

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

***BASIC FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2003***

MR. TONY SWARTZ, TREASURER



**Auditor of State
Betty Montgomery**

Board of Education
Anthony Wayne Local School District
Whitehouse, Ohio

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, 2002 through June 30, 2003. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

March 22, 2004

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

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TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Independent Auditor’s Report

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

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Anthony Wayne Local School District, Lucas County (the “District”) as of and for the fiscal year ended June 30, 2003, which collectively comprise the District’s basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Anthony Wayne Local School District’s management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Anthony Wayne Local School District, Lucas County, Ohio, as of June 30, 2003, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures, GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences for the fiscal year ended June 30, 2003. In addition, the District had a change in accounting principle for its threshold for fixed assets and prior period adjustments due to errors and omissions as disclosed in Note 2H and Note 8. As disclosed in Note 3, the District had a prior period adjustment for accrued wages.

Independent Auditor's Report
Anthony Wayne Local School District

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2004, 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 opinions on the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the District, taken as a whole. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Trimble, Julian & Grube, Inc.
February 27, 2004

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED**

The discussion and analysis of the Anthony Wayne Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- In total, net assets of governmental activities decreased \$3,226,262 which represents a 3401.08% decrease from 2002.
- General revenues accounted for \$24,077,131 in revenue or 89.98% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,674,009 or 9.99% of all revenues. The District had a special item of revenue, gain on the sale of capital assets for \$7,618 or .03% of total revenues of \$26,758,758.
- The District had \$29,985,020 in expenses related to governmental activities; only \$2,674,009 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) and the special item revenue of \$24,084,749 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$23,410,883 in revenues and \$25,728,065 in expenditures and other financing uses. During fiscal 2003, the general fund's fund balance decreased \$2,314,752 from \$1,272,026 to \$(1,042,726).

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant fund. The District's only major governmental fund is the general fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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The table below provides a summary of the District's net assets for 2003.

	Net Assets
	Governmental Activities 2003
<u>Assets</u>	
Current and other assets	\$ 22,664,743
Capital assets	25,327,086
Total assets	47,991,829
<u>Liabilities</u>	
Current liabilities	21,603,236
Long-term liabilities	29,519,995
Total liabilities	51,123,231
<u>Net Assets</u>	
Invested in capital assets, net of related debt	942,086
Restricted	1,072,238
Unrestricted	(5,145,726)
Total net assets	\$ (3,131,402)

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2003, the District's liabilities exceeded assets by \$3,131,402.

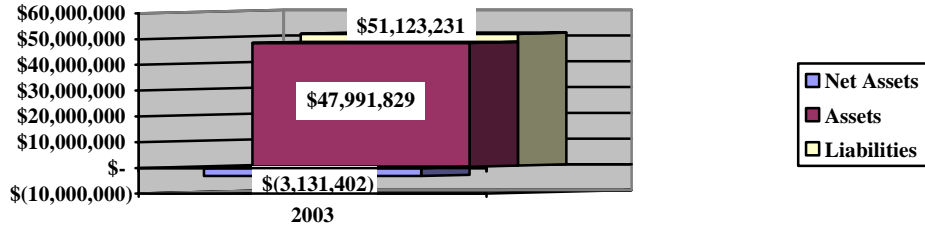
At year-end, capital assets represented 52.77% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2003, was \$942,086. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,072,238, represents resources that are subject to external restriction on how they may be used. The District had a remaining balance of unrestricted net assets of \$(5,145,726).

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED**

Governmental Activities



The table below shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2002 are not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets

	Governmental Activities 2003
<u>Revenues</u>	
Program revenues:	
Charges for services and sales	\$ 1,757,112
Operating grants and contributions	889,377
Capital grants and contributions	27,520
General revenues:	
Property taxes	15,256,462
Grants and entitlements	8,531,787
Investment earnings	96,770
Other	192,112
Special item:	
Gain of sale of capital assets	<u>7,618</u>
Total revenues	<u>26,758,758</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED**

Change in Net Assets

	Governmental Activities <u>2003</u>
<u>Expenses</u>	
Program expenses:	
Instruction:	
Regular	\$ 14,462,832
Special	1,876,491
Vocational	267,779
Support services:	
Pupil	865,910
Instructional staff	970,686
Board of education	725,946
Administration	1,981,859
Fiscal	501,798
Business	82,821
Operations and maintenance	3,577,083
Pupil transportation	1,406,743
Central	35,041
Operations of non-instructional services	160,977
Food service operations	768,633
Extracurricular activities	814,680
Interest and fiscal charges	<u>1,485,741</u>
Total expenses	<u>29,985,020</u>
Decrease in net assets	<u>\$ (3,226,262)</u>

Governmental Activities

Net assets of the District's governmental activities decreased by \$3,226,262. Total governmental expenses of \$29,985,020 were offset by program revenues of \$2,674,009, special items of \$7,618 and general revenues of \$24,077,131. Program revenues supported 8.92% of the total governmental expenses.

