

ANTHONY WAYNE LOCAL SCHOOL DISTRICT

LUCAS COUNTY

Audit Report

For the Year Ended June 30, 2012

CHARLES E. HARRIS & ASSOCIATES, INC.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

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

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

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

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Dave Yost
Auditor of State

January 25, 2013

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ANTHONY WAYNE LOCAL SCHOOL DISTRICT
LUCAS COUNTY
AUDIT REPORT
For the Year Ending June 30, 2012

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

INDEPENDENT ACCOUNTANTS' REPORT

Anthony Wayne Local School District
Lucas County
9565 Bucher Road
P.O. Box 2487
Whitehouse, Ohio 43571

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anthony Wayne Local School District, Lucas County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Anthony Wayne Local School District, Lucas County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in black ink that reads "Charles E. Harris" followed by "Associates" in a smaller, less legible script.

Charles E. Harris & Associates, Inc.

November 29, 2012

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

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

The management's discussion and analysis of the Anthony Wayne Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets of governmental activities decreased \$1,607,769 from \$4,419,398 to \$2,811,629.
- General revenues accounted for \$35,377,761 in revenue or 89.98% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,940,201 or 10.02% of all revenues. The District had total revenues of \$39,317,962.
- The District had \$40,925,731 in expenses related to governmental activities; only \$3,940,201 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$35,377,761 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and permanent improvement fund. The general fund had \$32,689,218 in revenues and other financing sources and \$33,833,229 in expenditures. During fiscal year 2012, the general fund's fund balance decreased \$1,149,719 from \$5,165,675 to \$4,015,956.
- The permanent improvement fund had \$2,013,071 in revenues and \$2,498,115 in expenditures. During fiscal year 2012, the permanent improvement fund's fund balance decreased \$485,044 from \$2,370,171 to \$1,885,127.

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 permanent improvement 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, 2012
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

On the statement of net assets and in 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 15-16 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 permanent improvement 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 on the statement of net assets and in 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 17-21 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 and statement of changes in fiduciary net assets on pages 22 and 23. 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, 2012
(UNAUDITED)

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-53 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2012 and 2011.

	Net Assets	
	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<u>Assets</u>		
Current and other assets	\$ 36,909,927	\$ 39,009,839
Capital assets, net	<u>18,816,947</u>	<u>18,963,486</u>
Total assets	<u>55,726,874</u>	<u>57,973,325</u>
<u>Liabilities</u>		
Current liabilities	28,456,452	28,591,797
Long-term liabilities	<u>24,458,793</u>	<u>24,962,130</u>
Total liabilities	<u>52,915,245</u>	<u>53,553,927</u>
<u>Net assets</u>		
Invested in capital assets, net of related debt	(491,513)	(1,069,172)
Restricted	3,415,679	4,035,253
Unrestricted (deficit)	<u>(112,537)</u>	<u>1,453,317</u>
Total net assets	<u>\$ 2,811,629</u>	<u>\$ 4,419,398</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$2,811,629.

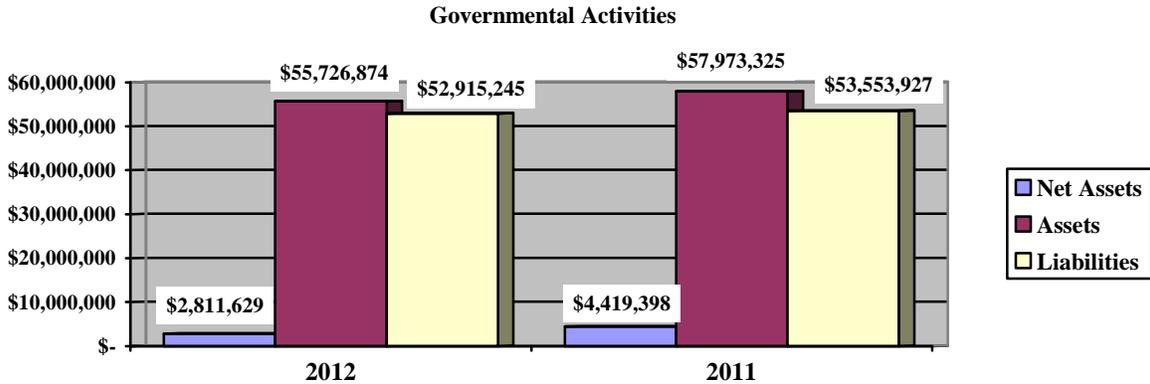
At year-end, capital assets represented 33.77% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets, at June 30, 2012 was a deficit of \$491,513. 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, \$3,415,679, 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 \$112,537.

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

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

The chart below shows the Districts governmental activities assets, liabilities and net assets at June 30, 2012 and 2011:



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

	Change in Net Assets	
	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 2,170,520	\$ 2,085,910
Operating grants and contributions	1,769,681	3,178,983
General revenues:		
Property taxes	23,040,496	24,202,946
Payments in lieu of taxes	726,826	1,310,996
Grants and entitlements	11,456,400	12,249,341
Investment earnings	22,445	32,782
Other	<u>131,594</u>	<u>101,556</u>
Total revenues	<u>39,317,962</u>	<u>43,162,514</u>

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

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

	Change in Net Assets (Continued)	
	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 19,850,591	\$ 18,971,325
Special	2,940,377	3,130,794
Vocational	8,850	8,696
Support services:		
Pupil	1,705,653	1,764,319
Instructional staff	857,877	911,144
Board of education	617,101	795,091
Administration	3,142,934	2,999,747
Fiscal	972,982	879,579
Business	24,922	18,514
Operations and maintenance	4,109,167	4,005,578
Pupil transportation	2,640,433	2,606,019
Central	52,775	75,231
Operations of non-instructional services:		
Food service operations	1,135,593	1,114,819
Other non-instructional services	228,835	234,635
Extracurricular activities	1,140,909	1,094,862
Interest and fiscal charges	<u>1,496,732</u>	<u>1,414,532</u>
Total expenses	<u>40,925,731</u>	<u>40,024,885</u>
Change in net assets	(1,607,769)	3,137,629
Net assets at beginning of year	<u>4,419,398</u>	<u>1,281,769</u>
Net assets at end of year	<u>\$ 2,811,629</u>	<u>\$ 4,419,398</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$1,607,769. Total governmental expenses of \$40,925,731 were offset by program revenues of \$3,940,201 and general revenues of \$35,377,761. Program revenues supported 9.63% of the total governmental expenses.

