

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

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2001***

PATRICIA PENNY, TREASURER



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Education
Anthony Wayne Local School District
11012 Shepler
Whitehouse, Ohio 43571

We have reviewed the independent auditor's report of the Anthony Wayne Local School District, Lucas County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

January 15, 2002

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

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Independent Auditor's Report

Board of Education
Anthony Wayne Local School District
11012 Shepler
Whitehouse, Ohio 43571

We have audited the accompanying general purpose financial statements of the Anthony Wayne Local School District, Lucas County, (the "District"), as of and for the fiscal year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Anthony Wayne Local School District, Lucas County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Trimble, Julian & Grube, Inc.
November 30, 2001

ANTHONY WAYNE LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Total (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects			Enterprise	Trust and Agency	General		
									Fixed Assets		Long-Term Obligations
ASSETS AND OTHER DEBITS											
ASSETS:											
Equity in pooled cash and cash equivalents	\$2,826,385	\$302,545	\$464,757	\$9,861,130	\$165,497	\$489,276				\$14,109,590	
Receivables (net of allowances of uncollectibles):											
Property taxes - current & delinquent	14,764,774		1,417,383	6,025,000						22,207,157	
Accrued interest	47,595									47,595	
Due from other governments		8,814			8,894					17,708	
Prepayments	32,275									32,275	
Materials and supplies inventory	20,605				8,830					29,435	
Restricted assets:											
Equity in pooled cash and cash equivalents.	34,698									34,698	
Property, plant and equipment (net of accumulated depreciation where applicable)					6,991			\$37,699,594		37,706,585	
OTHER DEBITS:											
Amount available in Debt Service Fund									\$540,035	540,035	
Amount to be provided for retirement of General Long-Term Obligations.									22,837,378	22,837,378	
Total assets and other debits	\$17,726,332	\$311,359	\$1,882,140	\$15,886,130	\$190,212	\$489,276		\$37,699,594	\$23,377,413	\$97,562,456	

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

ANTHONY WAYNE LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Total Memorandum Only		
	General	Special Revenue	Debt Service	Capital Projects			Enterprise	Trust and Agency	General Fixed Assets		Long-Term Obligations	
LIABILITIES, EQUITY AND OTHER CREDITS												
LIABILITIES:												
Accounts payable	\$278,960	\$3,520		\$178,833	\$3,604	\$1,036				\$287,120		
Contracts payable										178,833		
Accrued wages and benefits	2,591,008	49,099			50,795					2,690,902		
Compensated absences payable	103,925				17,718			\$1,326,548		1,448,191		
Pension obligation payable	352,342	6,107			32,900			133,920		525,269		
Deferred revenue	13,395,054	8,814	\$1,315,726	6,025,000	6,295					20,750,889		
Due to other governments	9,935					4,944				14,879		
Due to students						75,856				75,856		
Accrued interest payable			26,379	159,994						186,373		
General obligation bonds payable				5,750,000				21,574,441		21,574,441		
Bond anticipation note payable										5,750,000		
Obligation under capital lease								342,504		342,504		
Total liabilities	16,731,224	67,540	1,342,105	12,113,827	111,312	81,836		23,377,413		53,825,257		
EQUITY AND OTHER CREDITS:												
Investment in general fixed assets												
Contributed capital								\$37,699,594		37,699,594		
Retained earnings: unreserved					6,991					6,991		
Fund balances:					71,909					71,909		
Reserved for encumbrances	460,649	34,996		5,966,009						6,597,178		
Reserved for supplies inventory	20,605									20,605		
Reserved for prepayments	32,275									32,275		
Reserved for debt service			465,043							465,043		
Reserved for tax revenue unavailable for appropriation	789,757									789,757		
Reserved for BWC refunds	34,698									34,698		
Designated for budget stabilization	547,582									547,582		
Unreserved-undesignated	(890,458)	208,823		(2,193,706)		271,916				(2,603,425)		
Total equity and other credits	995,108	243,819	540,035	3,772,303	78,900	407,440		37,699,594		43,737,199		
Total liabilities, equity and other credits	\$17,726,332	\$311,359	\$1,882,140	\$15,886,130	\$190,212	\$489,276		\$37,699,594	\$23,377,413	\$97,562,456		

