\$ (420,149)</u>	<u>\$ -</u>	<u>\$ 26,050,736</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 565,119
Special	26,225
Vocational	6,556
<u>Support Services:</u>	
Instructional staff	2,917
Administration	6,492
Fiscal	2,000
Business	9,741
Operations and maintenance	46,343
Pupil transportation	300,986
Central	1,901
Non-instructional	3,629
Extracurricular activities	66,547
Food service operations	<u>33,579</u>
Total depreciation expense	<u>\$ 1,072,035</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

- A. In prior years, the District entered into a capitalized lease for computer equipment. This lease agreement meets 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 function expenditures on the budgetary statements.

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 2007, principal and interest payments of \$113,856 and \$6,043, respectively, were paid from the permanent improvement fund (a nonmajor governmental fund).

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, 2007:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 119,899
2009	<u>119,898</u>
Total minimum lease payments	239,797
Less: amount representing interest	<u>(20,751)</u>
Total	<u>\$ 219,046</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.

Capital assets consisting of vehicles have been capitalized in the amount of \$938,598. Accumulated depreciation as of June 30, 2007 was \$308,821, leaving a current book value of \$629,777. A liability in the amount of the present value of minimum lease payments has been recorded in the statement of net assets. During fiscal 2007, principal and interest payments of \$173,000 and \$10,844, respectively, were paid from the debt service fund and interest payments of \$10,844 were paid from the general fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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>Amount</u>
2008	\$ 193,795
2009	<u>194,659</u>
Total	388,454
Less: interest	<u>(22,454)</u>
Present value	<u>\$ 366,000</u>

In conjunction with the lease-purchase agreement, the District entered into an escrow agreement with US Bank whereby acts as escrow agent for the funds received under the lease-purchase agreement. Under the escrow agreement, the District authorizes and directs US Bank to make disbursements to pay the project costs 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, 2007.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. The District's long-term obligations activity during fiscal year 2007 consisted of the following:

	Balance <u>July 1, 2006</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2007</u>	Amounts Due Within <u>One Year</u>
<b>General obligation bonds:</b>					
<u>Series 1993, refunding</u>					
Current interest bonds	\$ 185,000	\$ -	\$ (185,000)	\$ -	\$ -
Capital appreciation bonds	129,790	-	-	129,790	17,958
Accreted interest	630,016	113,706	-	743,722	167,042
<u>Series 1995, facilities improvement</u>					
Capital appreciation bonds	299,704	-	-	299,704	-
Accreted interest	1,011,863	193,054	-	1,204,917	-
<u>Series 2000, facilities improvement</u>					
Current interest bonds	1,095,000	-	(50,000)	1,045,000	50,000
Capital appreciation bonds	340,000	-	-	340,000	-
Accreted interest	200,155	46,502	-	246,657	-
<u>Series 2001, refunding</u>					
Current interest bonds	10,030,000	-	(520,000)	9,510,000	560,000
Capital appreciation bonds	139,995	-	-	139,995	-
Accreted interest	223,168	80,559	-	303,727	-
<u>Series 2001, facilities improvement</u>					
Current interest bonds	4,985,000	-	(100,000)	4,885,000	135,000
<u>Series 2006, refunding</u>					
Current interest bonds	6,260,000	-	(90,000)	6,170,000	70,000
Capital appreciation bonds	134,996	-	-	134,996	-
Accreted interest	11,525	30,939	-	42,464	-
Total G.O. Bonds	<u>25,676,212</u>	<u>464,760</u>	<u>(945,000)</u>	<u>25,195,972</u>	<u>1,000,000</u>
<b>Other long-term obligations:</b>					
Capital leases payable	332,902	-	(113,856)	219,046	106,203
Lease purchase payable	539,000	-	(173,000)	366,000	179,000
Note payable	2,945,000	2,945,000	(2,945,000)	2,945,000	2,945,000
Total other long-term obligations	<u>3,816,902</u>	<u>2,945,000</u>	<u>(3,231,856)</u>	<u>3,530,046</u>	<u>3,230,203</u>
Compensated absences:					
Severance	1,687,496	125,027	(327,380)	1,485,143	241,854
Vacation leave	236,030	209,428	(236,030)	209,428	209,428
Total compensated absences	<u>1,923,526</u>	<u>334,455</u>	<u>(563,410)</u>	<u>1,694,571</u>	<u>451,282</u>
Total	<u>\$ 31,416,640</u>	<u>\$ 3,744,215</u>	<u>\$ (4,740,266)</u>	<u>\$ 30,420,589</u>	<u>\$ 4,681,485</u>
				592,552	
				(459,380)	
				<u>\$ 30,553,761</u>	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**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 and capital appreciation bonds, par value \$129,790. The final principal payment was made on the current interest bonds during fiscal year 2007. 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 accreted value at maturity for the capital appreciation bonds is \$1,325,000. Total accreted interest of \$743,722 has been included on the statement of net assets at June 30, 2007.