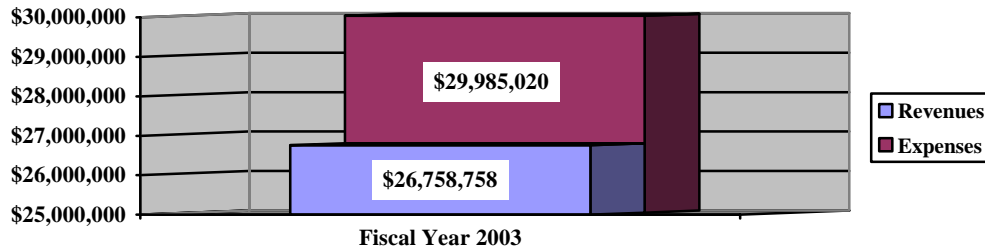
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 79.33% of total governmental revenue. Real estate property is reappraised every six years.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2003.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2002 have not been presented since they are not available.

Governmental Activities

	Total Cost of Services 2003	Net Cost of Services 2003
	<u>2003</u>	<u>2003</u>
Program expenses		
Instruction:		
Regular	\$ 14,462,832	\$ 13,675,733
Special	1,876,491	1,570,520
Vocational	267,779	267,779
Support services:		
Pupil	865,910	847,704
Instructional staff	970,686	848,645
Board of education	725,946	725,946
Administration	1,981,859	1,955,470
Fiscal	501,798	501,798
Business	82,821	68,769
Operations and maintenance	3,577,083	3,552,597
Pupil transportation	1,406,743	1,406,743
Central	35,041	3,900
Operations of non-instructional services	160,977	(15,389)
Food service operations	768,633	(44,456)
Extracurricular activities	814,680	463,493
Interest and fiscal charges	<u>1,485,741</u>	<u>1,481,759</u>
Total expenses	<u>\$ 29,985,020</u>	<u>\$ 27,311,011</u>

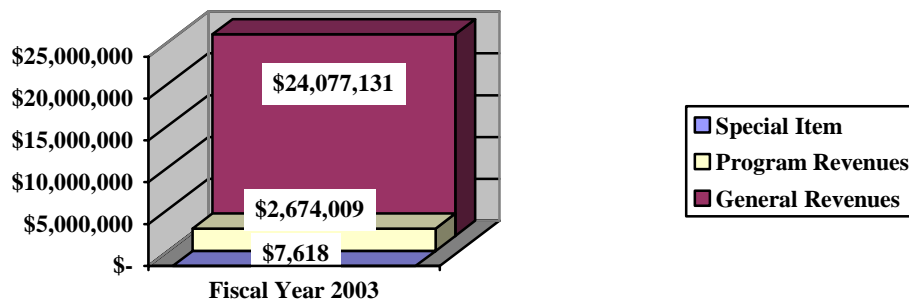
**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED**

The dependence upon tax and other general revenues for governmental activities is apparent, 93.42% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 91.08%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2003.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$221,279, which is lower than last year's total of \$5,602,777. The June 30, 2002 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2003 and 2002.

	Fund Balance <u>June 30, 2003</u>	(Restated) Fund Balance <u>June 30, 2002</u>	<u>(Decrease)</u>
General	\$ (1,042,726)	\$ 1,272,026	\$ (2,314,752)
Other Governmental	<u>1,264,005</u>	<u>4,330,751</u>	<u>(3,066,746)</u>
Total	<u>\$ 221,279</u>	<u>\$ 5,602,777</u>	<u>\$ (5,381,498)</u>

General Fund

The District's general fund balance decreased by \$2,314,752 (after a restatement to the June 30, 2002, fund balance which is detailed in Note 3.A. to the basic financial statement). The decrease in fund balance can be attributed to property tax and intergovernmental decreases in the amount of \$1,027,196 or 4.36% and increases in instruction expenditures of \$1,398,042 or 10.38%. The decrease in investment earnings can be attributed to the drastic cuts in interest rates by the Federal Reserve Bank during the year. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED**

	2003	Restated 2002	Percentage
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Revenues</u>			
Taxes	\$ 14,164,741	\$ 14,907,302	(4.98) %
Tuition	461,365	70,314	556.15 %
Earnings on investments	79,077	247,088	(68.00) %
Intergovernmental	8,373,498	8,658,133	(3.29) %
Other revenues	<u>332,202</u>	<u>217,809</u>	52.52 %
 Total	 <u>\$ 23,410,883</u>	 <u>\$ 24,100,646</u>	 (2.86) %
<u>Expenditures</u>			
Instruction	\$ 14,867,472	\$ 13,469,430	10.38 %
Support services	9,876,495	9,128,686	8.19 %
Extracurricular activities	451,858	369,720	22.22 %
Facilities acquisition and construction	227,666	262,158	(13.16) %
Capital outlay	-	394,075	(100.00) %
Debt service	<u>124,574</u>	<u>209,610</u>	(40.57) %
 Total	 <u>\$ 25,548,065</u>	 <u>\$ 23,833,679</u>	 7.19 %