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

ANTHONY WAYNE LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$12,631,089		\$1,365,047			\$13,996,136
Tuition	274,985					274,985
Earnings on investments	589,363			\$732,591		1,321,954
Other local revenues	266,407	\$384,451		23,491	\$225,643	899,992
Intergovernmental - State	7,791,876	151,884	169,132	126,121		8,239,013
Intergovernmental - Federal	59,370	349,113				408,483
Total revenues	21,613,090	885,448	1,534,179	882,203	225,643	25,140,563
Expenditures:						
Current:						
Instruction:						
Regular	11,708,425	62,511		105,878	17,606	11,894,420
Special	1,526,724	269,843				1,796,567
Vocational	283,561					283,561
Support services:						
Pupil	915,980	6,206				922,186
Instructional staff	370,412	68,074				438,486
Board of Education	799,306					799,306
Administration	1,822,967	21,834	27			1,844,828
Fiscal	426,822		316			427,138
Operations and maintenance	2,905,358			262,300		3,167,658
Pupil transportation	1,975,569					1,975,569
Central		10,122				10,122
Community services		133,643				133,643
Extracurricular activities	380,201	291,076			12,384	683,661
Facilities services	446,964			5,927,210	4,854	6,379,028
Capital outlay				303,672	210,605	514,277
Debt service:						
Principal retirement	35,103		295,000	108,445	75,492	514,040
Interest and fiscal charges	4,993		1,183,231	584,688		1,772,912
Total expenditures	23,602,385	863,309	1,478,574	7,292,193	320,941	33,557,402
Excess of revenues over/(under) expenditures	(1,989,295)	22,139	55,605	(6,409,990)	(95,298)	(8,416,839)
Other financing sources (uses):						
Proceeds of capital lease transaction				303,672	210,605	514,277
Proceeds from sale of assets	1,375					1,375
Proceeds of bonds				8,000,000		8,000,000
Premium on sale of bonds				131,785		131,785
Transfer in				984,602		984,602
Transfer (out)			(792,909)	(191,693)		(984,602)
Total other financing sources (uses)	1,375		(792,909)	9,228,366	210,605	8,647,437
Excess of revenues and other financing sources over/(under) expenditures and other financing (uses)	(1,987,920)	22,139	(737,304)	2,818,376	115,307	230,598
Fund balance (Restated), July 1	2,979,312	221,680	1,277,339	953,927	292,133	5,724,391
Increase in reserve for inventory	3,716					3,716
Fund balance, June 30	\$995,108	\$243,819	\$540,035	\$3,772,303	\$407,440	\$5,958,705

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

ANTHONY WAYNE LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance:	Revised Budget	Actual	Variance:	Revised Budget	Actual	Variance:	Revised Budget	Actual	Variance:	Revised Budget	Actual	Variance:
			Favorable (Unfavorable)			Favorable (Unfavorable)			Favorable (Unfavorable)			Favorable (Unfavorable)			Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes.....	\$13,578,837	\$13,505,787	(\$73,050)				\$1,462,908	\$1,408,487	(\$54,421)						
Tuition.....	287,303	274,985	(12,318)												
Earnings on investments.....	568,885	541,278	(27,607)												
Other local revenues.....	173,597	165,397	(8,200)												
Intergovernmental - State.....	8,367,270	7,967,919	(399,351)	\$398,104	\$398,396	\$292									
Intergovernmental - Federal.....	62,378	59,370	(3,008)	359,197	359,461	264	123,335	169,132	45,797						
Total revenues.....	23,038,270	22,514,736	(523,534)	909,074	909,742	668	1,586,245	1,577,619	(8,624)	3,961,800	882,203	(3,079,597)	29,495,387	25,884,300	(3,611,087)
Expenditures:															
Current:															
Instruction:															
Regular.....	11,658,240	11,613,591	44,649	93,524	76,717	16,807				290,280	214,323	75,957	12,042,044	11,904,631	137,413
Special.....	1,478,623	1,472,960	5,663	319,698	262,247	57,451							1,798,321	1,735,207	63,114
Vocational.....	289,151	288,044	1,107										289,151	288,044	1,107
Support services:															
Pupil.....	925,428	921,884	3,544	8,627	7,077	1,550							934,055	928,961	5,094
Instructional staff.....	353,287	351,934	1,353	80,533	66,061	14,472							433,820	417,995	15,825
Board of Education.....	808,788	805,690	3,098										808,788	805,690	3,098
Administration.....	1,977,403	1,969,830	7,573	26,913	22,077	4,836	396	27	369				2,004,712	1,991,934	12,778
Fiscal.....	452,751	451,017	1,734				1,112	316	796				453,863	451,333	2,530
Operations and maintenance.....	2,896,101	2,885,009	11,092							357,033	263,609	93,424	3,253,134	3,148,618	104,516
Pupil transportation.....	2,028,611	2,020,842	7,769										2,028,611	2,020,842	7,769
Central.....				12,339	10,122	2,217							12,339	10,122	2,217
Community services.....	348,552	347,217	1,335	163,925	134,467	29,458							163,925	134,467	29,458
Extracurricular activities.....	547,762	545,664	2,098	373,767	306,599	67,168							722,319	653,816	68,503
Facilities services.....										16,108,222	11,893,219	4,215,003	16,655,984	12,438,883	4,217,101
Debt service:															
Principal retirement.....															
Interest and fiscal charges.....															
Total expenditures.....	23,764,697	23,673,682	91,015	1,079,326	885,367	193,959	15,496,269	15,495,104	1,165	16,755,535	12,371,151	4,384,384	57,095,827	52,425,304	4,670,523
Excess of revenues over/(under) expenditures.....	(726,427)	(1,158,946)	(432,519)	(170,252)	24,375	194,627	(13,910,026)	(13,917,485)	(7,459)	(12,793,735)	(11,488,948)	1,304,787	(27,600,440)	(26,541,004)	1,059,436
Other financing sources (uses):															
Refund of prior year's expenditures.....															
Operating transfers in.....	107,920	102,715	(5,205)												
Operating transfers out.....							(500,000)	(500,000)	0	1,248,537	691,693	(556,844)	1,248,537	691,693	(556,844)
Proceeds from sale of bonds.....							8,000,000	8,000,000	0	(223,614)	(191,693)	31,921	(723,614)	(691,693)	31,921
Premium on sale of bonds.....							131,785	131,785	0				131,785	131,785	0
Proceeds from sale of notes.....							5,750,000	5,750,000	0				5,750,000	5,750,000	0
Proceeds from sale of assets.....															
Total other financing sources (uses).....	1,445	1,375	(70)				13,381,785	13,381,785	0	1,024,923	500,000	(524,923)	14,516,073	13,985,875	(530,198)
Excess of revenues and other financing sources over/(under) expenditures and other financing (uses).....	(617,062)	(1,054,856)	(437,794)	(170,252)	24,375	194,627	(528,241)	(535,700)	(7,459)	(11,768,812)	(10,988,948)	779,864	(13,084,367)	(12,555,129)	\$29,238
Fund balances, July 1.....	3,007,270	3,007,270	0	227,888	227,888	0	906,304	906,304	0	10,007,621	10,007,621	0	14,149,083	14,149,083	0
Prior year encumbrances appropriated.....	564,697	564,697	0	12,950	12,950	0				4,697,615	4,697,615	0	5,275,262	5,275,262	0
Fund balances, June 30.....	\$2,954,905	\$2,517,111	(\$437,794)	\$70,586	\$265,213	\$194,627	\$378,063	\$370,604	(\$7,459)	\$2,936,424	\$3,716,288	\$779,864	\$6,339,978	\$6,869,216	\$529,238