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 \$299,704. 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 accreted value at maturity for the capital appreciation bonds is \$2,770,000. Total accreted interest of \$1,204,917 has been included on the statement of net assets at June 30, 2007.

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.

This issue was comprised of current interest bonds, present value \$1,045,000 at June 30, 2007, and capital appreciation bonds, par value \$340,000. 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 accreted value at maturity for the capital appreciation bonds is \$1,055,000. Total accreted interest of \$246,657 has been included on the statement of net assets at June 30, 2007.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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 \$9,510,000 at June 30, 2007, and capital appreciation bonds, par value \$139,995. 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 accreted value at maturity for the capital appreciation bonds is \$2,410,000. Total accreted interest of \$303,727 has been included on the statement of net assets at June 30, 2007.

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 \$4,885,000 at June 30, 2007, 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.

This issue was comprised of current interest bonds, present value \$6,170,000 at June 30, 2007, and capital appreciation bonds, par value \$134,996. 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 accreted value at maturity for the capital appreciation bonds is \$1,310,000. Total accreted interest of \$42,464 has been included on the statement of net assets at June 30, 2007.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**H.** On August 1, 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 3.75%. These notes were retired with the re-issuance of \$2,945,000 in Facilities Notes on May 15, 2007. These notes mature May 14, 2008 and bear an annual interest rate of 4.03%.

**I.** Principal and interest requirements to retire the District's long-term bonds are as follows:

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	720,000	-	720,000
2012	500,000	891,807	1,391,807	745,000	-	745,000
2013 - 2017	1,615,000	4,053,669	5,668,669	5,465,000	-	5,465,000
2018 - 2022	6,980,000	3,259,783	10,239,783	865,000	-	865,000
2023 - 2027	7,130,000	1,343,517	8,473,517	-	-	-
2028 - 2031	2,755,000	289,118	3,044,118	-	-	-
Total	<u>\$ 21,610,000</u>	<u>\$ 13,629,104</u>	<u>\$ 35,239,104</u>	<u>\$ 8,870,000</u>	<u>\$ -</u>	<u>\$ 8,870,000</u>

**J. Other Long-Term Obligations**

Compensated absences will be paid from the fund from which the employee is paid which, for the District, is the general fund and the Food Service fund (a nonmajor governmental fund).

The capital lease obligation is further described in Note 9.A.

The lease purchase obligation is further described in Note 9.B.

**K. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$57,053,660 (including available funds of \$80,507) and an unvoted debt margin of \$884,752.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**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 33 percent of the total sick leave accumulation, up to a maximum accumulation of seventy-seven 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 2007, The District purchased from Indiana Insurance Company, general liability insurance, which carried a \$1 million per occurrence/\$3 million annual aggregate limitation.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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.

*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, or by visiting the SERS website at [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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. 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 2007, 2006, and 2005 were \$535,230, \$510,726, and \$481,118; 41.44 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$313,406 represents the unpaid pension contribution for fiscal year 2007 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, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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. 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, 2007, 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. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. 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 STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$2,034,789, \$1,925,566 and \$1,823,436; 82.89 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$348,092 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2007 were \$36,139 made by the District and \$85,945 made by plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**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.

