



Dave Yost • Auditor of State

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements:	
Balance Sheet - Governmental Funds	19
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	20
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	22
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	24
Statement of Fiduciary Net Position – Fiduciary Funds.....	25
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	26
Notes to the Basic Financial Statements	27
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio.....	61
State Teachers Retirement System (STRS) of Ohio	62
Schedule of District Contributions:	
School Employees Retirement System (SERS) of Ohio.....	63
State Teachers Retirement System (STRS) of Ohio	65
Notes to the Required Supplementary Information	67
Schedule of Receipts and Expenditures of Federal Awards (Prepared by Management)	68

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Notes to the Schedule of Receipts and Expenditures of Federal Awards (Prepared by Management).....	69
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	71
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	73
Schedule of Findings.....	75
Summary Schedule of Prior Audit Findings (Prepared by Management).....	76



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Anthony Wayne Local School District
Lucas County
9565 Bucher Road, P.O. Box 2487
Whitehouse, Ohio 43571-0486

To the Board of Education:

Report on the Financial Statements

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2016, and the respective changes in financial position and, budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedules 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2017, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

March 10, 2017

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

The management's discussion and analysis of Anthony Wayne Local School District, Lucas County, Ohio ("the District's") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. 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 2016 are as follows:

- In total, net position of governmental activities increased \$2,621,306 from \$(50,915,696) to \$(48,294,390).
- General revenues accounted for \$41,789,507 in revenue or 89.08% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,123,448 or 10.92% of all revenues. The District had total revenues of \$46,912,955.
- The District had \$44,291,649 in expenses related to governmental activities; only \$5,123,448 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) were adequate to provide for these programs.
- The District's major governmental funds are the general fund and permanent improvement fund. The general fund had \$39,630,592 in revenues and \$38,253,847 in expenditures. During fiscal year 2016, the general fund's fund balance increased from \$2,132,527 to \$3,500,929.
- The permanent improvement fund had \$2,050,351 in revenues and \$1,535,134 in expenditures. During fiscal year 2016, the permanent improvement fund's fund balance increased from \$3,402,587 to \$3,917,804.

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 position 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.

Reporting the District as a Whole

Statement of Net Position 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 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets, liabilities, deferred inflows and outflows of resources, 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(Continued)

These two statements report the District's net position and changes in that position. This change in net position 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 position 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.

Reporting the District's Most Significant Funds

Fund Financial Statements

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 position and in the statement of activities) and governmental funds is reconciled in the basic financial statements.

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability.

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The following table provides a summary of the District's net position for fiscal years 2016 and 2015.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(Continued)

	Net Position	
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<u>Assets</u>		
Current and other assets	\$ 43,367,305	\$ 41,275,823
Capital assets, net	<u>16,507,727</u>	<u>17,099,212</u>
Total assets	<u>59,875,032</u>	<u>58,375,035</u>
<u>Deferred outflows of resources</u>		
Unamortized deferred charges on debt refunding	122,002	408,263
Pensions	<u>6,703,982</u>	<u>3,676,864</u>
Total deferred outflows of resources	<u>6,825,984</u>	<u>4,085,127</u>
<u>Liabilities</u>		
Current liabilities	5,532,018	5,419,026
Long-term liabilities:		
Due within one year	1,735,389	1,767,929
Due in more than one year:		
Net pension liability	56,519,884	48,687,338
Other amounts	<u>19,112,399</u>	<u>20,314,349</u>
Long-term liabilities	<u>77,367,672</u>	<u>70,769,616</u>
Total liabilities	<u>82,899,690</u>	<u>76,188,642</u>
<u>Deferred inflows of resources</u>		
Property taxes and PILOTs levied for the next fiscal year	28,603,950	28,393,271
Pensions	<u>3,491,766</u>	<u>8,793,945</u>
Total deferred inflows of resources	<u>32,095,716</u>	<u>37,187,216</u>
<u>Net position</u>		
Net investment (deficit) in capital assets	(217,818)	(524,326)
Restricted	275,911	278,098
Unrestricted (deficit)	<u>(48,352,483)</u>	<u>(50,669,468)</u>
Total net position (deficit)	<u>\$ (48,294,390)</u>	<u>\$ (50,915,696)</u>

The District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(Continued)

those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$48,294,390. The net investment in capital assets at June 30, 2016 was a deficit of \$217,818. A portion of the District's net position, \$275,911, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$48,294,390.

The overall increase in assets is mainly due to increases in cash and investments and property taxes receivable. Property taxes receivable have increased over the last two years as the District continues collections on the 3.9 mill operating levy which was passed in November 2013. Most of this receivable, however, is offset by deferred inflows of resources since the taxes are levied to finance the next fiscal year.

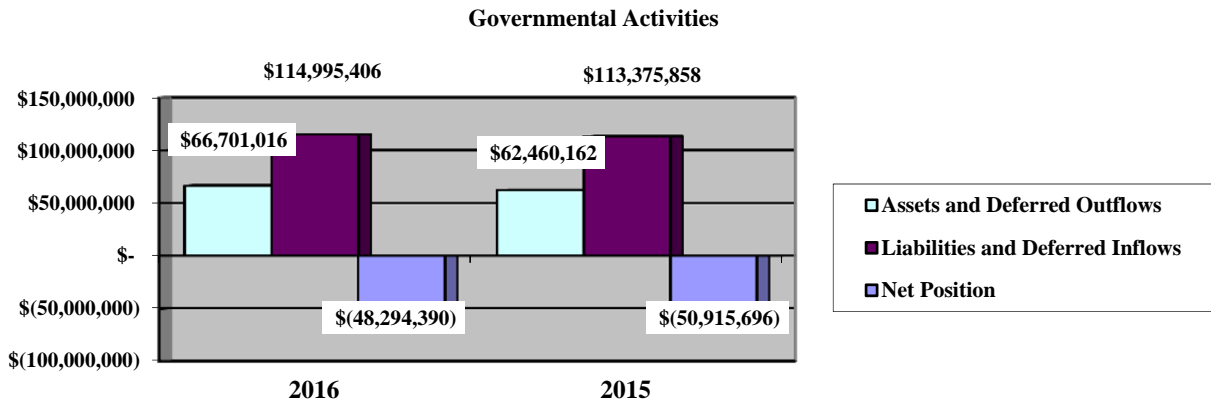
**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(Continued)

At year-end, capital assets represented 27.57% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets are used to provide services to the students and are not available for future spending.

Liabilities increased for the District, mostly due to a significant increase in net pension liability. Other long-term liabilities, consisting primarily of bonds payable, also decreased as the District continues to pay off the debt.

The chart below shows the Districts governmental activities assets and deferred outflows, liabilities and deferred inflows and net position at June 30, 2016 and 2015.



The following table shows the change in net position for fiscal years 2016 and 2015.