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

ANTHONY WAYNE LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees	\$106,022
Sales/charges for services	647,398
Investment earnings	3,564
Total operating revenues.	756,984
Operating expenses:	
Personal services	341,435
Contract services	12,849
Materials and supplies.	488,161
Depreciation.	2,459
Other.	1,454
Total operating expenses	846,358
Operating loss	(89,374)
Nonoperating revenues	
Operating grants	70,579
Federal commodities	39,345
Total nonoperating revenues.	109,924
Net income	20,550
Addback of depreciation on fixed assets acquired from contributed capital.	2,459
Retained earnings (Restated) July 1.	48,900
Retained earnings June 30	\$71,909

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

ANTHONY WAYNE LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees	\$106,022
Cash received from sales/service charges	647,398
Cash payments for personal services	(319,085)
Cash payments for contract services	(9,285)
Cash payments for supplies and materials	(444,278)
Cash payments for other expenses	(1,454)
Net cash used in operating activities.	(20,682)
Cash flows from noncapital financing activities:	
Cash received from operating grants.	70,366
Net cash provided by noncapital financing activities.	70,366
Net increase in cash and cash equivalents	49,684
Cash and cash equivalents at beginning of year	115,813
Cash and cash equivalents at end of year	\$165,497
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(\$89,374)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	2,459
Federal donated commodities	39,345
Changes in assets and liabilities:	
Decrease in supplies inventory	3,927
Increase in accounts payable	3,604
Increase in accrued wages & benefits	5,155
Increase in compensated absences payable.	872
Increase in pension obligation payable.	16,323
Decrease in deferred revenue.	(2,993)
Net cash used in operating activities	(\$20,682)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District ranks as the 128th largest by enrollment among the 682 public and community school districts in the State. It currently operates 3 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 168 non-certified and 235 certified (including administrative) full-time and part-time employees to provide services to approximately 3,483 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (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. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

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 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 for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

Jointly Governed Organizations:

Penta County Joint Vocational School

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

Northwest Ohio Computer Association (NWOCA)

The District is a participant with 28 other school districts in a jointly governed organization to operate NWOCA. NWOCA was formed for the purpose of providing computer services. NWOCA is governed by a board of directors consisting of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. The District does not have an ongoing financial interest or responsibility in NWOCA.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary, and Fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the District's Governmental Fund Types:

General Fund - The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General fund balance is available to the District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statute.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

PROPRIETARY FUNDS

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's Proprietary Fund Type:

Enterprise Funds - Enterprise Funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUNDS

Trust and Agency Funds - These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Expendable Trust and Agency Funds. Expendable trusts are accounted for in the essentially the same manner as Governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency Funds are reported on a cash basis, with note disclosure regarding items which, in other fund types, would be subject to accrual.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental funds and the Expendable Trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2001, but which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001 are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization are not recognized in Governmental funds.

The Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements, and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The Proprietary funds receive no revenue from property taxes.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2001 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Lucas County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

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 budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer. 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 totals.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. 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.
8. 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 2001 in the following amounts:

Fund	Increase
General	\$ 1,177,031
Special Revenue	60,966
Debt Service	5,925,406
Capital Projects	25,620,437
Enterprise	59,920
Total	\$32,843,760

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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

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

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 17 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise funds are disclosed in Note 13.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary 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 combined balance sheet.

During 2001, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and commercial paper.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as commercial paper are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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

Under existing Ohio statute and federal regulations all investment earnings are assigned to the General fund unless statutorily required to be credited to a specific fund. The District via Board Policy allocates interest to the General fund, Bond Issue 2000 fund and Food Service fund. During fiscal year 2001, interest revenue credited to the General fund amounted to \$589,363, which includes \$6,837 assigned from other District funds.

An analysis of the Treasurer's investment account at year end is provided in Note 4.

F. Materials and Supplies Inventory

Inventories for all Governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepayments

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. 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 capitalized, nor is interest on debt issued to construct or acquire general fixed assets. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Life (years)</u>
Buildings	25 - 50
Furniture, Fixtures and Minor Equipment	5 - 20
Vehicles	4 - 6

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

I. Intergovernmental Revenues

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations (excluding commodities) are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Debt Service Fund

State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development
Management Information Systems
Eisenhower Professional Development
Driver Education
Education for Economic Security
EPA Land Grant
Title VI-B
Title I
Title VI
Safe and Drug-Free School
Ohio Reads
Auxiliary Services
Title VI-R - Class Size Reduction

Capital Projects Funds

SchoolNet
Power-Up Technologies

Reimbursable Grants

General Fund

School Bus Purchases
Driver Education
Vocational Education Travel/Salary
Community Alternative Funding System

Proprietary Funds

National School Lunch Program
Federal Donated Commodities
(Food Distribution)

Grants and entitlements amounted to approximately 34% of the District's operating revenue during the 2001 fiscal year.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

J. Interfund Transactions

During the course of normal operations, the District may have numerous transactions between funds. The most significant may include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as “interfund loans receivable or payable”.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District’s interfund transactions for fiscal year 2001 is presented in Note 5.