Total revenues for fiscal year 2012 were 8.91% lower than the prior year, as the District experienced a decrease in both program and general revenues. The decrease in operating grants and contributions is largely the result of the elimination of the federal ARRA grant funding, as well as a decreased allocation for the federal education jobs grant program. The primary sources of revenue for governmental activities are derived from property taxes, payments in lieu of taxes and unrestricted grants and entitlements. These revenue sources represent 89.59% of total governmental revenue.

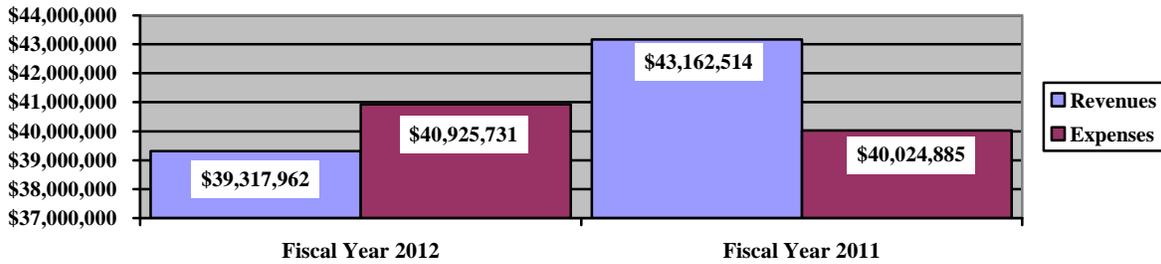
**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

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

The largest expense of the District is for instructional programs. Instruction expenses totaled \$22,799,818 or 55.71% of total governmental expenses for fiscal year 2012.

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

Governmental Activities - Revenues and Expenses



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

Governmental Activities

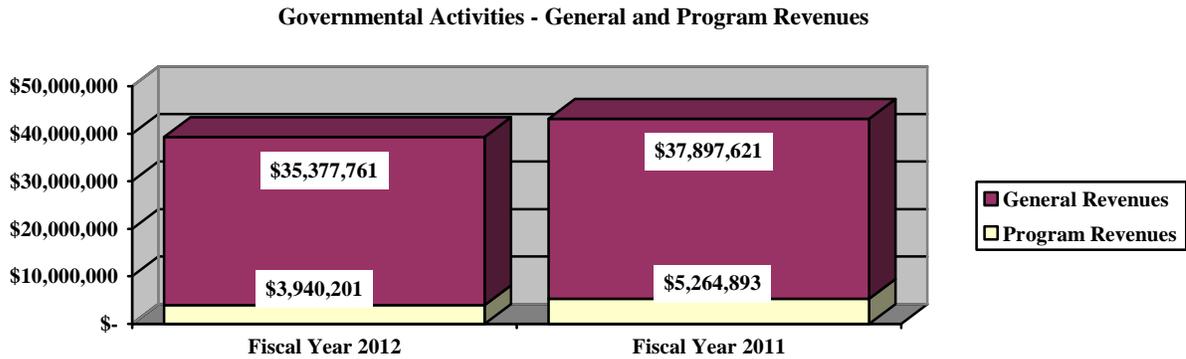
	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>
Program expenses				
Instruction:				
Regular	\$ 19,850,591	\$ 19,000,627	\$ 18,971,325	\$ 17,403,851
Special	2,940,377	2,397,817	3,130,794	2,267,415
Vocational	8,850	2,513	8,696	2,359
Support services:				
Pupil	1,705,653	1,388,419	1,764,319	1,321,699
Instructional staff	857,877	818,158	911,144	730,618
Board of education	617,101	617,101	795,091	795,091
Administration	3,142,934	2,950,551	2,999,747	2,842,404
Fiscal	972,982	972,982	879,579	879,579
Business	24,922	24,922	18,514	18,514
Operations and maintenance	4,109,167	4,094,771	4,005,578	3,991,347
Pupil transportation	2,640,433	2,456,019	2,606,019	2,429,875
Central	52,775	41,975	75,231	34,948
Operations of non-instructional services:				
Food service operations	1,135,593	77,127	1,114,819	24,399
Other non-instructional services	228,835	4,812	234,635	1,468
Extracurricular activities	1,140,909	641,004	1,094,862	601,893
Interest and fiscal charges	<u>1,496,732</u>	<u>1,496,732</u>	<u>1,414,532</u>	<u>1,414,532</u>
Total expenses	<u>\$ 40,925,731</u>	<u>\$ 36,985,530</u>	<u>\$ 40,024,885</u>	<u>\$ 34,759,992</u>

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

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

The dependence upon tax and other general revenues for governmental activities is apparent; 93.86% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 90.37%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$7,430,041, which is lower than last year's total of \$8,996,265. The table below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance <u>June 30, 2012</u>	Fund Balance <u>June 30, 2011</u>	Increase <u>(Decrease)</u>
General	\$ 4,015,956	\$ 5,165,675	\$ (1,149,719)
Permanent improvement	1,885,127	2,370,171	(485,044)
Other governmental	<u>1,528,958</u>	<u>1,460,419</u>	<u>68,539</u>
Total	<u>\$ 7,430,041</u>	<u>\$ 8,996,265</u>	<u>\$ (1,566,224)</u>

General Fund

The District's general fund reported a fund balance of \$4,015,956 at June 30, 2012. The general fund balance decreased in fiscal year 2012, after increasing each of the previous four years.

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

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

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

	2012 <u>Amount</u>	2011 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 19,908,105	\$ 20,331,054	(2.08) %
Payments in lieu of taxes	610,534	1,101,236	(44.56) %
Tuition	465,327	396,436	17.38 %
Earnings on investments	21,346	32,782	(34.88) %
Intergovernmental	11,080,535	11,836,157	(6.38) %
Other revenues	<u>571,763</u>	<u>552,259</u>	3.53 %
Total	<u>\$ 32,657,610</u>	<u>\$ 34,249,924</u>	(4.65) %
<u>Expenditures</u>			
Instruction	\$ 20,577,763	\$ 19,589,096	5.05 %
Support services	12,642,403	12,468,277	1.40 %
Operation of non-instructional services	1,054	1,125	(6.31) %
Extracurricular activities	<u>612,009</u>	<u>640,392</u>	(4.43) %
Total	<u>\$ 33,833,229</u>	<u>\$ 32,698,890</u>	3.47 %

As the preceding table shows, revenues decreased and expenditures increased, leading to a decrease in the general fund balance. The most significant decrease in revenues was for payments in lieu of taxes and intergovernmental revenues. Payments in lieu of taxes is revenue received from the District's Tax Increment Financing agreement at Fallen Timbers mall. The primary cause of the decrease in intergovernmental revenues is the phase-out of the State reimbursements for the loss of tangible personal property taxes.