	Change in Net Position	
	Governmental Activities 2016	Governmental Activities 2015
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 2,330,683	\$ 2,220,704
Operating grants and contributions	2,792,765	2,753,365
General revenues:		
Property taxes	28,923,383	27,635,113
Payments in lieu of taxes	1,012,391	1,056,496
Grants and entitlements	11,604,671	11,829,559
Investment earnings	91,837	27,548
Other	157,225	111,680
Total revenues	<u>46,912,955</u>	<u>45,634,465</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(Continued)

Expenses

Program expenses:

Instruction:

Regular	19,841,101	19,456,605
Special	4,939,690	4,422,778
Vocational	5,696	5,784
Other	909,167	903,589

Support services:

Pupil	2,637,566	2,487,705
Instructional staff	792,829	686,019
Board of education	147,584	221,899
Administration	3,390,740	3,188,700
Fiscal	982,636	937,318
Business	17,437	43,734
Operations and maintenance	4,134,609	4,334,937
Pupil transportation	2,639,744	2,749,481
Central	161,579	202,704

Operation of non-instructional services:

Food service operations	1,078,898	1,031,878
Other non-instructional services	406,507	333,877

Extracurricular activities	1,150,190	1,180,974
Interest and fiscal charges	<u>1,055,676</u>	<u>1,160,677</u>

Total expenses	<u>44,291,649</u>	<u>43,348,659</u>
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Change in net position	2,621,306	2,285,806
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Net position (deficit) at beginning of year	<u>(50,915,696)</u>	<u>(53,201,502)</u>
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Net position (deficit) at end of year	<u>\$ (48,294,390)</u>	<u>\$ (50,915,696)</u>
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Governmental Activities

Net position of the District's governmental activities increased \$2,621,306. Total governmental expenses of \$44,291,649 were offset by program revenues of \$5,123,448 and general revenues of \$41,789,507. Program revenues supported 11.57% of the total governmental expenses.

Total revenues for fiscal year 2016 were 2.80% higher than the prior year, mostly as a result of increased property tax revenue from the District's 3.9 mill operating levy which became effective in calendar year 2014. Unrestricted grants and entitlements also increased due to additional State Foundation funding.

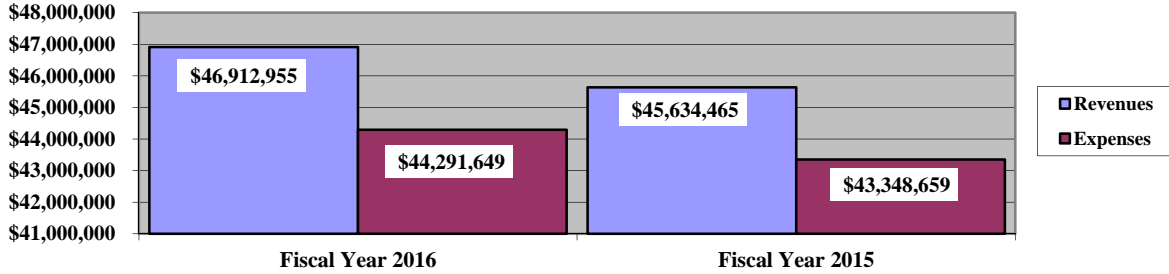
The overall increase in expenses is primarily due to increased wages and benefits costs for the District's employees, particularly for certificated teaching staff. The largest expense of the District is for instructional programs; instruction expenses totaled \$25,695,654 or 58.01% of total governmental expenses for fiscal year 2016.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2016 and 2015.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(Continued)

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 table that follows 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>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
Program expenses				
Instruction:				
Regular	\$ 19,841,101	\$ 18,763,169	\$ 19,456,605	\$ 18,455,109
Special	4,939,690	3,369,623	4,422,778	2,939,483
Vocational	5,696	(2,214)	5,784	55
Other	909,167	909,167	903,589	903,589
Support services:				
Pupil	2,637,566	2,525,717	2,487,705	2,383,453
Instructional staff	792,829	788,407	686,019	682,793
Board of education	147,584	147,584	221,899	221,899
Administration	3,390,740	3,183,712	3,188,700	2,991,563
Fiscal	982,636	982,636	937,318	937,318
Business	17,437	17,437	43,734	43,734
Operations and maintenance	4,134,609	4,120,224	4,334,937	4,320,587
Pupil transportation	2,639,744	2,470,102	2,749,481	2,546,158
Central	161,579	150,779	202,704	191,904
Operations of non-instructional services:				
Food service operations	1,078,898	71,962	1,031,878	23,601
Other non-instructional services	406,507	17,861	333,877	4,365
Extracurricular activities	1,150,190	596,359	1,180,974	568,302
Interest and fiscal charges	<u>1,055,676</u>	<u>1,055,676</u>	<u>1,160,677</u>	<u>1,160,677</u>
Total expenses	<u>\$ 44,291,649</u>	<u>\$ 39,168,201</u>	<u>\$ 43,348,659</u>	<u>\$ 38,374,590</u>

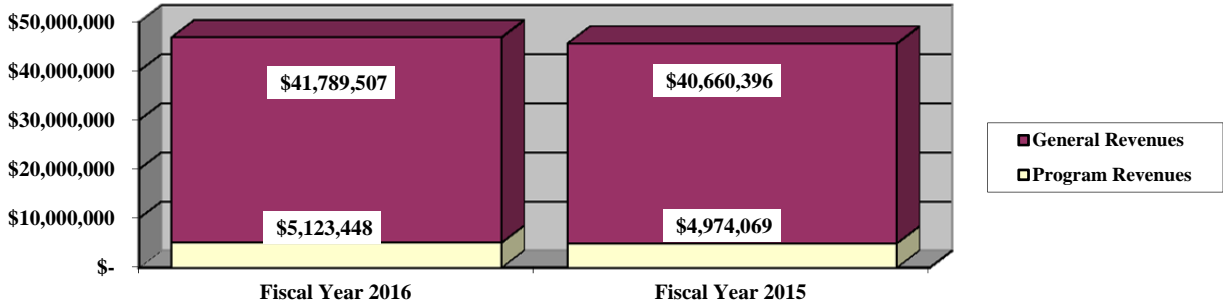
The dependence upon tax and other general revenues for governmental activities is apparent; 89.66% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 88.43%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(Continued)

The graph below presents the District's governmental activities revenue for fiscal year 2016 and 2015.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$8,876,269, compared to last year's total of \$7,106,828. The table below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	Fund Balance June 30, 2016	Fund Balance June 30, 2015	Increase (Decrease)
General	\$ 3,500,929	\$ 2,132,527	\$ 1,368,402
Permanent improvement	3,917,804	3,402,587	515,217
Nonmajor governmental funds	<u>1,457,536</u>	<u>1,571,714</u>	<u>(114,178)</u>
Total	<u>\$ 8,876,269</u>	<u>\$ 7,106,828</u>	<u>\$ 1,769,441</u>

General Fund

The District's general fund reported a fund balance of \$3,500,929 at June 30, 2016, which represents an increase of \$1,368,402 from the prior year. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(Continued)