K. Compensated Absences

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service; or twenty (20) years' service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

L. Contributed Capital

Contributed capital reported in the Enterprise funds represents resources provided from other funds, other governments, and private sources that is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to contributed capital at year end. The amount of depreciation is then "added back" to retained earnings, because the cost of providing services in the Enterprise funds does not include depreciation expense on amounts of contributed capital. See Note 9 for the change in contributed capital during fiscal year 2001.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

M. Long-Term Obligations

In general, Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from Governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due.

Long-term liabilities expected to be financed from Proprietary fund operations are accounted for in those funds.

N. Statutory Reserves

The District is required by State law to set-aside certain (cash-basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization Designated</u>	<u>BWC Refunds</u>
<u>Designated</u>				
Set-aside cash balance as of July 1, 2000 (Restated)	\$(316,356)	\$ (484,076)	\$582,280	\$ 0
Current year set-aside requirement	512,571	512,571		
Reclassification of budget stabilization			(34,698)	34,698
Qualifying disbursements	<u>(563,428)</u>	<u>(5,577,465)</u>	_____	_____
Total	<u>(367,213)</u>	<u>(5,548,970)</u>	<u>547,582</u>	<u>34,698</u>
Cash balance carried forward to FY 2002	<u><u>\$367,213</u></u>	<u><u>\$(5,548,970)</u></u>	<u><u>\$547,582</u></u>	<u><u>\$ 34,698</u></u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

The District had qualifying disbursements during the year that reduced the textbook and capital acquisition set-aside amounts below zero. The extra amount in the textbook set-aside and capital acquisition set-aside may be used to reduce the set-aside requirements of future years.

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. The District is still required by state law to maintain the textbook reserve and the capital acquisition reserve. Further, via Board Resolution, the District elected to maintain its budget stabilization amount at June 30, 2001.

A schedule of the restricted assets at June 30, 2001, follows:

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

O. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, debt service, tax revenue unavailable for appropriation and BWC refunds. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

Designated fund balance represents planned actions for monies set-a-side by the District for budget stabilization.

P. Statement of Cash Flows

In September 1989, GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its Enterprise funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

Q. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

R. Parochial Schools

Within the District boundaries, Lial Elementary is operated through the Toledo Catholic Diocese. Current state legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The receipt and expenditure of these state monies by the District are reflected in a Special Revenue fund for financial reporting purposes.

S. Discounts, Premiums and Issuance Costs

For Governmental Fund Types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

T. Estimates

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

U. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustments

The District has presented a restatement of fund balance accumulated deficit as originally presented at June 30, 2000 to reclassify a previously reported long-term advance as an operating transfer. The effect of this adjustment to fund balance is as follows:

	Fund Balance/ Accumulated Deficit as Originally Presented June 30, 2000	Effect of Adjustment	Restated Fund Balance/ Accumulated Deficit July 1, 2000
General Fund	\$3,020,584	\$(41,272)	\$2,979,312
Enterprise Funds	7,628	41,272	48,900

B. Change in Accounting Principle

GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, was implemented during fiscal 2001. In accordance with this statement, certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions may have been reported in a manner inconsistent with prior fiscal years; however, the adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Statutory Noncompliance

Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed total estimated revenues plus available balances.

It was noted during the audit that the total appropriations exceeded the total estimated revenues plus available balances for the following funds.

<u>Fund Type</u>	<u>Fund</u>	<u>Excess Amount</u>
Special Revenue	Public School Support	\$ 914
Special Revenue	Martha Holden Jennings	7,500
Special Revenue	Summer Intervention	26,000
Special Revenue	Miscellaneous State Grants	1,521
Special Revenue	Title VI-B	5,938
Special Revenue	Title VI	9,193
Special Revenue	Drug Free Schools	29,525
Special Revenue	Miscellaneous Federal Grants	6,209

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

It was noted during the audit that the District had expenditures plus encumbrances exceeding appropriations in the following:

<u>Fund Type</u> <u>Fund</u>	<u>Appropriations</u>	<u>Expenditures plus</u> <u>Encumbrances</u>	<u>Excess</u>
<u>Special Revenue Funds:</u>			
District Managed Activity	\$ 300,526	\$ 311,042	\$ 10,516
Driver Education	0	3,388	3,388
<u>Enterprise Fund:</u>			
Food Service	687,000	715,218	28,218
<u>Expendable Trust Fund:</u>			
Expendable Trust	130,783	245,968	115,185

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

D. Deficit Fund Balances

Fund balances at June 30, 2001 included the following fund deficits:

	<u>Deficit Balances</u>
<u>Special Revenue Funds</u>	
Ohio Reads	\$ 60
Miscellaneous Federal Awards	2,292
 <u>Enterprise Fund</u>	
Food Service	410

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. These deficit balances are caused by the application of GAAP, namely in the reporting of a liability for accrued wages and retirement obligations attributable to the fiscal year. These deficits will be eliminated by intergovernmental revenues and other subsidies not recognized at June 30.