All 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, 2007, 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 \$156,522 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS 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.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$265,194 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 the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**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, Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to 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:

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (148,641)
Net adjustment for revenue accruals	(337,282)
Net adjustment for expenditure accruals	(35,445)
Net adjustment for other sources/uses	(57,796)
Adjustment for encumbrances	150,643
GAAP basis	\$ (428,521)

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**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.

The District is a party to other 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, 2007, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>	BWC <u>Refunds</u>	Budget Stabilization <u>Designated</u>
Set-aside cash balance as of June 30, 2006	\$ (1,019,581)	\$ (10,551,621)	\$ 34,698	\$ 547,582
Current year set-aside requirement	612,771	612,771	-	-
Current year off-set credits	-	(1,487,531)	-	-
Qualifying disbursements	<u>(404,657)</u>	<u>(2,452,551)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ (811,467)</u>	<u>\$ (13,878,932)</u>	<u>\$ 34,698</u>	<u>\$ 547,582</u>
Balance carried forward to FY 2008	<u>\$ (811,467)</u>	<u>\$ (10,551,621)</u>	<u>\$ 34,698</u>	<u>\$ 547,582</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 17 - STATUTORY RESERVES - (Continued)**

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. This extra amount 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, 2007 follows:

Amount restricted for BWC refunds	<u>\$ 34,698</u>
Total restricted assets	<u><u>\$ 34,698</u></u>

The amount designated for budget stabilization is not shown as designated fund balance of the fund financial statements due to the District reporting a negative undesignated general fund balance.

**NOTE 18 - FISCAL CAUTION**

On March 22, 2007 the District was declared to be in fiscal caution by the Auditor of State. There are several conditions which determine whether a District should be declared in fiscal caution, among which include the failure to pass a levy to eliminate the operating deficit in the succeeding year. The District is currently working with the State to meet criteria for terminating the fiscal caution status.

## **SUPPLEMENTARY DATA**

ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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	\$ -	\$ 29,555	\$ -	\$ 29,555
<b>Total Food Donation</b>			-	29,555	-	29,555
(B) National School Lunch Program	10.555	048207-LLP4-2006	33,583		33,583	
(B) National School Lunch Program	10.555	048207-LLP4-2007	80,343		80,343	
<b>Total National School Lunch Program</b>			113,926		113,926	
<b>Total U.S. Department of Agriculture</b>			113,926	29,555	113,926	29,555
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
Title I Grants to Local Educational Agencies	84.010	048207-C1S1-2007	82,308		82,308	
<b>Total Title I Grants to Local Educational Agencies</b>			82,308		82,308	
(D) Special Education Grants to States	84.027	048207-6BSF-2006	(51,630)		-	
Special Education Grants to States	84.027	048207-6BSF-2007	699,505		649,876	
<b>Total Special Education Grants to States</b>			647,875		649,876	
Safe and Drug-Free Schools and Communities State Grants	84.186	048207-DRSI-2006	-		2,952	
Safe and Drug-Free Schools and Communities State Grants	84.186	048207-DRSI-2007	8,672		8,672	
<b>Total Safe and Drug-Free Schools and Communities State Grants</b>			8,672		11,624	
State Grants for Innovative Programs	84.298	048207-C2S1-2006	-		410	
State Grants for Innovative Programs	84.298	048207-C2S1-2007	5,919		5,919	
<b>Total State Grants for Innovative Programs</b>			5,919		6,329	
Education Technology State Grants	84.318	048207-TJS1-2006	-		60	
Education Technology State Grants	84.318	048207-TJS1-2007	856		856	
<b>Total Education Technology State Grants</b>			856		916	
(E) Improving Teacher Quality State Grants	84.367	048207-TRS1-2006	3,266		-	
Improving Teacher Quality State Grants	84.367	048207-TRS1-2007	88,413		85,503	
<b>Total Improving Teacher Quality State Grants</b>			91,679		85,503	
<b>Total U.S. Department of Education</b>			837,309		836,556	
<b>Total Federal Financial Assistance</b>			\$ 951,235	\$ 29,555	\$ 950,482	\$ 29,555

(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.