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 25,453,242	\$ 24,462,881	4.05 %
Payments in lieu of taxes	852,608	890,080	(4.21) %
Tuition	668,649	447,152	49.54 %
Earnings on investments	83,232	25,901	221.35 %
Intergovernmental	11,996,189	12,134,796	(1.14) %
Other revenues	<u>576,672</u>	<u>542,117</u>	6.37 %
Total	<u>\$ 39,630,592</u>	<u>\$ 38,502,927</u>	2.93 %
<u>Expenditures</u>			
Instruction	\$ 23,998,668	\$ 23,401,800	2.55 %
Support services	13,687,193	13,677,390	0.07 %
Operation of non-instructional services	257	164	56.71 %
Extracurricular activities	560,614	532,563	5.27 %
Facilities acquisition and construction	<u>7,115</u>	<u>37,585</u>	(81.07) %
Total	<u>\$ 38,253,847</u>	<u>\$ 37,649,502</u>	1.61 %

The District experienced growth in its largest revenue source, property taxes revenue, which led to an overall increase in revenues. As mentioned previously, property tax revenue increased due to collections on the new operating levy passed in 2014. The increase in tuition revenue is due to an increase in revenue from other school districts for students attending the District.

Most of the increase in general fund expenditures is due to higher wages and benefits costs for the District's teachers and pupil support staff.

Permanent Improvement Fund

The permanent improvement fund is a major fund and is used to account for proceeds from an inside millage tax levy to be used for permanent improvements. The permanent improvement fund had \$2,050,351 in revenues and \$1,535,134 in expenditures. During fiscal year 2016, the permanent improvement fund's fund balance increased from \$3,402,587 to \$3,917,804.

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 2016, the District amended its general fund budget several times. For the general fund, original budget revenues and other financing sources of \$38,520,857 were decreased to \$38,515,857 in the final budget. Actual revenues and other financing sources were \$39,115,843, which is \$599,986 or 1.56% higher than the final budget. Property taxes were \$22,774 less than projected in the final budget as the District continued to increase collections on the 3.9 mill tax levy which was passed in November 2013.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$38,805,815 were increased to \$38,977,905 in the final budget. Slight increases were made to the original budget in order to account for higher wages and benefits costs for special instruction teachers and also an increase in property tax collection fees. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled \$38,630,918, which

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(Continued)

is \$346,987 or 0.89% lower than the final budget appropriations. There were no significant variances between the actual and final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the District had \$16,507,727 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The table that follows shows fiscal year 2016 balances compared to 2015.

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

	Governmental Activities	
	2016	2015
Land	\$ 1,608,844	\$ 1,608,844
Land improvements	107,872	144,328
Building and improvements	13,354,385	13,887,734
Furniture and equipment	762,634	762,039
Vehicles	673,992	696,267
Total	\$ 16,507,727	\$ 17,099,212

The decrease in capital assets is a result of depreciation expense of \$932,784 and disposals net of accumulated depreciation of \$7,468 exceeding capital asset additions of \$348,767. See Note 8 in the notes to the basic financial statements for additional detail on the District's capital assets.

Debt Administration

At June 30, 2016, the District had \$19,042,991 in general obligation bonds outstanding. Of this total, \$1,441,919 is due within one year and \$17,601,072 is due in greater than one year.

The following table summarizes the debt outstanding.

Outstanding Debt, at Fiscal Year End

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
General obligation bonds:		
Refunding	\$ 16,285,000	\$ 16,825,000
Capital appreciation	273,330	404,918
Accreted interest	1,816,244	2,317,547
Unamortized premium	668,417	801,883
Total general obligation bonds	\$ 19,042,991	\$ 20,349,348

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(Continued)**

At June 30, 2016, the District's overall legal debt margin was \$64,372,600 and the unvoted debt margin was \$885,642. See Note 9 in the notes 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 new 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. The District continues to perform at a high level on both State and National student assessments as seen in the 2015-16 Local Report Card. Approximately 70% of Anthony Wayne students continue to score at the accelerated and advanced level on these State assessments. In addition, each year approximately 85% of Anthony Wayne graduates continue their education at a post-secondary institution and accumulated over \$8 million dollars offered in scholarships.

As the preceding information shows, the District heavily depends on its property taxpayers. At present, the local taxpayers support represents approximately 63% of the total revenues of the District. The local communities' support was measured in November 2012 when the community renewed a \$3 million, 3.4 mill emergency operating levy for 10 years and again in November 2013, passing a 3.9 mill continuing operating levy that will generate nearly \$4 million. The continued support of these issues demonstrates the strong belief of parents and community members that their schools are one of the highest priorities and one of the most important public institutions in their communities.

The District communicates to its residents through a monthly newsletter that is emailed to parents and posted on the District's website. They also use social media websites like Twitter and Facebook to communicate. 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 tapered off with the slowing of new home developments, due to the economic times in general, however this is changing. The District is seeing home development and industrial development as well. The District also saw rapid growth in their assessed property valuation during the growth period. The District's assessed valuation has increased \$194,971,827 since 2003. This increase was 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 \$872,615,450 in 2010 as a result of this reduction, but then decreased to \$872,184,860 in 2011. Lucas County experienced a revaluation in 2012, and their valuation suffered another loss, at \$810,964,430; however, a positive trend started as their 2013 valuation rose to \$824,306,330 and is currently at \$885,642,390. Based on both commercial and residential development, we expect this growth to continue.

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, 2016
UNAUDITED
(Continued)**

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., Whitehouse, Ohio 43571.

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

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
Assets:	
Equity in pooled cash, cash equivalents and investments	\$ 12,661,350
Receivables:	
Property taxes	29,464,967
Payment in lieu of taxes	960,300
Accounts.	3,135
Accrued interest	13,981
Intergovernmental	207,351
Prepayments	3,778
Materials and supplies inventory.	48,249
Inventory held for resale	4,194
Capital assets:	
Nondepreciable capital assets	1,608,844
Depreciable capital assets, net.	14,898,883
Capital assets, net	16,507,727
Total assets.	59,875,032
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	122,002
Pension - STRS.	5,531,925
Pension - SERS.	1,172,057
Total deferred outflows of resources	6,825,984
 Liabilities:	
Accounts payable.	18,999
Accrued wages and benefits payable	4,661,087
Intergovernmental payable	126,944
Pension and postemployment benefits payable.	681,185
Accrued interest payable	43,803
Long-term liabilities:	
Due within one year.	1,735,389
Due in more than one year:	
Net pension liability (See Note 12)	56,519,884
Other amounts due in more than one year.	19,112,399
Total liabilities	82,899,690
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year	27,643,650
Payment in lieu of taxes levied for the next fiscal year	960,300
Pension - STRS	3,157,120
Pension - SERS	334,646
Total deferred inflows of resources	32,095,716
 Net position:	
Net investment in capital assets.	(217,818)
Restricted for:	
State funded programs.	56
Federally funded programs	22,233
Student activities	253,622
Unrestricted (deficit)	(48,352,483)
Total net position (deficit)	\$ (48,294,390)