E. General Fixed Asset Beginning Balance Restatement

Restatements occurred due to adjusted appraisal reports:

	<u>General Fixed Assets Account Group</u>
Balance at June 30, 2000	\$34,764,519
Fixed Assets	<u>(2,391,064)</u>
Restated Balance at June 30, 2000	<u>\$32,373,455</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

State statutes classify monies held by the District into three categories.

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

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and by marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.

Deposits: At year-end the carrying amount of the District's deposits was \$690,665 and the bank balance was \$27,525. The entire bank balance was covered by federal deposit insurance.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category of Risk 3	Fair Value
Commercial Paper	\$943,822	\$ 943,822
Not Subject to Categorization:		
Investment in State Treasurer's Investment Pool	_____	<u>12,509,801</u>
Total Investments	<u>\$943,822</u>	<u>\$13,453,623</u>

The classification of cash, cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

A reconciliation between the classifications of cash, cash equivalents, and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Equity in Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 14,144,288	\$ 0
Investments of the Cash		
Management Pool:		
State Treasurer's Investment Pool	(12,509,801)	12,509,801
Commercial Paper	(943,822)	943,822
GASB Statement No. 3	<u>\$ 690,665</u>	<u>\$13,453,623</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 5 - INTERFUND TRANSACTIONS

The following is a reconciliation of the District's operating transfers for fiscal year 2001:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
Debt Service Fund		\$(792,909)
<u>Capital Projects Funds</u>		
Bond Issue	\$292,909	
Permanent Improvement	500,000	(191,693)
Power-up Technologies	<u>191,693</u>	<u> </u>
Total Capital Projects Funds	<u>984,602</u>	<u>(191,693)</u>
Total Operating Transfers	<u>\$984,602</u>	<u>\$(984,602)</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value, except for the personal property of rural electric companies, which is assessed 50% of market value, and railroads, which are assessed at 29% of market value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2001 taxes were collected are as follows:

	2000 Second-Half Collections		2001 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$366,485,340	83.65	\$485,539,490	86.42
Public Utility Personal	25,845,220	5.90	26,065,310	4.64
Tangible Personal Property	45,793,313	10.45	50,225,173	8.94
	<u>\$438,123,873</u>	<u>100.00</u>	<u>\$561,829,973</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations		\$60.90		\$65.10
Debt Service		5.80		2.80

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The Lucas County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 6 - PROPERTY TAXES - (Continued)

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2001 totaled \$789,757 in the General fund and \$74,992 in the Debt Service fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001 consisted of taxes, accrued interest, accounts (tuition and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current and Delinquent	\$14,764,774
Accrued Interest	47,595
<u>Special Revenue Fund</u>	
Due From Other Governments	8,814
<u>Debt Service Fund</u>	
Taxes - Current and Delinquent	1,417,383
<u>Capital Projects Fund</u>	
Taxes - Current	6,025,000
<u>Enterprise Fund</u>	
Due From Other Governments	8,894

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 8 - FIXED ASSETS

The following changes occurred in the General Fixed Assets Account Group during the year:

	(Restated) Balance <u>July 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2001</u>
Land/Improvements	\$ 1,968,035	\$1,574,528		\$ 3,542,563
Buildings	21,029,834	3,591,304		24,621,138
Furniture/Equipment	6,440,448	651,855	\$ (267,878)	6,824,425
Vehicles	2,335,504	534,497	(158,533)	2,711,468
Construction in Progress	<u>599,634</u>	<u> </u>	<u>(599,634)</u>	<u> 0</u>
 Total	 <u>\$32,373,455</u>	 <u>\$6,352,184</u>	 <u>\$(1,026,045)</u>	 <u>\$37,699,594</u>

A summary of the Proprietary fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$ 216,510
Less: Accumulated Depreciation	<u>(209,519)</u>
 Net Fixed Assets	 <u>\$ 6,991</u>

NOTE 9 - CONTRIBUTED CAPITAL

The following is a reconciliation of the change in contributed capital for the Food Service fund during the fiscal year:

Contributed Capital at Beginning of Year	\$ 9,450
Contributions During the Year	0
Depreciation on Fixed Assets Acquired by Contributed Capital	<u>(2,459)</u>
Contributed Capital at End of Year	<u>\$ 6,991</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years and in the current year, the District has entered into capital leases for copiers, musical instruments, and computers. New leases are accounted for as a capital outlay expenditure and other financing source.

The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by FASB Statement No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Fund Types and Expendable Trust Funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group in the amount of \$1,245,004, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 2001 fiscal year totaled \$219,040. This amount is reflected as debt service principal retirement in the General fund of \$35,103 and Capital Projects funds of \$108,445, and in the Expendable Trust fund of \$75,492.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2001.

<u>General Long-Term Obligations</u>				
<u>Year Ending</u> <u>June 30</u>	<u>Computers</u>	<u>Copiers</u>	<u>Musical</u> <u>Instruments</u>	<u>Total</u>
2002	\$187,344	\$ 8,068	\$2,026	\$197,438
2003	<u>190,144</u>	<u>3,539</u>	_____	<u>193,683</u>
Total Future Minimum Lease Payments	<u>\$377,488</u>	<u>\$11,607</u>	<u>\$2,026</u>	391,121
Less: Amount Representing Interest				<u>(48,617)</u>
Present Value of Future Minimum Lease Payments				<u>\$342,504</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 11 - LONG-TERM DEBT

- A. On October 1, 2000, the District issued \$8,000,000 in general obligation bonds (Series 2000, School Facilities Improvement Bonds). These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these bonds are recorded as an expenditure in the Debt Service fund. The source of payment is derived from a current 2.80 (average) mill bonded debt tax levy.