Most of the increase in general fund expenditures is due to slightly higher wages and benefits costs, including the District's share of employee health insurance premiums.

Permanent Improvement Fund

The permanent improvement fund had \$2,013,071 in revenues and \$2,498,115 in expenditures, resulting in a \$485,044 decrease in fund balance.

General Fund Budgeting Highlights

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

During the course of fiscal year 2012, the District amended its general fund budget numerous times. For the general fund, original budget revenues and other financing sources of \$32,568,599 were decreased slightly to \$32,438,599 in the final budget. Actual revenues and other financing sources were \$32,720,727, which is \$282,128 higher than the final and original budget estimates.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$34,693,419 were decreased slightly to \$34,129,393 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$33,938,748, which is \$190,645 lower than the final budget appropriations.

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

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$18,816,947 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The table below shows fiscal year 2012 balances compared to 2011.

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

	Governmental Activities	
	2012	2011
Land	\$ 1,608,844	\$ 1,608,844
Construction in progress	281,489	281,489
Land improvements	258,078	161,251
Building and improvements	15,142,648	15,288,634
Furniture and equipment	590,590	589,534
Vehicles	935,298	1,033,734
Total	\$ 18,816,947	\$ 18,963,486

Total additions to capital assets for 2012 were \$754,300 and disposals, net of accumulated depreciation, totaled \$4,189. The District recorded \$896,650 in depreciation expense for fiscal year 2012.

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

Debt Administration

At June 30, 2012, the District had \$22,332,117 in general obligation bonds outstanding. Of this total, \$1,428,259 is due within one year and \$20,903,858 is due in greater than one year.

The following table summarizes the debt outstanding.

Outstanding Debt, at Fiscal Year End

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
General obligation bonds:		
Refunding	\$ 18,280,000	\$ 18,750,000
Capital appreciation	859,374	892,929
Accreted interest	3,192,743	3,249,117
Total general obligation bonds	\$ 22,332,117	\$ 22,892,046

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

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

At June 30, 2012, the District's overall legal debt margin was \$60,492,760 and the unvoted debt margin was \$872,185. See Note 9 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.

The District was removed from fiscal caution by the Ohio Department of Education in December 2009, after being placed in fiscal caution in March 2007. The District accomplished this (removal) by taking advantage of attrition and reducing staff where possible and strong fiscal management. 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. The District's most recent state report card shows the District's students achieving 26 out of 26 with an "Excellent" rating, the ninth straight year.

As the preceding information shows, the District heavily depends on its property taxpayers. At present, the local taxpayers support represents approximately 59% of the total revenues of the District. The local communities' support was last measured in August 2008 when the community renewed a \$3 million, 3.3 mill emergency operating levy for 5 years. This \$3 million emergency levy will be placed on the November 2012 ballot for voter approval for a period of 10 years. The continued support of this issue will demonstrate 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.

The District communicates to its residents through a newsletter that is published and posted on the District website roughly 6-7 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.

The District has experienced growth; the student population has grown over 700 students since 2003. It has tapered off with the slowing of new home developments, due to the economic times in general. The District has also seen rapid growth in their assessed property valuation. The District's assessed valuation has increased \$225,501,428 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's re-valuation of property values. For the first time in years, 2009's triennial update reflected a 'sign of the times' resulting in an 11% decrease in District valuation. The valuation went from \$965,854,084 in 2009 to \$845,904,285 in 2010 as a result of this reduction, but then increased to \$872,615,450 in 2011, showing positive growth in the community. Lucas County will experience a revaluation in 2012, and we have hopes of continued growth in valuation.

As always, 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 students' desired needs over the next several years.

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

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mrs. Kerri L. Johnson, Treasurer, Anthony Wayne Local School District, 9565 Bucher Rd., P.O. Box 2487, Whitehouse, Ohio 43571.

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

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 11,690,368
Receivables:	
Taxes	23,938,010
Payments in lieu of taxes	748,000
Accrued interest	1,141
Intergovernmental	144,220
Prepayments	2,425
Materials and supplies inventory.	74,195
Unamortized bond issuance costs	311,568
Capital assets:	
Land and construction in progress.	1,890,333
Depreciable capital assets, net.	16,926,614
Capital assets, net	<u>18,816,947</u>
 Total assets.	 <u>55,726,874</u>
Liabilities:	
Accounts payable.	143,092
Contracts payable.	345,394
Accrued wages and benefits	3,989,789
Pension obligation payable	815,246
Intergovernmental payable	143,252
Unearned revenue	22,967,595
Accrued interest payable	52,084
Long-term liabilities:	
Due within one year	1,784,181
Due in more than one year	22,674,612
 Total liabilities	 <u>52,915,245</u>
Net assets:	
Invested in capital assets, net of related debt.	(491,513)
Restricted for:	
Capital projects	1,927,740
Debt service.	1,131,836
State funded programs.	6,774
Federally funded programs	2,687
Student activities	267,617
Other purposes	79,025
Unrestricted (deficit)	<u>(112,537)</u>
 Total net assets	 <u>\$ 2,811,629</u>

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, 2012

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 19,850,591	\$ 552,373	\$ 297,591	\$ (19,000,627)
Special	2,940,377	115,904	426,656	(2,397,817)
Vocational	8,850	-	6,337	(2,513)
Support services:				
Pupil	1,705,653	35,831	281,403	(1,388,419)
Instructional staff	857,877	-	39,719	(818,158)
Board of education	617,101	-	-	(617,101)
Administration	3,142,934	70,479	121,904	(2,950,551)
Fiscal	972,982	-	-	(972,982)
Business	24,922	-	-	(24,922)
Operations and maintenance	4,109,167	14,396	-	(4,094,771)
Pupil transportation	2,640,433	117,237	67,177	(2,456,019)
Central	52,775	-	10,800	(41,975)
Operation of non-instructional services:				
Food service operations	1,135,593	768,859	289,607	(77,127)
Other non-instructional services	228,835	-	224,023	(4,812)
Extracurricular activities	1,140,909	495,441	4,464	(641,004)
Interest and fiscal charges	1,496,732	-	-	(1,496,732)
Totals	\$ 40,925,731	\$ 2,170,520	\$ 1,769,681	(36,985,530)