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, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 19,841,101	\$ 654,371	\$ 423,561	\$ (18,763,169)
Special	4,939,690	222,041	1,348,026	(3,369,623)
Vocational	5,696	-	7,910	2,214
Other	909,167	-	-	(909,167)
Support services:				
Pupil	2,637,566	52,165	59,684	(2,525,717)
Instructional staff	792,829	3,654	768	(788,407)
Board of education	147,584	-	-	(147,584)
Administration	3,390,740	66,694	140,334	(3,183,712)
Fiscal	982,636	-	-	(982,636)
Business	17,437	-	-	(17,437)
Operations and maintenance	4,134,609	14,385	-	(4,120,224)
Pupil transportation	2,639,744	64,481	105,161	(2,470,102)
Central	161,579	-	10,800	(150,779)
Operation of non-instructional services:				
Food service operations	1,078,898	699,061	307,875	(71,962)
Other non-instructional services	406,507	-	388,646	(17,861)
Extracurricular activities	1,150,190	553,831	-	(596,359)
Interest and fiscal charges	1,055,676	-	-	(1,055,676)
Totals	\$ 44,291,649	\$ 2,330,683	\$ 2,792,765	(39,168,201)
General revenues:				
Property taxes levied for:				
General purposes				25,473,321
Debt service				1,747,194
Capital outlay				1,702,868
Payment in lieu of taxes				1,012,391
Grants and entitlements not restricted to specific programs				11,604,671
Investment earnings				91,837
Miscellaneous				157,225
Total general revenues				41,789,507
Change in net position				2,621,306
Net position (deficit) at beginning of year				(50,915,696)
Net position (deficit) at end of year				\$ (48,294,390)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash, cash equivalents and investments	\$ 7,021,754	\$ 3,827,070	\$ 1,812,526	\$ 12,661,350
Receivables:				
Property taxes	26,008,609	1,702,375	1,753,983	29,464,967
Payment in lieu of taxes	807,100	67,200	86,000	960,300
Accounts	3,135	-	-	3,135
Accrued interest	13,981	-	-	13,981
Intergovernmental	131	-	207,220	207,351
Interfund loans	301,568	-	-	301,568
Prepayments	3,539	-	239	3,778
Materials and supplies inventory	43,857	-	4,392	48,249
Inventory held for resale	-	-	4,194	4,194
Total assets	<u>\$ 34,203,674</u>	<u>\$ 5,596,645</u>	<u>\$ 3,868,554</u>	<u>\$ 43,668,873</u>
Liabilities:				
Accounts payable	3,488	3,750	11,761	18,999
Accrued wages and benefits payable	4,393,737	-	267,350	4,661,087
Compensated absences payable	101,171	-	-	101,171
Intergovernmental payable	123,669	-	3,275	126,944
Pension and postemployment benefits payable	626,600	-	54,585	681,185
Interfund loans payable	-	-	301,568	301,568
Total liabilities	<u>5,248,665</u>	<u>3,750</u>	<u>638,539</u>	<u>5,890,954</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	24,407,913	1,594,516	1,641,221	27,643,650
Payment in lieu of taxes levied for the next fiscal year	807,100	67,200	86,000	960,300
Delinquent property tax revenue not available	226,459	13,375	13,983	253,817
Intergovernmental revenue not available	-	-	31,275	31,275
Accrued interest not available	12,608	-	-	12,608
Total deferred inflows of resources	<u>25,454,080</u>	<u>1,675,091</u>	<u>1,772,479</u>	<u>28,901,650</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	43,857	-	4,392	48,249
Prepayments	3,539	-	239	3,778
Restricted:				
Debt service	-	-	1,223,115	1,223,115
Food service operations	-	-	8,758	8,758
Extracurricular activities	-	-	253,622	253,622
Other purposes	-	-	1,031	1,031
Committed:				
Capital improvements	-	3,917,804	-	3,917,804
Assigned:				
Student instruction	147,929	-	-	147,929
Student and staff support	352,779	-	-	352,779
Extracurricular activities	450	-	-	450
School supplies	180,802	-	-	180,802
Subsequent year appropriations	457,164	-	-	457,164
Other purposes	194,037	-	-	194,037
Unassigned (deficit)	2,120,372	-	(33,621)	2,086,751
Total fund balances	<u>3,500,929</u>	<u>3,917,804</u>	<u>1,457,536</u>	<u>8,876,269</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 34,203,674</u>	<u>\$ 5,596,645</u>	<u>\$ 3,868,554</u>	<u>\$ 43,668,873</u>

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Total governmental fund balances		\$	8,876,269
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			16,507,727
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.			
Property taxes receivable	\$	253,817	
Accrued interest receivable		12,608	
Intergovernmental receivable		31,275	
Total		31,275	297,700
Unamortized premiums on bonds issued are not recognized in the funds.			(668,418)
Unamortized deferred charges on refundings are not recognized in the funds.			122,002
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(43,803)
The net pension liability is not due and payable in the current period, therefore, the liability and related deferred inflows and outflows of resources are not reported in governmental funds.			
Deferred outflows of resources - pension		6,703,982	
Deferred inflows of resources - pension		(3,491,766)	
Net pension liability		(56,519,884)	
Total		(56,519,884)	(53,307,668)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(18,374,574)	
Compensated absences		(1,703,625)	
Total		(1,703,625)	(20,078,199)
Net position (deficit) of governmental activities			\$ (48,294,390)

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, 2016

	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Property taxes	\$ 25,453,242	\$ 1,703,604	\$ 1,747,322	\$ 28,904,168
Payment in lieu of taxes	852,608	70,306	89,477	1,012,391
Tuition	668,649	-	-	668,649
Charges for services	-	-	699,061	699,061
Earnings on investments	83,232	-	400	83,632
Extracurricular	91,362	-	533,731	625,093
Classroom materials and fees	259,014	-	-	259,014
Other local revenues	226,296	9,795	-	236,091
Intergovernmental - state	11,996,189	266,646	645,049	12,907,884
Intergovernmental - federal	-	-	1,457,877	1,457,877
Total revenues	<u>39,630,592</u>	<u>2,050,351</u>	<u>5,172,917</u>	<u>46,853,860</u>
Expenditures:				
Current:				
Instruction:				
Regular	18,679,290	479,599	435,481	19,594,370
Special	4,410,211	-	529,105	4,939,316
Other	909,167	-	-	909,167
Support services:				
Pupil	2,595,932	-	59,529	2,655,461
Instructional staff	799,303	-	774	800,077
Board of education	147,584	-	-	147,584
Administration	3,264,828	-	139,969	3,404,797
Fiscal	925,489	26,206	29,584	981,279
Operations and maintenance	3,375,470	777,219	-	4,152,689
Pupil transportation	2,425,857	238,360	21,490	2,685,707
Central	152,730	-	10,800	163,530
Operation of non-instructional services:				
Food service operations	-	-	1,057,569	1,057,569
Other non-instructional services	257	10,000	388,880	399,137
Extracurricular activities	560,614	-	534,696	1,095,310
Facilities acquisition and construction	7,115	3,750	-	10,865
Debt service:				
Principal retirement	-	-	596,588	596,588
Interest and fiscal charges	-	-	1,490,436	1,490,436
Refunding bond issuance costs	-	-	112,077	112,077
Total expenditures	<u>38,253,847</u>	<u>1,535,134</u>	<u>5,406,978</u>	<u>45,195,959</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,376,745</u>	<u>515,217</u>	<u>(234,061)</u>	<u>1,657,901</u>
Other financing sources (uses):				
Premium on refunding bonds	-	-	305,935	305,935
Sale of refunding bonds	-	-	5,350,000	5,350,000
Payment to refunding bond escrow agent	-	-	(5,538,619)	(5,538,619)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>117,316</u>	<u>117,316</u>
Net change in fund balances	1,376,745	515,217	(116,745)	1,775,217
Fund balances at beginning of year	2,132,527	3,402,587	1,571,714	7,106,828
Decrease in reserve for inventory	(8,343)	-	2,567	(5,776)
Fund balances at end of year	<u>\$ 3,500,929</u>	<u>\$ 3,917,804</u>	<u>\$ 1,457,536</u>	<u>\$ 8,876,269</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, 2016