This issue is comprised of current interest bonds, par value \$7,660,000, and capital appreciation bonds, par value \$1,055,000. The capital appreciation bonds mature each December 1, 2012 through 2015, (effective interest 8.4311%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the General Long-Term Obligations Account Group at June 30, 2001 was \$339,996. Total accreted interest of \$19,947 has been included in the General Long-Term Obligations Account Group at June 30, 2001.

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.

B. Defeased Debt

The District defeased General Obligation Bonds dated May 1, 1999 in the amount of \$12,919,979.

At the time of the defeasance, funds were deposited with the District's trustee, Fifth Third Securities, Inc. for the general obligation bonds. The principal and interest on the investments in the escrow fund are used solely to pay the principal and interest on the general obligation bonds as they come due. As of June 30, 2001, there was \$10,835,000 of principal and interest on deposit with Fifth Third Securities, Inc. The principal amount outstanding on the refunded general obligation bonds at June 30, 2001 was \$12,464,704.

As the money on deposit with the trustee is adequate to service the defeased debt, the District is not required to service any portion of this debt directly. Accordingly, these general obligation bond debt is not included in the long-term obligations schedule or on the balance sheet at June 30, 2001. Similarly, as no obligation is recorded neither are the funds held on deposit with the trustee, which will be used to service that obligation.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 11 - LONG-TERM DEBT - (Continued)

C. During the year ended June 30, 2001, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension benefit obligation will ultimately be paid from the fund from which the employee is paid.

	<u>Balance July 1, 2000</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance June 30, 2001</u>
<u>General Obligation Bonds:</u>				
Series 2000, Improvement 5.94%, 12/01/30 maturity		\$7,660,000		\$ 7,660,000
Series 2000, Improvement Capital Appreciation Bonds 8.4311% (average effective) 12/01/12, 13, 14, & 15 maturity		340,000		340,000
Series 2000, Improvement Capital Appreciation Bonds Accreted Interest		19,947		19,947
Series 1999, Refunding 5.75%, 12/01/24 maturity	\$12,624,704		\$(160,000)	12,464,704
Series 1993, Refunding 5.53%, 12/01/13 maturity	<u>1,224,790</u>		<u>(135,000)</u>	<u>1,089,790</u>
Total, General Obligation Bonds	<u>13,849,494</u>	<u>8,019,947</u>	<u>(295,000)</u>	<u>21,574,441</u>
<u>Other Obligations:</u>				
Compensated Absences	1,234,138	257,217	(164,807)	1,326,548
Pension Benefit Obligation	144,844	133,920	(144,844)	133,920
Capital Lease	<u>47,267</u>	<u>514,277</u>	<u>(219,040)</u>	<u>342,504</u>
Total, Other Obligations	<u>1,426,249</u>	<u>905,414</u>	<u>(528,691)</u>	<u>1,802,972</u>
Total, All General Long-Term Liabilities	<u>\$15,275,743</u>	<u>\$8,925,361</u>	<u>\$(823,691)</u>	<u>\$23,377,413</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 11 - LONG-TERM DEBT - (Continued)

D. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2001 are as follows:

Fiscal Year <u>Ending</u>	General Obligation and Refunding <u>Term Bonds</u>	Capital Appreciation General Obligation <u>Bonds</u>	<u>Total</u>
2002	\$ 1,556,480		\$ 1,556,480
2003	1,547,928		1,547,928
2004	1,576,871		1,576,871
2005	1,607,781		1,607,781
2006	1,625,500		1,625,500
2007 - 2011	8,554,473		8,554,473
2012 - 2016	8,396,001	\$1,055,000	9,451,001
2017 - 2021	9,677,843		9,677,843
2022 - 2026	8,644,501		8,644,501
2027 - 2031	<u>2,601,692</u>		<u>2,601,692</u>
Total Obligation	45,789,070	1,055,000	46,844,070
Less: Interest	<u>(24,574,572)</u>	<u>(695,057)</u>	<u>(25,269,629)</u>
Total Principal	<u>\$ 21,214,498</u>	<u>\$ 359,943</u>	<u>\$ 21,574,441</u>

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of a school district shall never exceed 9% of the total assessed valuation of the district. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the district.

The effects of these debt limitations for the District at June 30, 2001 are a voted debt margin of \$29,530,296 (including available funds of \$540,035) and an unvoted debt margin of \$561,830.

During fiscal 2001, the District retired a \$13,750,000 bond anticipation note and issued a \$5,750,000 bond anticipation note. Debt service activity for these notes has been reported in the Building fund (Capital Projects fund), which received the proceeds upon issuance on a GAAP basis and in the Debt Service fund on a cash basis.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 12 - NOTES PAYABLE

The following is a description of the District's bond anticipation note activity during fiscal year 2001:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	Notes Outstanding <u>07/01/2000</u>	Issued <u>in 2001</u>	Retired <u>in 2001</u>	Notes Outstanding <u>06/30/2001</u>
School Improvements Note	4.25%	4/20/00	12/21/00	\$13,750,000		\$(13,750,000)	\$ 0
School Improvements Note	4.77%	12/07/00	12/06/01	<u>5,750,000</u>	<u>\$5,750,000</u>		<u>5,750,000</u>
Total				<u>\$13,750,000</u>	<u>\$5,750,000</u>	<u>\$(13,750,000)</u>	<u>\$5,750,000</u>

NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two Enterprise funds to account for the operations of Food Services and Uniform School Supplies. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2001.