General revenues:

Property taxes levied for:	
General purposes	19,518,302
Debt service	1,873,427
Capital outlay	1,648,767
Payments in lieu of taxes	726,826
Grants and entitlements not restricted	
to specific programs	11,456,400
Investment earnings	22,445
Miscellaneous	131,594
Total general revenues	35,377,761
Change in net assets	(1,607,769)
Net assets at beginning of year	4,419,398
Net assets at end of year	\$ 2,811,629

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 7,755,838	\$ 2,199,686	\$ 1,734,844	\$ 11,690,368
Receivables:				
Taxes	20,430,974	1,557,613	1,949,423	23,938,010
Payments in lieu of taxes	628,000	53,000	67,000	748,000
Accrued interest	1,141	-	-	1,141
Intergovernmental.	-	-	144,220	144,220
Interfund loans	142,864	-	-	142,864
Prepayments.	2,425	-	-	2,425
Materials and supplies inventory	64,596	-	9,599	74,195
Total assets	<u>\$ 29,025,838</u>	<u>\$ 3,810,299</u>	<u>\$ 3,905,086</u>	<u>\$ 36,741,223</u>
Liabilities:				
Accounts payable	\$ 100,759	\$ 39,861	\$ 2,472	\$ 143,092
Contracts payable	-	345,394	-	345,394
Accrued wages and benefits.	3,763,631	-	226,158	3,989,789
Compensated absences payable	89,952	-	2,889	92,841
Pension obligation payable	757,273	-	57,973	815,246
Intergovernmental payable	135,568	-	7,684	143,252
Interfund loans payable	-	-	142,864	142,864
Deferred revenue	580,073	42,613	48,423	671,109
Unearned revenue.	<u>19,582,626</u>	<u>1,497,304</u>	<u>1,887,665</u>	<u>22,967,595</u>
Total liabilities	<u>25,009,882</u>	<u>1,925,172</u>	<u>2,376,128</u>	<u>29,311,182</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	64,596	-	9,599	74,195
Prepays	2,425	-	-	2,425
Restricted:				
Debt service	-	-	1,135,497	1,135,497
Food service operations	-	-	110,513	110,513
Special education	-	-	2,687	2,687
Extracurricular.	-	-	267,617	267,617
Other purposes.	-	-	6,774	6,774
Committed:				
Capital improvements	-	1,885,127	-	1,885,127
Assigned:				
Student instruction	308,440	-	-	308,440
Student and staff support.	301,284	-	-	301,284
Extracurricular activities	700	-	-	700
School supplies	99,193	-	-	99,193
Adult education	1,497	-	-	1,497
Subsequent year appropriations	2,068,358	-	-	2,068,358
Unassigned (deficit)	<u>1,169,463</u>	<u>-</u>	<u>(3,729)</u>	<u>1,165,734</u>
Total fund balances.	<u>4,015,956</u>	<u>1,885,127</u>	<u>1,528,958</u>	<u>7,430,041</u>
Total liabilities and fund balances	<u>\$ 29,025,838</u>	<u>\$ 3,810,299</u>	<u>\$ 3,905,086</u>	<u>\$ 36,741,223</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, 2012

Total governmental fund balances		\$	7,430,041
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			18,816,947
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	670,010	
Accrued interest receivable		1,099	
Total		671,109	671,109
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(52,084)
Unamortized premiums on bond issuance are not recognized in the funds.			(975,503)
Unamortized bond issuance costs are not recognized in the funds.			311,568
Unamortized amounts on refundings are not recognized in the funds.			494,849
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 payable		(1,553,181)	
General obligation bonds payable		(22,332,117)	
Total		(23,885,298)	(23,885,298)
Net assets of governmental activities		\$	2,811,629

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
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 19,908,105	\$ 1,680,005	\$ 1,908,924	\$ 23,497,034
Payments in lieu of taxes	610,534	50,878	65,414	726,826
Tuition	465,327	-	-	465,327
Charges for services	-	-	768,859	768,859
Earnings on investments	21,346	-	577	21,923
Extracurricular	106,062	-	463,004	569,066
Classroom materials and fees	235,635	-	-	235,635
Other local revenues	230,066	1,553	4,464	236,083
Intergovernmental - state	11,080,535	280,635	511,268	11,872,438
Intergovernmental - federal	-	-	1,461,895	1,461,895
Total revenues	<u>32,657,610</u>	<u>2,013,071</u>	<u>5,184,405</u>	<u>39,855,086</u>
Expenditures:				
Current:				
Instruction:				
Regular	17,876,328	1,054,867	399,961	19,331,156
Special	2,698,072	-	329,136	3,027,208
Vocational	3,363	-	-	3,363
Support services:				
Pupil	1,448,246	-	286,405	1,734,651
Instructional staff	843,994	-	40,310	884,304
Board of education	617,101	-	-	617,101
Administration	2,994,237	-	124,011	3,118,248
Fiscal	911,896	29,232	34,400	975,528
Business	-	25,053	-	25,053
Operations and maintenance	3,377,500	732,066	-	4,109,566
Pupil transportation	2,413,179	108,006	-	2,521,185
Central	36,250	-	14,141	50,391
Operation of non-instructional services:				
Food service operations	-	-	1,119,966	1,119,966
Other non-instructional services	1,054	3,758	224,023	228,835
Extracurricular activities	612,009	-	471,092	1,083,101
Facilities acquisition and construction	-	545,133	-	545,133
Debt service:				
Principal retirement	-	-	503,555	503,555
Interest and fiscal charges	-	-	1,573,431	1,573,431
Bond issuance costs	-	-	112,515	112,515
Total expenditures	<u>33,833,229</u>	<u>2,498,115</u>	<u>5,232,946</u>	<u>41,564,290</u>
Excess of expenditures over revenues	<u>(1,175,619)</u>	<u>(485,044)</u>	<u>(48,541)</u>	<u>(1,709,204)</u>
Other financing sources (uses):				
Sale of refunding bonds	-	-	7,950,000	7,950,000
Premium on sale of refunding bonds	-	-	195,711	195,711
Sale of assets	31,608	-	-	31,608
Payment to refunding bond escrow agent	-	-	(8,029,500)	(8,029,500)
Total other financing sources (uses)	<u>31,608</u>	<u>-</u>	<u>116,211</u>	<u>147,819</u>
Net change in fund balances	(1,144,011)	(485,044)	67,670	(1,561,385)
Fund balances at beginning of year	5,165,675	2,370,171	1,460,419	8,996,265
Increase (decrease) in reserve for inventory	(5,708)	-	869	(4,839)
Fund balances at end of year	<u>\$ 4,015,956</u>	<u>\$ 1,885,127</u>	<u>\$ 1,528,958</u>	<u>\$ 7,430,041</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, 2012