Net change in fund balances - total governmental funds		\$ 1,775,217
<i>Amounts reported for governmental activities in the statement of activities because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful life as depreciation expense.		
Capital asset additions	\$ 348,767	
Current year depreciation	(932,784)	
Total		(584,017)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, trade-ins, and donations) is to decrease net position.		
		(7,468)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(5,776)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	19,215	
Earnings on investments	8,605	
Intergovernmental	31,275	
Total		59,095
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		596,588
The issuance of refunding bonds are recorded as other financing sources in the governmental funds; however, in the statement of activities, they are not reported as revenues as they increase long-term liabilities on the statement of net position.		
		(5,350,000)
Payment to refunded 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 position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:		
Bonds refunded	5,425,000	
Unamortized premium on bonds refunded	385,897	
Unamortized deferred amount on bonds refunded	(299,169)	
Deferred charges on refunding	26,891	
Total		5,538,619
Premiums on debt issuances are recognized as revenues in the governmental funds; however, they are amortized over the life of the issuance on the statement of activities.		
		(305,935)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:		
Decrease in accrued interest payable	6,014	
Payment of accreted interest on capital appreciation bonds	978,412	
Accreted interest on capital appreciation bonds	(477,109)	
Amortization of bond premiums	53,504	
Amortization of deferred charges on refunding	(13,984)	
Total		546,837

- (Continued)

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources.	\$ 3,386,738
Except for amounts reported as deferred inflows/outflows of resources, changes in the net pension liability are reported as pension expense in the statement of activities.	(2,889,987)
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 expenditure in governmental funds.	<u>(138,605)</u>
Change in net position of governmental activities	<u><u>\$ 2,621,306</u></u>

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 25,023,623	\$ 25,154,724	\$ 25,131,950	\$ (22,774)
Payment in lieu of taxes	852,608	852,608	852,608	-
Tuition	452,706	485,000	668,649	183,649
Earnings on investments	19,899	21,000	42,828	21,828
Classroom materials and fees	-	-	29	29
Rental income	14,924	15,000	14,385	(615)
Contract services.	119,395	120,000	64,481	(55,519)
Other local revenues	34,824	35,000	61,473	26,473
Intergovernmental - state	<u>11,772,878</u>	<u>11,827,525</u>	<u>12,031,861</u>	<u>204,336</u>
Total revenues	<u>38,290,857</u>	<u>38,510,857</u>	<u>38,868,264</u>	<u>357,407</u>
Expenditures:				
Current:				
Instruction:				
Regular	19,109,488	18,639,691	18,599,925	39,766
Special.	4,036,316	4,502,683	4,419,373	83,310
Other.	937,085	911,750	911,538	212
Support services:				
Pupil.	2,292,809	2,574,633	2,565,522	9,111
Instructional staff	811,273	801,039	794,937	6,102
Board of education	232,147	200,235	194,278	5,957
Administration.	3,269,766	3,166,815	3,139,190	27,625
Fiscal	993,596	978,755	931,309	47,446
Operations and maintenance.	3,583,329	3,589,966	3,573,584	16,382
Pupil transportation	2,756,265	2,565,641	2,483,933	81,708
Central.	198,249	189,142	176,682	12,460
Extracurricular activities.	552,926	548,873	531,965	16,908
Facilities acquisition and construction	<u>32,566</u>	<u>7,115</u>	<u>7,115</u>	<u>-</u>
Total expenditures	<u>38,805,815</u>	<u>38,676,338</u>	<u>38,329,351</u>	<u>346,987</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(514,958)</u>	<u>(165,481)</u>	<u>538,913</u>	<u>704,394</u>
Other financing sources (uses):				
Advances in	225,000	-	237,379	237,379
Advances (out).	-	(301,567)	(301,567)	-
Proceeds from sale of assets.	<u>5,000</u>	<u>5,000</u>	<u>10,200</u>	<u>5,200</u>
Total other financing sources (uses)	<u>230,000</u>	<u>(296,567)</u>	<u>(53,988)</u>	<u>242,579</u>
Net change in fund balance.	(284,958)	(462,048)	484,925	946,973
Fund balance at beginning of year	5,177,592	5,177,592	5,177,592	-
Prior year encumbrances appropriated	435,975	435,975	435,975	-
Fund balance at end of year	<u>\$ 5,328,609</u>	<u>\$ 5,151,519</u>	<u>\$ 6,098,492</u>	<u>\$ 946,973</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash, cash equivalents and investments	\$ 38,199	\$ 142,965
Liabilities:		
Intergovernmental payable	-	\$ 5,923
Pension and postemployment benefits payable. . .	-	266
Deposits held and due to others.	-	136,776
Total liabilities	-	\$ 142,965
Net position:		
Held in trust for scholarships.	38,199	
Total net position.	\$ 38,199	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

		<u>Private-Purpose Trust</u>
		<u>Scholarship</u>
Additions:		
Gifts and contributions	\$	<u>2,447</u>
Deductions:		
Scholarships awarded		<u>4,500</u>
Change in net position		(2,053)
Net position at beginning of year		<u>40,252</u>
Net position at end of year	\$	<u><u>38,199</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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 176 non-certified and 281 certified (including administrative) full-time and part-time employees to provide services to approximately 4,319 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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". 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 government's 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, 2016
(Continued)

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 \$2,585 to the Center during fiscal year 2016. Financial information can be obtained from the Penta Career Center, Carrie Herringshaw, who serves as Treasurer, at 9301 Buck Road, Perrysburg, Ohio 43551.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

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 deferred outflows and liabilities and deferred inflows 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 position and changes in net position. 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 funds account for student activities and District agency activities.