	<u>Food Services</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating Revenue	\$ 650,962	\$106,022	\$756,984
Depreciation	2,459		2,459
Operating Income (Loss)	(104,408)	15,034	(89,374)
Non-Operating Revenue:			
Operating Grants	70,579		70,579
Donated Commodities	39,345		39,345
Net Income	5,516	15,034	20,550
Net Working Capital	10,317	79,310	89,627
Total Assets	107,298	82,914	190,212
Long-Term Liabilities			
Payable from Fund Revenues	17,718		17,718
Contributed Capital	6,991		6,991
Total Fund Equity (Deficit)	(410)	79,310	78,900
Encumbrances Outstanding as of 6/30/01	28,500		28,500

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 14 - 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 2001, The District purchased from Nationwide Insurance Company (through the Ohio School Boards Association) general liability insurance, which carried a \$2 million per occurrence/\$5 million annual aggregate limitation.

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

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has not been a significant reduction in amounts of insurance coverage from fiscal 2000.

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

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 16. As such, no funding provisions are required by the District.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 14 - RISK MANAGEMENT - (Continued)

OSBA WORKER'S COMPENSATION GROUP RATING

For fiscal year 2001, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2001; 4.2 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$550,287, \$509,666, and \$472,704, respectively; 59 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$224,880, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. STATE TEACHERS RETIREMENT SYSTEM

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$1,699,104, \$1,597,430, and \$1,452,106, respectively; 85 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$253,844, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 16 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$546,141 during the 2001 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000, net health care costs paid by STRS were \$283.137 million and there were 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)

For this fiscal year, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase from 8.45 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million and there were approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$355,379 during the 2001 fiscal year.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (d) Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- (e) The District repays short-term note debt from the Debt Service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt Service fund resources used to pay both principal and interest have been reclassified accordingly.

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

**Excess (Deficiency) of Revenues and Other Financing
Sources Over/(Under) Expenditures and Other
Financing Uses**

	Governmental Fund Types			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
Budget Basis	\$(1,054,856)	\$ 24,375	\$ (535,700)	\$(10,988,948)
Net Adjustment for Revenue Accruals	(901,646)	(24,294)	(43,440)	
Net Adjustment for Expenditure Accruals	(498,047)	(15,274)	14,016,530	(1,065,884)
Net Adjustment for Other Financing Sources/(Uses)	(102,715)		(14,174,694)	8,728,366
Adjustment for Encumbrances	<u>569,344</u>	<u>37,332</u>	<u> </u>	<u>6,144,842</u>
GAAP Basis	<u><u>\$(1,987,920)</u></u>	<u><u>\$ 22,139</u></u>	<u><u>\$ (737,304)</u></u>	<u><u>\$ 2,818,376</u></u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 18 - CONTINGENT LIABILITIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2001.

B. Litigation

As of the balance sheet date, the District was not involved in any litigation as either defendant or plaintiff.

C. School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 18 - CONTINGENT LIABILITIES - (Continued)

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 30, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine the effect, if any, this decision will have on its future State funding and on its financial operations.

NOTE 19 - CONTRACTUAL COMMITMENTS

As of June 30, 2001, the District had the following contractual commitments outstanding related to the renovations and additions to the high school and Monclove Elementary school. A summary of the primary contractual commitments follows:

<u>Vendor</u>	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment at 6/30/01</u>
F. P. Bucher & Son	\$5,557,700	\$2,055,447	\$3,502,253
HPH Mechanical	432,419	26,141	406,278
GEM Industrial	778,485	0	778,485
Bodie Electric	694,800	78,478	616,322
Border Fire Protection	19,900	0	19,900
L.R. Babcock P & H	256,411	223,673	32,738
Regent Electric	486,996	476,083	10,913
Arco, Inc.	152,512	151,367	1,145