(D) Amount of \$51,630 transferred to fiscal year 2007 grant year based on Ohio Department of Education administrative action.

(E) Amount of \$6,063 transferred to fiscal year 2007 grant year based on Ohio Department of Education administrative action.



## **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 as of and for the fiscal year ended June 30, 2007, which collectively comprise Anthony Wayne Local School District's basic financial statements and have issued our report thereon dated November 8, 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 the Anthony Wayne Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Anthony Wayne Local School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Anthony Wayne Local School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Anthony Wayne Local School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Anthony Wayne Local School District's financial statements that is more than inconsequential will not be prevented or detected by the Anthony Wayne Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Anthony Wayne Local School District's internal control.

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

Board of Education  
Anthony Wayne Local School District

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 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 three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as 2007-AWLSD-001 through 2007-AWLSD-003.

We noted certain matters that we reported to the management of the Anthony Wayne Local School District in a separate letter dated November 8, 2007.

Anthony Wayne Local School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Anthony Wayne Local School District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management and Board of Education of the Anthony Wayne Local School District and 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.  
November 8, 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 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 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, 2007. The 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 and responses. 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 the Anthony Wayne Local School District's compliance with those requirements.

In our opinion, the 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, 2007.

#### 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Anthony Wayne Local School District's internal control over compliance.



Board of Education  
Anthony Wayne Local School District

A control deficiency in Anthony Wayne Local School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Anthony Wayne Local School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Anthony Wayne Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Anthony Wayne Local School District's internal control.

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

This report is intended solely for the information and use of management and Board of Education of the Anthony Wayne Local School District and 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.  
November 8, 2007

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO  
JUNE 30, 2007**

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

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control 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 (listed):</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

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO  
JUNE 30, 2007**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2007-AWLSD-001

Ohio Revised Code Section 5705.38 requires the annual appropriation measure to be passed on or about the first day of each fiscal year. Temporary appropriations may be adopted until September 30 if the taxing authority wishes to postpone the passage of the annual appropriation measure until the county budget commission sends out the amended certificate based on year end balances.

The District did not approve permanent appropriations before October 1, 2006. Temporary appropriations were approved at 25% of prior year totals in June 2006, and then an appropriation ordinance was approved on June 21, 2007.

While the District did not spend more monies than actually available, the lack of evidence of appropriations may hinder its ability to effectively budget and monitor disbursements related to the budget.

We recommend that the Board adopt procedures for approving the appropriation measures and include these procedures in an accounting policies and procedures manual. We recommend that the Treasurer develop a tickler file including all significant due dates of the budgeting process. The temporary or permanent appropriation measures should be passed prior to incurring expenditures.

Client Response: The current Treasurer was not the Treasurer at the time appropriations were to be adopted. The Treasurer will approve permanent appropriations with the Board by September 30 every year.

Finding Number	2007-AWLSD-002
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Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

The District had expenditures in excess of appropriations for all months during fiscal 2007, except for June 30, 2007, due to no annual appropriation ordinances being passed until June 27, 2007.

The District is expending monies that have not been approved by the Board. This could result in unnecessary purchases or fund deficits.

We recommend that the District comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary.

Client Response: The current Treasurer was not the Treasurer at the time appropriations were to be adopted. For fiscal 2008, appropriations were adopted timely.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO  
JUNE 30, 2007**

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

<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2007-AWLSLSD-003

Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by Board resolution and comply with the same provisions of the law as used in making the original appropriations.

It was noted during the audit that expenditures exceeded appropriations in certain funds during the fiscal year due to the District not timely or properly approving permanent appropriations and not modifying appropriations until the end of the fiscal year.

By not timely and properly modifying the District's appropriations, the District is not adequately monitoring appropriations versus expenditures. With expenditures exceeding appropriations, overspending may occur which may result in a negative fund balance.

We recommend that the District comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary.

*Client Response:* The current District Treasurer was not the Treasurer at the District until June 2007 and was not aware of the lack of approved annual appropriations. Fiscal 2008 annual appropriations have been approved and modified and monitored for compliance.



**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  
JANUARY 8, 2008**