C. Basis of Presentation and Measurement Focus

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. 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 deferred outflows and current liabilities and current deferred inflows 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, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Note 12 for deferred outflows of resources related the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, See Note 12 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position. In addition, deferred inflows of resources include a deferred gain on debt refunding. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

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 2016.
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 2016. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

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, cash equivalents and investments" on the basic financial statements.

During fiscal year 2016, investments were limited to federal agency securities, a U.S. Government money market account, commercial paper, negotiable certificates of deposit (CDs) 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 2016. 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, 2016.

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 2016 amounted to \$83,232, which includes \$41,273 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 expended/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 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 position, but are not reported in the fund financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives
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 loans receivable/payable." These amounts are eliminated in the governmental activities column on the statement of net position.

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, 2016 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

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.

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, compensated absences, and net pension liability 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, 2016
(Continued)

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 Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

O. Estimates

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

P. 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, 2016
(Continued)**

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

Q. 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 Educational Service Center of Lake Erie West. These transactions are reported as a governmental activity of the District.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District did not have any extraordinary or special items during fiscal year 2016.

S. Unamortized Bond Premium and Discount/Accounting Gain or Loss

On the government-wide financial statements, 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. On the governmental fund financial statements, bond premiums are recognized in the current period.

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 a deferred outflow of resources on the statement of net position.

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

T. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

U. Fair Market Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Title VI-B	\$ 10,942
Title I	9,718
Improving Teacher Quality	12,722

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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;
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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 \$7,110 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash, cash equivalents and investments”.

B. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was \$7,450,258. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2016, \$7,266,444 of the District’s bank balance of \$7,766,444 was exposed to custodial risk as discussed below, while \$500,000 was covered by the FDIC.

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

C. Investments

As of June 30, 2016, 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>
FNMA	\$ 1,147,991	\$ -	\$ 200,203	\$ 185,644	\$ 397,014	\$ 365,130
FHLMC	805,380	-	-	-	-	805,380
Negotiable CDs	1,809,044	-	-	248,106	-	1,560,938
Commercial paper	841,763	474,532	367,231	-	-	-
U.S. Government money market account	6,352	6,352	-	-	-	-
STAR Ohio	<u>774,616</u>	<u>774,616</u>	-	-	-	-
Total	<u>\$ 5,385,146</u>	<u>\$ 1,255,500</u>	<u>\$ 567,434</u>	<u>\$ 433,750</u>	<u>\$ 397,014</u>	<u>\$ 2,731,448</u>

The weighted average maturity of investments is 2.03 years.

The District’s investments in federal agency securities, negotiable certificates of deposit, and commercial paper are valued using quoted market prices (Level 1 inputs).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, negotiable CDs 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.

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, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FNMA	\$ 1,147,991	21.32
FHLMC	805,380	14.96
Commercial paper	1,809,044	33.59
Negotiable CDs	841,763	15.63
U.S. Government money market	6,352	0.12
STAR Ohio	<u>774,616</u>	<u>14.38</u>
Total	<u>\$ 5,385,146</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Position

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 position as of June 30, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 7,450,258
Investments	5,385,146
Cash on hand	<u>7,110</u>
Total	<u>\$ 12,842,514</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 12,661,350
Private-purpose trust fund	38,199
Agency funds	<u>142,965</u>
 Total	 <u>\$ 12,842,514</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2016 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>\$ 301,568</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.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District's 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 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, 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, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$1,374,237 in the general fund, \$98,779 in the debt service fund (a nonmajor governmental fund) and \$94,484 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$1,052,945 in the general fund, \$71,202 in the debt service fund (a nonmajor governmental fund) and \$71,202 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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 reported as a deferred inflow.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 825,993,460	97.65	\$ 865,388,400	97.71
Public utility personal	<u>19,860,850</u>	<u>2.35</u>	<u>20,253,990</u>	<u>2.29</u>
Total	<u>\$ 845,854,310</u>	<u>100.00</u>	<u>\$ 885,642,390</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 71.60		\$ 71.30	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2016 consisted of property 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. 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, 2016
(Continued)

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,608,844	\$ -	\$ -	\$ 1,608,844
Total capital assets, not being depreciated	<u>1,608,844</u>	<u>-</u>	<u>-</u>	<u>1,608,844</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,507,767	-	-	2,507,767
Building and improvements	29,228,602	-	-	29,228,602
Furniture and equipment	3,035,224	107,679	(42,860)	3,100,043
Vehicles	<u>4,327,598</u>	<u>241,088</u>	<u>(491,030)</u>	<u>4,077,656</u>
Total capital assets, being depreciated	<u>39,099,191</u>	<u>348,767</u>	<u>(533,890)</u>	<u>38,914,068</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(2,363,439)	(36,456)	-	(2,399,895)
Building and improvements	(15,340,868)	(533,349)	-	(15,874,217)
Furniture and equipment	(2,273,185)	(100,459)	36,235	(2,337,409)
Vehicles	<u>(3,631,331)</u>	<u>(262,520)</u>	<u>490,187</u>	<u>(3,403,664)</u>
Total accumulated depreciation	<u>(23,608,823)</u>	<u>(932,784)</u>	<u>526,422</u>	<u>(24,015,185)</u>
Governmental activities capital assets, net	<u>\$ 17,099,212</u>	<u>\$ (584,017)</u>	<u>\$ (7,468)</u>	<u>\$ 16,507,727</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 503,213
Special	23,373
Vocational	5,696
<u>Support services:</u>	
Administration	164
Business	17,437
Operations and maintenance	39,818
Pupil transportation	247,137
Extracurricular activities	60,098
Food service operations	<u>35,848</u>
Total depreciation expense	<u>\$ 932,784</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9 - LONG-TERM OBLIGATIONS

A. The District's long-term obligations activity during fiscal year 2016 consisted of the following:

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2016</u>	Amounts Due Within <u>One Year</u>
Governmental activities:					
<i>General obligation bonds:</i>					
<u>Series 2000, facilities improvement</u>					
Capital appreciation bonds	\$ 84,734	\$ -	\$ (84,734)	\$ -	\$ -
Accreted interest	198,328	11,938	(210,266)	-	-
<u>Series 2001, refunding</u>					
Capital appreciation bonds	85,192	-	(46,854)	38,338	38,338
Accreted interest	1,256,259	211,114	(768,146)	699,227	699,227
<u>Series 2006, refunding</u>					
Current interest bonds	5,520,000	-	(5,520,000)	-	-
Capital appreciation bonds	134,996	-	-	134,996	54,855
Accreted interest	686,632	173,484	-	860,116	349,499
<u>Series 2011, refunding</u>					
Current interest bonds	3,840,000	-	(250,000)	3,590,000	250,000
Capital appreciation bonds	54,996	-	-	54,996	-
Accreted interest	118,423	53,190	-	171,613	-
<u>Series 2011A, refunding</u>					
Current interest bonds	7,465,000	-	(50,000)	7,415,000	50,000
Capital appreciation bonds	45,000	-	-	45,000	-
Accreted interest	57,905	27,383	-	85,288	-
<u>Series 2015, refunding</u>					
Current interest bonds	-	5,350,000	(70,000)	5,280,000	-
Total G.O. bonds	<u>19,547,465</u>	<u>5,827,109</u>	<u>(7,000,000)</u>	<u>18,374,574</u>	<u>1,441,919</u>
<i>Other long-term obligations:</i>					
Compensated absences	1,732,930	421,757	(349,891)	1,804,796	293,470
Net pension liability	48,687,338	7,832,546	-	56,519,884	-
Total other long-term obligations	<u>50,420,268</u>	<u>8,254,303</u>	<u>(349,891)</u>	<u>58,324,680</u>	<u>293,470</u>
Total governmental activities	<u>\$ 69,967,733</u>	<u>\$ 14,081,412</u>	<u>\$ (7,349,891)</u>	76,699,254	<u>\$ 1,735,389</u>
				Add: unamortized premium on bonds	668,418
				Total on statement of net position	<u>\$ 77,367,672</u>