Net change in fund balances - total governmental funds \$ (1,561,385)

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

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

Capital asset additions	\$	754,300	
Current year depreciation		(896,650)	
Total			(142,350)

Governmental funds only report the gain from the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (4,189)

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. (4,839)

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

Taxes		(456,538)	
Earnings on investments		1,099	
Intergovernmental revenue		(113,293)	
Total			(568,732)

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 503,555

The sale of bonds is recorded as an other financing source in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net assets. (7,950,000)

Payment to refunding bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net assets. 8,029,500

Premiums on the sale of bonds and bond issuance costs related to the issuance of bonds are amortized over the life of the issuance in the statement of activities. The following transactions occurred in the year:

Premiums on bonds		(195,711)	
Bond issuance costs		112,515	
Total			(83,196)

Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. Less interest is reported in the statement of activities due to the following:

Decrease in accrued interest payable		11,171	
Payment of accreted interest on capital appreciation bonds		666,445	
Accreted interest on capital appreciation bonds		(610,071)	
Amortization of bond issuance costs		(16,132)	
Amortization of bond premiums		51,600	
Amortization of deferred charges on refundings		(26,314)	
Total			76,699

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 97,168

Change in net assets of governmental activities \$ (1,607,769)

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
From local sources:				
Taxes	\$ 19,790,620	\$ 20,206,060	\$ 19,871,359	\$ (334,701)
Payments in lieu of taxes.	610,534	610,534	610,534	-
Tuition	375,496	375,000	465,327	90,327
Earnings on investments	31,050	35,000	20,797	(14,203)
Classroom materials and fees	8,421	4	2,345	2,341
Other local revenues	178,204	166,867	208,459	41,592
Intergovernmental - state	11,210,966	11,026,077	11,080,535	54,458
Total revenues.	<u>32,205,291</u>	<u>32,419,542</u>	<u>32,259,356</u>	<u>(160,186)</u>
Expenditures:				
Current:				
Instruction:				
Regular	17,984,612	17,737,331	17,710,532	26,799
Special.	2,918,300	2,831,514	2,805,511	26,003
Vocational.	3,405	3,417	3,363	54
Support services:				
Pupil.	1,275,121	1,408,612	1,396,014	12,598
Instructional staff	839,622	838,244	832,565	5,679
Board of education	818,675	654,756	644,159	10,597
Administration.	2,862,007	2,904,572	2,882,738	21,834
Fiscal	774,788	878,199	872,063	6,136
Operations and maintenance.	3,862,530	3,573,159	3,532,788	40,371
Pupil transportation	2,317,315	2,532,958	2,510,010	22,948
Central.	23,503	40,717	36,149	4,568
Extracurricular activities.	599,096	583,050	569,992	13,058
Total expenditures	<u>34,278,974</u>	<u>33,986,529</u>	<u>33,795,884</u>	<u>190,645</u>
Excess of expenditures over revenues	<u>(2,073,683)</u>	<u>(1,566,987)</u>	<u>(1,536,528)</u>	<u>30,459</u>
Other financing sources (uses):				
Refund of prior year's expenditures	1,148	-	20,835	20,835
Advances in.	342,473	-	408,928	408,928
Advances (out)	(414,445)	(142,864)	(142,864)	-
Sale of assets	19,687	19,057	31,608	12,551
Total other financing sources (uses)	<u>(51,137)</u>	<u>(123,807)</u>	<u>318,507</u>	<u>442,314</u>
Net change in fund balance	(2,124,820)	(1,690,794)	(1,218,021)	472,773
Fund balance at beginning of year.	7,379,674	7,379,674	7,379,674	-
Prior year encumbrances appropriated	549,474	549,474	549,474	-
Fund balance at end of year	<u>\$ 5,804,328</u>	<u>\$ 6,238,354</u>	<u>\$ 6,711,127</u>	<u>\$ 472,773</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, 2012

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and investments.	\$ 38,018	\$ 156,086
Total assets.	<u>38,018</u>	<u>\$ 156,086</u>
Liabilities:		
Accounts payable	-	\$ 3,020
Due to students.	-	<u>153,066</u>
Total liabilities	<u>-</u>	<u>\$ 156,086</u>
Net assets:		
Held in trust for scholarships	<u>38,018</u>	
Total net assets	<u>\$ 38,018</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Private Purpose Trust
	Scholarship
Deductions:	
Scholarships awarded	\$ 2,000
Change in net assets	(2,000)
Net assets at beginning of year.	40,018
Net assets at end of year	\$ 38,018

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Anthony Wayne Local School District (the "District") is located in Lucas, Wood and Fulton Counties, including all of the Villages of Whitehouse and Waterville, and portions of the City of Maumee and surrounding townships. The District serves an area of approximately 74 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 currently operates 3 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 177 non-certified and 277 certified (including administrative) full-time and part-time employees to provide services to approximately 4,348 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA) which is a computer consortium. NWOCA is an association of education entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams and Wood counties in northwestern Ohio. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

Penta Career Center

The Penta Career Center (the "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 Center 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. The District paid \$1,114 to the Center during fiscal year 2012. Financial information can be obtained from the Penta County Career Center, Carrie Herringshaw, who serves as Treasurer, at 9301 Buck Road, Perrysburg, Ohio 43551.

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

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

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

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

Permanent improvement fund - The permanent improvement capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

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.

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

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

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

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

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

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

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

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

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 Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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, payments in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

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

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

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

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 and payments in lieu of taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2012 are recorded as deferred revenue in the governmental funds.

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

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

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

E. Budgets

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

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

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

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

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate of estimated resources in effect when the final appropriations were passed by the Board of Education.
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. 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. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation total.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2012. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during the fiscal year.
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 investments" on 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, 2012**

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

During fiscal year 2012, investments were limited to federal agency securities, U.S. Treasury notes, a U.S. Government money market account 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 and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2012.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$21,346, which includes \$7,648 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 used. Donated commodities are presented at their entitlement value. Inventories are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide statements.