SUPPLEMENTAL DATA

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U. S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE <u>OHIO DEPARTMENT OF EDUCATION:</u>						
Nutrition Grant Cluster:						
(A) (B) Food Distribution	10.550	N/A		\$36,352		\$39,345
(A) (C) National School Lunch Program	10.555	N/A	\$67,763		\$67,763	
Total Nutrition Grant Cluster and U.S. Department of Agriculture			<u>67,763</u>	<u>36,352</u>	<u>67,763</u>	<u>39,345</u>
U. S. DEPARTMENT OF EDUCATION PASSED THROUGH THE <u>OHIO DEPARTMENT OF EDUCATION:</u>						
Title I - Grants to Local Educational Agencies	84.010	048207-C1-S1-00	20,447		49,079	
Title I - Grants to Local Educational Agencies	84.010	048207-C1-S1-01	127,080		113,653	
Total Title I			<u>147,527</u>		<u>162,732</u>	
Title VI-B - Education of the Handicapped	84.027	048207-6B-SF-00P	117,083		96,567	
Title VI-B - Education of the Handicapped	84.027	048207-6B-SF-00	0		23,231	
Total Title VI - B			<u>117,083</u>		<u>119,798</u>	
Safe and Drug-Free Schools Grant	84.186	048207-DR-S1-00	0		3,389	
Safe and Drug-Free Schools Grant	84.186	048207-DR-S1-01	13,949		6,554	
Total Safe and Drug-Free Schools Grant			<u>13,949</u>		<u>9,943</u>	
Eisenhower Professional Development Grant	84.281	048207-MS-S1-00	0		1,222	
Eisenhower Professional Development Grant	84.281	048207-MS-S1-01	9,925		7,031	
Total Eisenhower Professional Development Grant			<u>9,925</u>		<u>8,253</u>	
Title VI	84.298	048207-C2-S1-00	7,066		12,097	
Title VI	84.298	048207-C2-S1-00P	0		2,302	
Title VI	84.298	048207-C2-S1-01	17,598		10,085	
Total Title VI			<u>24,664</u>		<u>24,484</u>	
Title VI-R Classroom Size Reduction	84.340	049437-CR-S1-00	13,109		16,305	
Title VI-R Classroom Size Reduction	84.340	049437-CR-S1-01	29,670		25,427	
Total Title VI-R Classroom Size Reduction			<u>42,779</u>		<u>41,732</u>	
Total U. S. Department of Education			<u>355,927</u>		<u>366,942</u>	
PASSED THROUGH THE U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES <u>OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES:</u>						
Community Alternative Funding System Program	93.778	N/A	59,370		59,370	
Total U. S. Department of Health and Human Services			<u>59,370</u>		<u>59,370</u>	
Total Federal Financial Assistance			<u>\$483,060</u>	<u>\$36,352</u>	<u>\$494,075</u>	<u>\$39,345</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
 (B) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
 (C) Comingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
 (D) This schedule was prepared on the cash basis of accounting.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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

Board of Education
Anthony Wayne Local School District
11012 Shepler
Whitehouse, Ohio 43571

We have audited the general purpose financial statements of Anthony Wayne Local School District as of and for the fiscal year ended June 30, 2001, and have issued our report thereon dated November 30, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Anthony Wayne Local School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-48207-001 and 2001-48207-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of Anthony Wayne Local School District in a separate letter dated November 30, 2001.

Board of Education
Anthony Wayne Local School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Anthony Wayne Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to the significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Anthony Wayne Local School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2001-48207-001 and 2001-48207-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of Anthony Wayne Local School District in a separate letter dated November 30, 2001.

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

Trimble, Julian & Grube, Inc.
November 30, 2001

TRIMBLE, JULIAN & GRUBE, INC.

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

Board of Education
Anthony Wayne Local School District
11012 Shepler
Whitehouse, Ohio 43571

Compliance

We have audited the compliance of Anthony Wayne Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2001. Anthony Wayne Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Anthony Wayne Local School District's management. Our responsibility is to express an opinion on Anthony Wayne Local School District's compliance based on our audit.

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

Board of Education
Anthony Wayne Local School District

In our opinion, Anthony Wayne Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2001.

Internal Control Over Compliance

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

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

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

Trimble, Julian & Grube, Inc.
November 30, 2001

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
LUCAS COUNTY
JUNE 30, 2001**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program:</i>	Title I, CFDA# 84.010
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
LUCAS COUNTY
JUNE 30, 2001**

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

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

Finding Number	2001-48207-001
----------------	----------------

Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed total estimated revenues plus available balances.

It was noted during the audit that the total appropriations exceeded the total estimated revenues plus available balances for several funds.

<u>Fund Type</u>	<u>Fund</u>	<u>Excess Amount</u>
Special Revenue	Public School Support	\$ 914
Special Revenue	Martha Holden Jennings	7,500
Special Revenue	Summer Intervention	26,000
Special Revenue	Miscellaneous State Grants	1,521
Special Revenue	Title VI-B	5,938
Special Revenue	Title VI	9,193
Special Revenue	Drug Free Schools	29,525
Special Revenue	Miscellaneous Federal Grants	6,209

With appropriations exceeding estimated resources, the District is spending monies that are not lawfully appropriated for those purposes and this could cause a fund deficit.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated revenue records and amending the budget prior to year end. If it is determined that estimated resources will be greater than initially anticipated, the District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the District should monitor its budgetary process on a regular basis.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
LUCAS COUNTY
JUNE 30, 2001**

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

**2. FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)**

Finding Number	2001-48207-002
----------------	----------------

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

It was noted during the audit that the District had expenditures plus encumbrances exceeding appropriations in the following:

Fund Type Fund	Appropriations	Expenditures plus Encumbrances	Excess
<u>Special Revenue Funds:</u>			
District Managed Activity	\$ 300,526	\$ 311,042	\$ 10,516
Driver Education	0	3,388	3,388
<u>Enterprise Fund:</u>			
Food Service	687,000	715,218	28,218
<u>Expendable Trust Fund:</u>			
Expendable Trust	130,783	245,968	115,185

With expenditures plus encumbrances exceeding appropriations, the District is unlawfully expending monies that have not been appropriated.

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
LUCAS COUNTY
JUNE 30, 2001**

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

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid
2000-48207-001	Ohio Revised Code Section 5705.39	Not Corrected	The District is attempting to more closely and timely monitor its appropriations and resources.
2000-48207-002	Ohio Revised Code Section 5705.41 (B)	Not Corrected	The District is attempting to more closely and timely monitor its expenditures and appropriations.



STATE OF OHIO
OFFICE OF THE AUDITOR

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ANTHONY WAYNE LOCAL SCHOOL DISTRICT

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 29, 2002**