B. 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.D.) and the remaining current interest bonds comprising the issue were refunded in 2011 (See Note 9.E.). These bonds were 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 were recorded as expenditures in the debt service fund (a nonmajor governmental fund). On the government-wide financial statements, principal payments reduced the liability reported on the statement of net position. The source of payment is derived from a current 2.20 (average) mil bonded debt tax levy. This bond issue was paid in full in fiscal year 2016.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(Continued)

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

- C. 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 bonds for this issue during fiscal year 2012 (see Note 9.F.). 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 position. The source of payment is derived from a current 2.20 (average) mil bonded debt tax levy.

At June 30, 2016, this issue is comprised of capital appreciation bonds, par value \$38,338. The capital appreciation bonds mature December 1, 2016, (stated interest rate of 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 \$815,000. Total accreted interest of \$699,227 has been included on the statement of net position at June 30, 2016.

- D. 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. A portion of the current interest bonds (\$5,425,000) were refunded during fiscal year 2016 (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 position. The source of payment is derived from a current 2.20 (average) mil bonded debt tax levy.

At June 30, 2016, this issue is comprised of 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 \$860,116 has been included on the statement of net position at June 30, 2016.

Interest payments on the current interest bonds were due on June 1 and December 1 of each year and the final maturity was December 1, 2019.

- E. 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 position. The source of payment is derived from a current 2.20 (average) mil bonded debt tax levy.

This issue is comprised of current interest bonds, present value \$3,590,000 at June 30, 2016, 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 \$171,613 has been included on the statement of net position at June 30, 2016.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(Continued)

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.

- F.** 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 position. The source of payment is derived from a current 2.20 (average) mil bonded debt tax levy.

This issue is comprised of current interest bonds, present value \$7,415,000 at June 30, 2016, and capital appreciation bonds, par value \$45,000. The capital appreciation bonds mature 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 \$85,288 has been included on the statement of net position at June 30, 2016.

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, 2024.

- G.** On September 8, 2015, the District issued \$5,350,000 in general obligation refunding bonds (Series 2015, refunding bonds). These bonds refunded the \$5,425,000 callable portion of the Series 2006 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 position. The source of payment is derived from a current 2.20 (average) mil bonded debt tax levy.

This issue is comprised of current interest bonds, present value \$5,280,000. 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 net present value savings of the refunding was \$628,412. The reacquisition price exceeded the net carrying amount of the old debt by \$26,891. 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. The net proceeds of the 2006 refunding bonds related to the advance refunding portion have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$5,280,000 at June 30, 2016, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 300,000	\$ 552,193	\$ 852,193	\$ 93,193	\$ 1,166,807	\$ 1,260,000
2018	1,100,000	530,630	1,630,630	42,748	377,252	420,000
2019	650,000	501,880	1,151,880	114,275	820,725	935,000
2020	1,340,000	469,818	1,809,818	23,114	221,886	245,000
2021	1,665,000	421,356	2,086,356	-	-	-
2022 - 2026	8,030,000	1,208,818	9,238,818	-	-	-
2027 - 2031	<u>3,200,000</u>	<u>303,002</u>	<u>3,503,002</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 16,285,000</u>	<u>\$ 3,987,697</u>	<u>\$ 20,272,697</u>	<u>\$ 273,330</u>	<u>\$ 2,586,670</u>	<u>\$ 2,860,000</u>

I. 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. See Note 12 for detail regarding the net pension liability.

J. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The 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, 2016, are a voted debt margin of \$64,372,600 (including available funds of \$1,223,115) and an unvoted debt margin of \$885,642.

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-five 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 31 percent of the total sick leave accumulation, up to a maximum accumulation of 84 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 additional day for each year of service over 20 years. If a classified employee has accumulated a total of 245 sick

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 10 - OTHER EMPLOYEE BENEFITS – (Continued)

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 \$25,000.

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 2016, the District purchased from Governmental Underwriters of America, Inc., general liability insurance, which carried a \$1 million per occurrence/\$3 million annual aggregate limitation.

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

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 2015.

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 and vision insurance through VSP.

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 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$850,468 for fiscal year 2016. Of this amount, \$153,298 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$2,536,270 for fiscal year 2016. Of this amount, \$431,448 is reported as pension and postemployment benefits payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate share of the net pension liability	\$ 10,819,479	\$ 45,700,405	\$ 56,519,884
Proportion of the net pension liability	0.18961260%	0.16535905%	
Pension expense	\$ 738,851	\$ 2,151,136	\$ 2,889,987

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 173,169	\$ 2,076,617	\$ 2,249,786
Changes in proportionate share	148,420	919,038	1,067,458
District contributions subsequent to the measurement date	<u>850,468</u>	<u>2,536,270</u>	<u>3,386,738</u>
Total deferred outflows of resources	<u>\$ 1,172,057</u>	<u>\$ 5,531,925</u>	<u>\$ 6,703,982</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	<u>334,646</u>	<u>3,157,120</u>	<u>3,491,766</u>
Total deferred inflows of resources	<u>\$ 334,646</u>	<u>\$ 3,157,120</u>	<u>\$ 3,491,766</u>

\$3,386,738 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	\$ (75,442)	\$ (470,992)	\$ (546,434)
2018	(75,442)	(470,992)	(546,434)
2019	(75,442)	(470,991)	(546,433)
2020	<u>213,269</u>	<u>1,251,510</u>	<u>1,464,779</u>
Total	<u>\$ (13,057)</u>	<u>\$ (161,465)</u>	<u>\$ (174,522)</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Changes Between Measurement Date and Report Date - In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact on the District's net pension liability is expected to be significant.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 15,002,729	\$ 10,819,479	\$ 7,296,837

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 63,481,309	\$ 45,700,405	\$ 30,663,998

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$96,705.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$96,705, \$134,607, and \$92,388, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$167,119, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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).