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

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

H. Capital Assets

General capital assets 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.

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

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

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

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

<u>Description</u>	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 sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave 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, employees age fifty or greater with ten years of service or any age with twenty years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave has been calculated using pay rates in effect at June 30, 2012 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

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

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

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

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 nonspendable in the fund financial statements by an amount equal to the carrying value of the 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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

M. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

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

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

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

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

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

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through 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, and amounts restricted for food service, special trust, uniform school supplies, adult education and public school support.

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.

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.

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

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

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

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 Educational Service Center. These transactions are reported as a governmental activity of the District.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District did not have any extraordinary or special items during fiscal year 2012.

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

On the government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as an addition to or reduction of the face amount of the new debt. On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 9.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

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

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

B. Deficit Fund Balances

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

<u>Nonmajor funds</u>	<u>Deficit</u>
Education jobs	\$ 54
Title I	2,425
Improving teacher quality	1,250

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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 monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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;

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State 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 the 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 fiscal 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 investments".

B. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$9,772,233. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$9,469,482 of the District's bank balance of \$10,016,098 was exposed to custodial risk as discussed below, while \$546,616 was covered by the FDIC.

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

C. Investments

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FHLB	\$ 1,099,767	\$ -	\$ 699,757	\$ 400,010	\$ -	\$ -
FNMA	800,536	-	-	-	-	800,536
U.S Treasury notes	99,832	-	-	99,832	-	-
U.S. Government money market account	444	444	-	-	-	-
STAR Ohio	104,371	104,371	-	-	-	-
Total	<u>\$ 2,104,950</u>	<u>\$ 104,815</u>	<u>\$ 699,757</u>	<u>\$ 499,842</u>	<u>\$ -</u>	<u>\$ 800,536</u>

The weighted average maturity of investments is 1.76 years.

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments in the federal agency securities and U.S. Government obligations were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities and U.S. Government obligations are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. 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.

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 1,099,767	52.25
FNMA	800,536	38.03
U.S. Treasury notes	99,832	4.74
U.S. Government money market account	444	0.02
STAR Ohio	<u>104,371</u>	<u>4.96</u>
Total	<u>\$ 2,104,950</u>	<u>100.00</u>

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 note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>		
Carrying amount of deposits		\$ 9,772,233
Investments		2,104,950
Cash on hand		<u>7,289</u>
Total		<u>\$ 11,884,472</u>
 <u>Cash and investments per statement of net assets</u>		
Governmental activities		\$ 11,690,368
Private-purpose trust fund		38,018
Agency fund		<u>156,086</u>
Total		<u>\$ 11,884,472</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2012 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	Nonmajor governmental	<u>\$ 142,864</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, 2012**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Lucas, Fulton and Wood Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$897,374 in the general fund, \$80,335 in the debt service fund (a nonmajor governmental fund) and \$70,696 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$860,628 in the general fund, \$81,418 in the debt service fund (a nonmajor governmental fund) and \$71,648 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

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

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

NOTE 6 - PROPERTY TAXES - (Continued)

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

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 855,606,440	98.05	\$ 854,865,900	98.01
Public utility personal	<u>17,009,010</u>	<u>1.95</u>	<u>17,318,960</u>	<u>1.99</u>
Total	<u>\$ 872,615,450</u>	<u>100.00</u>	<u>\$ 872,184,860</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$70.00		\$66.80	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012 consisted of taxes, payments in lieu of taxes, accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. A summary of the items of receivables reported on the statement of net assets follows:

Governmental activities:	
Taxes	\$23,938,010
Payments in lieu of taxes	748,000
Accrued interest	1,141
Intergovernmental	<u>144,220</u>
Total	<u>\$24,831,371</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, 2012

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,608,844	\$ -	\$ -	\$ 1,608,844
Construction in progress	<u>281,489</u>	<u>-</u>	<u>-</u>	<u>281,489</u>
Total capital assets, not being depreciated	<u>1,890,333</u>	<u>-</u>	<u>-</u>	<u>1,890,333</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,383,167	124,600	-	2,507,767
Building and improvements	28,482,639	375,121	-	28,857,760
Furniture and equipment	2,453,563	144,650	(51,835)	2,546,378
Vehicles	<u>4,262,869</u>	<u>109,929</u>	<u>(120,930)</u>	<u>4,251,868</u>
Total capital assets, being depreciated	<u>37,582,238</u>	<u>754,300</u>	<u>(172,765)</u>	<u>38,163,773</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(2,221,916)	(27,773)	-	(2,249,689)
Building and improvements	(13,194,005)	(521,107)	-	(13,715,112)
Furniture and equipment	(1,864,029)	(139,405)	47,646	(1,955,788)
Vehicles	<u>(3,229,135)</u>	<u>(208,365)</u>	<u>120,930</u>	<u>(3,316,570)</u>
Total accumulated depreciation	<u>(20,509,085)</u>	<u>(896,650)</u>	<u>168,576</u>	<u>(21,237,159)</u>
Governmental activities capital assets, net	<u>\$ 18,963,486</u>	<u>\$ (142,350)</u>	<u>\$ (4,189)</u>	<u>\$ 18,816,947</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 513,069
Special	27,623
Vocational	5,487
<u>Support services:</u>	
Administration	328
Fiscal	1,199
Business	24,277
Operations and maintenance	33,632
Pupil transportation	193,633
Central	2,384
Extracurricular activities	56,308
Food service operations	<u>38,710</u>
Total depreciation expense	<u>\$ 896,650</u>