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	\$ 484,925
Net adjustment for revenue accruals	339,359
Net adjustment for expenditure accruals	(20,045)
Net adjustment for other sources/uses	53,987
Funds budgeted elsewhere	101,699
Adjustment for encumbrances	416,820
GAAP basis	<u>\$ 1,376,745</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 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 15 – CONTINGENCIES – (Continued)

applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2016, if applicable, cannot be determined at this time.

B. Litigation

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

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

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.

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, 2015	
Current year set-aside requirement	736,375
Current year offsets	<u>(2,017,274)</u>
Total	<u>\$ (1,280,899)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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	\$ 427,396
Permanent improvement	205,752
Nonmajor governmental	<u>60,480</u>
Total	<u>\$ 693,628</u>

NOTE 18 – RELATED PARTY TRANSACTIONS

Pam Gerhardinger, a Board Member, is co-owner of Anthony Wayne Tire and Auto Repair, a local company who performed various repairs and provided parts/services for District vehicles in 2016. The District remitted \$2,962 during 2016. The projects were approved at arm’s length, with full knowledge by District officials, of Mrs. Gerhardinger’s interest, and Mrs. Gerhardinger took no part in the deliberation or decision by District officials with respect to the projects.

NOTE 19 – SUBSEQUENT EVENTS

On December 12, 2016, the Board approved two general obligation bond issuances for constructing, renovating, and improving school facilities. The first issuance was on December 30, 2016 in the amount of \$9,200,000. The bonds have an interest rate of 1.36 percent and mature on June 30, 2017. The second issuance in the amount of \$44,268,500 has not yet been finalized. The bonds will mature on December 1, 2053, but an interest rate has not yet been determined. The bonds are set to close on April 6, 2016.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.18961260%	0.18574300%	0.18574300%
District's proportionate share of the net pension liability	\$ 10,819,479	\$ 9,400,347	\$ 11,045,540
District's covered-employee payroll	\$ 5,708,331	\$ 5,397,330	\$ 5,212,558
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.17%	211.90%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.16535905%	0.16151890%	0.16151890%
District's proportionate share of the net pension liability	\$ 45,700,405	\$ 39,286,991	\$ 46,798,407
District's covered-employee payroll	\$ 17,616,257	\$ 16,502,769	\$ 16,882,762
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	259.42%	238.06%	277.20%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 850,468	\$ 752,358	\$ 748,070	\$ 721,418
Contributions in relation to the contractually required contribution	<u>(850,468)</u>	<u>(752,358)</u>	<u>(748,070)</u>	<u>(721,418)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,074,771	\$ 5,708,331	\$ 5,397,330	\$ 5,212,558
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 698,567	\$ 642,920	\$ 674,502	\$ 464,762	\$ 465,508	\$ 535,230
<u>(698,567)</u>	<u>(642,920)</u>	<u>(674,502)</u>	<u>(464,762)</u>	<u>(465,508)</u>	<u>(535,230)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,193,807	\$ 5,114,718	\$ 4,981,551	\$ 4,723,191	\$ 4,740,407	\$ 5,011,517
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 2,536,270	\$ 2,466,276	\$ 2,145,360	\$ 2,194,759
Contributions in relation to the contractually required contribution	<u>(2,536,270)</u>	<u>(2,466,276)</u>	<u>(2,145,360)</u>	<u>(2,194,759)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 18,116,214	\$ 17,616,257	\$ 16,502,769	\$ 16,882,762
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 2,190,649	\$ 2,123,854	\$ 2,048,102	\$ 1,960,292	\$ 2,003,187	\$ 2,034,789
<u>(2,190,649)</u>	<u>(2,123,854)</u>	<u>(2,048,102)</u>	<u>(1,960,292)</u>	<u>(2,003,187)</u>	<u>(2,034,789)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 16,851,146	\$ 16,337,338	\$ 15,754,631	\$ 15,079,169	\$ 15,409,131	\$ 15,652,223
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 - 2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 - 2016. See the notes to the basic financials for the methods and assumptions in this calculation.

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STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 - 2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 - 2016. See the notes to the basic financials for the methods and assumptions in this calculation.

ANTHONY WAYNE LOCAL SCHOOL DISTRICT
LUCAS COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Receipts	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education</i>					
<u>Child Nutrition Cluster:</u>					
School Breakfast Program	10.553			\$19,586	\$19,586
National School Lunch Program	10.555				
Cash Assistance				222,367	222,367
Non- Cash Assistance (Food Distribution)				61,481	61,481
Total National School Lunch Program				<u>283,848</u>	<u>283,848</u>
Total U.S. Department of Agriculture				<u>303,434</u>	<u>303,434</u>
U.S. DEPARTMENT OF DEFENSE					
<i>Direct Program</i>					
National School Lunch Program	10.555				
Non- Cash Assistance (Food Distribution)				17,995	17,995
Total All National School Lunch Program - CFDA #10.555				<u>301,843</u>	<u>301,843</u>
Total Child Nutrition Cluster				321,429	321,429
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies - FY 15	84.010			58,366	67,069
Title I Grants to Local Educational Agencies - FY 16	84.010			317,239	314,203
Total Title I Grants to Local Educational Agencies				375,605	381,272
<u>Special Education Cluster:</u>					
Special Education_Grants to States - FY 15	84.027			118,319	116,525
Special Education_Grants to States - FY 16	84.027			603,413	623,086
Special Education_Preschool Grants	84.173		\$8,290	8,290	8,290
Total Special Education Cluster				730,022	747,901
Supporting Effective Instruction State Grant - FY 15	84.367			10,571	10,571
Supporting Effective Instruction State Grant - FY 16	84.367			64,829	64,828
Total Supporting Effective Instruction State Grant				<u>75,400</u>	<u>75,399</u>
Total U.S. Department of Education				<u>1,181,027</u>	<u>1,204,572</u>
Total Expenditures of Federal Awards			<u>\$8,290</u>	<u>\$1,502,456</u>	<u>\$1,526,001</u>

The accompanying notes are an integral part of this schedule.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Anthony Wayne Local School District, Lucas County, Ohio (the District's) under programs of the federal government for the fiscal year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting, except expenditures passed through to the ESC of Lake Erie West are presented on an accrual basis. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

The District passes certain federal awards received from the Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note B describes, the District reports expenditures of Federal awards to the ESC of Lake Erie West on an accrual basis.

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE D - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE E – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 43571-0486

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 10, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

www.ohioauditor.gov

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

March 10, 2017



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Anthony Wayne Local School District
Lucas County
9565 Bucher Road, P.O. Box 2487
Whitehouse, Ohio 43571-0486

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Anthony Wayne Local School District, Lucas County, Ohio's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, 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 program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

March 10, 2017

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Program's Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

ANTHONY WAYNE LOCAL SCHOOL DISTRICT
LUCAS COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Noncompliance and material weakness for material errors in the Schedule of Federal Awards Receipts and Expenditures.	Fully corrected.	



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
MARCH 30, 2017**