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

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

NOTE 9 - LONG-TERM OBLIGATIONS

A. The District's long-term obligations activity during fiscal year 2012 consisted of the following:

	Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2012</u>	Amounts Due Within <u>One Year</u>
Governmental activities:					
<i>General obligation bonds:</i>					
<u>Series 1993, refunding</u>					
Capital appreciation bonds	\$ 60,648	\$ -	\$ (18,970)	\$ 41,678	\$ 20,054
Accreted interest	423,158	47,474	(171,030)	299,602	159,258
<u>Series 1995, facilities improvement</u>					
Capital appreciation bonds	162,294	-	(59,585)	102,709	53,797
Accreted interest	1,249,433	168,389	(495,415)	922,407	483,042
<u>Series 2000, facilities improvement</u>					
Capital appreciation bonds	340,000	-	-	340,000	71,757
Accreted interest	476,287	70,272	-	546,559	115,351
<u>Series 2001, refunding</u>					
Current interest bonds	8,090,000	-	(8,090,000)	-	-
Capital appreciation bonds	139,995	-	-	139,995	-
Accreted interest	848,904	219,365	-	1,068,269	-
<u>Series 2006, refunding</u>					
Current interest bonds	5,870,000	-	(85,000)	5,785,000	85,000
Capital appreciation bonds	134,996	-	-	134,996	-
Accreted interest	246,849	80,624	-	327,473	-
<u>Series 2011, refunding</u>					
Current interest bonds	4,790,000	-	(200,000)	4,590,000	250,000
Capital appreciation bonds	54,996	-	-	54,996	-
Accreted interest	4,486	18,243	-	22,729	-
<u>Series 2011A, refunding</u>					
Current interest bonds	-	7,905,000	-	7,905,000	190,000
Capital appreciation bonds	-	45,000	-	45,000	-
Accreted interest	-	5,704	-	5,704	-
Total G.O. bonds	<u>22,892,046</u>	<u>8,560,071</u>	<u>(9,120,000)</u>	<u>22,332,117</u>	<u>1,428,259</u>
<i>Other long-term obligations:</i>					
Compensated absences	<u>1,680,355</u>	<u>265,474</u>	<u>(299,807)</u>	<u>1,646,022</u>	<u>355,922</u>
Total other long-term obligations	<u>1,680,355</u>	<u>265,474</u>	<u>(299,807)</u>	<u>1,646,022</u>	<u>355,922</u>
Total governmental activities	<u>\$ 24,572,401</u>	<u>\$ 8,825,545</u>	<u>\$ (9,419,807)</u>	23,978,139	<u>\$ 1,784,181</u>
				Add: unamortized premium on bonds	975,503
				Less: unamortized deferred charges on refunding	<u>(494,849)</u>
				Total on statement of net assets	<u>\$ 24,458,793</u>

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

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

NOTE 9 - 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 (a nonmajor governmental 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 2.50 (average) mil bonded debt tax levy.

At June 30, 2012, this issue is comprised of capital appreciation bonds, par value \$41,678. The capital appreciation bonds mature each December 1, 2012 and 2013, (stated 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 \$380,000. Total accreted interest of \$299,602 has been included on the statement of net assets at June 30, 2012.

- 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 9.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 (a nonmajor governmental 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 2.50 (average) mil bonded debt tax levy.

At June 30, 2012, this issue is comprised of capital appreciation bonds, par value \$102,709. The capital appreciation bonds mature each December 1, 2012 and 2013, (stated 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 \$1,175,000. Total accreted interest of \$922,407 has been included on the statement of net assets at June 30, 2012.

- 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 9.F.) and the remaining current interest bonds comprising the issue were refunded in 2011 (See Note 9.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 (a nonmajor governmental 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 2.50 (average) mil bonded debt tax levy.

At June 30, 2012, this issue is comprised of capital appreciation bonds, par value \$340,000. The capital appreciation bonds mature each December 1, 2012 through 2015, (stated 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 \$546,559 has been included on the statement of net assets at June 30, 2012.

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

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

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

- E.** In September of 2001, the District issued general obligation refunding bonds (Series 2001, refunding bonds). These bonds refunded the callable portion of the Series 1995 issue. The District refunded the current interest for this issue during fiscal year 2012 (see Note 9.H.). 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 (a nonmajor governmental 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 2.50 (average) mil bonded debt tax levy.

At June 30, 2012, this issue is comprised of capital appreciation bonds, par value \$139,995. The capital appreciation bonds mature each December 1, 2014 through 2016, (stated interest rates of 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 \$1,068,269 has been included on the statement of net assets at June 30, 2012.

- F.** 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 (a nonmajor governmental 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 2.50 (average) mil bonded debt tax levy.

This issue is comprised of current interest bonds, present value \$5,785,000 at June 30, 2012, and capital appreciation bonds, par value \$134,996. The capital appreciation bonds mature each December 1, 2016 through 2018, (stated 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 \$327,473 has been included on the statement of net assets at June 30, 2012.

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.

- G.** On February 3, 2011, the District issued general obligation refunding bonds (Series 2011, refunding bonds). These bonds refunded the remaining \$745,000 callable portion of the Series 2000 issue and the \$4,275,000 callable portion of the Series 2001 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 (a nonmajor governmental 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 2.50 (average) mil bonded debt tax levy.

This issue is comprised of current interest bonds, present value \$4,590,000 at June 30, 2012, and capital appreciation bonds, par value \$54,996. The capital appreciation bonds mature each December 1, 2018 through 2019, (stated interest 28.56% and 28.75%, respectively) 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 \$500,000. Total accreted interest of \$22,729 has been included on the statement of net assets at June 30, 2012.

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

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

NOTE 9 - 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.

- H.** On November 29, 2011, the District issued general obligation refunding bonds (Series 2011A, refunding bonds). These bonds refunded the \$8,090,000 callable portion of the Series 2001, refunding 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 (a nonmajor governmental 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 2.50 (average) mil bonded debt tax levy.

This issue is comprised of current interest bonds, present value \$7,905,000 at June 30, 2012, and capital appreciation bonds, par value \$45,000. The capital appreciation bonds mature each December 1, 2018 (stated interest 25.04%) 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 \$235,000. Total accreted interest of \$5,704 has been included on the statement of net assets at June 30, 2012.

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

The reacquisition price exceeded the net carrying amount of the old debt by \$79,500. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the life of the debt by \$1,039,510 and resulted in an economic gain of \$845,207.

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

Fiscal Year Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 525,000	\$ 651,410	\$ 1,176,410	\$ 145,608	\$ 814,392	\$ 960,000
2014	540,000	639,293	1,179,293	162,016	897,984	1,060,000
2015	390,000	628,418	1,018,418	146,832	928,168	1,075,000
2016	395,000	618,324	1,013,324	131,588	978,412	1,110,000
2017	300,000	608,856	908,856	93,193	1,166,807	1,260,000
2018 - 2022	6,435,000	2,560,073	8,995,073	180,137	1,419,863	1,600,000
2023 - 2027	6,990,000	1,148,099	8,138,099	-	-	-
2028 - 2031	2,705,000	240,973	2,945,973	-	-	-
Total	<u>\$ 18,280,000</u>	<u>\$ 7,095,446</u>	<u>\$ 25,375,446</u>	<u>\$ 859,374</u>	<u>\$ 6,205,626</u>	<u>\$ 7,065,000</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 nonmajor governmental fund.

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

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

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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 used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$60,492,760 (including available funds of \$1,135,497) and an unvoted debt margin of \$872,185.

NOTE 10 - 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 30 percent of the total sick leave accumulation, up to a maximum accumulation of 80 days. Classified employees are paid for 25 percent of the first 200 accumulated days, 33 percent for each day accumulated from 201 to 245 days, and one day for each year of service over 20 years. If a classified employee has accumulated a total of 245 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 Ohio 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, \$25,000 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 11 - 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 2012, the District purchased from Governmental Underwriters of America, Inc., general liability insurance, which carried a \$1 million per occurrence/\$3 million annual aggregate limitation.

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

NOTE 11 - RISK MANAGEMENT - (Continued)

Fleet and property/casualty insurance are purchased through commercial carriers and traditionally funded.

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 year 2011.

The District has elected to provide employee medical/surgical benefits through Paramount Healthcare, a fully funded program. The District provides dental insurance through Core Source, a fully funded program. The District also provides life insurance through Deerborn National Life Insurance.

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

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 12 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$659,613, \$604,048 and \$636,642, respectively; 65.14 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

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

NOTE 12 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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

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

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$2,190,649, \$2,123,854 and \$2,048,102, respectively; 82.37 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$164,263 made by the District and \$117,331 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

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

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011, and 2010 were \$103,264, \$149,242 and \$95,352, respectively; 65.14 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$38,954, \$38,872 and \$37,860, respectively; 65.14 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

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

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$168,511, \$163,373 and \$157,546, respectively; 82.37 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

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

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (1,218,021)
Net adjustment for revenue accruals	37,295
Net adjustment for expenditure accruals	(375,045)
Net adjustment for other sources/uses	(286,899)
Funds budgeted elsewhere	(5,140)
Adjustment for encumbrances	703,799
GAAP basis	<u>\$ (1,144,011)</u>

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

NOTE 15 - CONTINGENCIES

A. Grants

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

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

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

NOTE 16 - SET-ASIDES

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

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

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

NOTE 16 - SET-ASIDES - (Continued)

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	758,454
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(301,042)
Excess qualified expenditures from prior years	-
Current year offsets	(1,961,592)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (1,504,180)</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

NOTE 17 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 616,295
Permanent improvement	81,871
Other governmental	<u>65,853</u>
Total	<u>\$ 764,019</u>

Anthony Wayne Local School District

Lucas County

Federal Awards Expenditures Schedule

For the Year Ending June 30, 2012

<u>Federal Grantor/Pass Through Grantor Number/Program Title</u>	<u>Pass Through Entity Number</u>	<u>CFDA Number</u>	<u>Federal Receipts</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Nutrition Cluster:				
Passed through Ohio Department of Education				
Cash Assistance:				
National School Lunch Program	080694-LLP4-2012	10.555	\$ 224,597	\$ 224,597
Direct Program				
Non-Cash Assistance:				
National School Lunch Program (commodities)	n/a	10.555	<u>13,671</u>	<u>13,671</u>
Total Nutrition Cluster			<u>238,268</u>	<u>238,268</u>
Total U.S. Department of Agriculture			238,268	238,268
<u>U.S. Department of Education</u>				
Passed through Ohio Department of Education				
ESEA Title I, Part A, Title I Grants to Local Education Agencies				
Title I - Targeted Asst. FY 10	080694-C1S1-2012	84.010	212,949	208,256
Title I - Targeted Asst. FY 11	080694-C1S1-2011	84.010	47,207	46,401
ARRA Title IA - Federal Stimulus	na	84.389	<u>9,265</u>	<u>8,883</u>
Total Title I - Grants to Local Education Agencies			269,421	263,540
ARRA Fiscal Stabilization		84.394	-	37,601
Title VI - B, Special Education - Assistance to States for Education of Handicapped Children				
Title VI - B - FY 12	080694-6BSF-2012	84.027	661,554	647,459
Title VI - B - FY 11	080694-6BSF-2011	84.027	107,944	93,798
ARRA Title VI-B Stimulus	na	84.391	<u>115,942</u>	<u>56,568</u>
Total Title VI-B - Special Education - Assistance to States			885,440	797,825
Title II-D Technology - FY10	080694-TJS1-2012	84.318	446	1,802
Title II-A, Improv. Teacher Quality - FY12	080694-TRS1-2012	84.367	62,849	62,793
Title II-A, Improv. Teacher Quality - FY11	080694-TRS1-2011	84.367	<u>15,616</u>	<u>14,271</u>
Total Title II-A , Improv. Teacher Quality			78,465	77,064
Ed Jobs Ohio	N/A	84.410	<u>95,118</u>	<u>94,794</u>
Total U.S. Department of Education			<u>1,328,890</u>	<u>1,272,626</u>
Total Federal Awards			<u>\$ 1,567,158</u>	<u>\$ 1,510,894</u>

See accompanying Notes to the Federal Awards Expenditures Schedule

ANTHONY WAYNE LOCAL SCHOOL DISTRICT
Lucas County, Ohio
Notes to the Federal Award Expenditures Schedule
For the Year Ended June 30, 2012

1. Significant Accounting Policies

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

2. Food Distribution

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2012, the District had immaterial food commodities in inventory.

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

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

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

Anthony Wayne Local School District
Lucas County
9565 Bucher Road
P.O. Box 2487
Whitehouse, Ohio 43571

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Anthony Wayne Local School District, (District), Lucas County, Ohio, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Anthony Wayne Local School District, Ohio'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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

A handwritten signature in black ink that reads "Charles E. Harris" followed by a stylized flourish.

Charles E. Harris and Associates, Inc.

November 29, 2012

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Anthony Wayne Local School District
Lucas County
9565 Bucher Road
P.O. Box 2487
Whitehouse, Ohio 43571

To the Board of Education:

Compliance

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

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

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

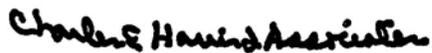
Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

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



CHARLES E. HARRIS & ASSOCIATES, INC.

November 29, 2012

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

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
LUCAS COUNTY
June 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Nutrition Cluster CFDA #10.555 IDEA B CFDA #84.027 IDEA B ARRA CFDA #84.391
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
LUCAS COUNTY
JUNE 30, 2012**

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-AW-01	Significant Deficiency – Capital Asset Management	Yes	Finding No Longer Valid



Dave Yost • 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
FEBRUARY 7, 2013