General Fund Budgeting Highlights

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

During the course of fiscal 2003, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues were \$23,798,261, which approximates the original budgeted revenues estimate of \$23,908,364. Actual revenues and other financing sources for fiscal 2003 was \$24,045,793. This represents a \$247,532 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$25,989,254 were increased to \$26,293,803 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2003 totaled \$25,891,744, which was \$402,059 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003, the District had \$25,327,086 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2003 balances compared to 2002:

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
Land	\$ 1,388,844	\$ 1,657,985
Land improvements	567,277	753,944
Building and improvements	21,101,235	13,623,061
Furniture and equipment	603,501	652,884
Vehicles	1,666,229	1,466,503
Construction in progress	<u>-</u>	<u>4,981,750</u>
Total	<u>\$ 25,327,086</u>	<u>\$ 23,136,127</u>

The primary increase occurred in building improvements, which include the completion of construction projects for the District. Total additions to capital assets for 2003 were \$11,473,165 and total disposals were \$8,283,344. The District recorded \$998,862 in depreciation expense for fiscal 2003.

Debt Administration

At June 30, 2003, the District had \$27,054,266 in general obligation bonds outstanding. Of this total, \$840,000 is due within one year and \$26,214,266 is due within greater than one year. The following table summarizes the bonds and notes outstanding.

	Outstanding Debt, at Year End	
	Governmental	(Restated)
	Activities	Governmental
	<u>2003</u>	<u>2002</u>
General obligation bonds:		
Term	\$ 25,060,000	\$ 25,895,000
Capital appreciation	909,489	909,489
Accreted interest	<u>1,084,777</u>	<u>839,960</u>
Total	<u>\$ 27,054,266</u>	<u>\$ 27,644,449</u>

The general obligation bonds are scheduled to mature in fiscal year 2032 and bear interest rates ranging from 5.53% to 8.43%. Payment of principal and interest on the general obligation bonds is being made from the debt service fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED**

For the Future

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

The District has a strong financial outlook. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. Overall, the District continues to perform at the highest level determined by the State of Ohio, which is measured by a defined set of proficiency criteria. Our most recent state report card shows the district students achieving 21 out of 22 with an "Excellent" rating.

As the preceding information shows, the District heavily depends on its property taxpayers. At present, the local taxpayers support represents approximately 70% of the total revenues of the District. Our communities' support was recently measured by one most outstanding accomplishment, in May of 2003 the community passed a \$3 million, 4.85 mill emergency operating levy. The support of this issue demonstrates the strong belief of parents and community members that their schools are one of the highest priorities and one of the most important public institutions in their communities. It was the first operating levy asked for in over 11 years.

The District has communicated to its communities they rely upon their support for the major part of its operations, and will continue to work diligently to plan expenses, staying carefully within the District's five-year financial plan. State law retards the growth of income generated by local levies rendering revenue relatively constant. This lack of revenue growth forces the District to come back to the voters from time to time and ask for additional financial support. However, the District's general operating millage will no longer be rolled back as the District has no dropped the 20 mill floor. This is the lowest possible collection point for property tax collections allowed by law.

The District is also going through a period of tremendous growth. The student population has grown in the last three years at the rate of 160 students, 160 students and 100 students respectfully. It appears that there is no end in sight to the growth, and in fact we will probably see more rapid growth in the future. The rapid growth is also seen in the assessed property valuation of the District. The District went from an assessed valuation of approximately \$618,000,000 in 2002 to an assessed valuation of approximately \$703,000,000 in 2003. Part of this increase was a result of the triennial update of property values in the District and the continued growth of new construction, primarily in the area of new homes.

As a result, all of the District's financial abilities will be called upon to meet the challenges the future will bring. It is imperative the District's Board and management team continue to carefully and prudently plan in order to provide the resources required to meet the student's desired needs over the next several years. The current 5-year forecast tends to paint a stable picture over the next five years. However, it should be pointed out that the forecast and its results could change in a very short time period during the next five years.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Tony Swartz, Treasurer, Anthony Wayne Local School District, 11012 Sepler Avenue, Whitehouse, Ohio 43571.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2003

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 3,085,018
Cash with escrow agent.	25,826
Receivables:	
Taxes	19,259,372
Accounts	4,251
Intergovernmental	157,771
Prepayments	90,574
Materials and supplies inventory	41,931
Capital assets:	
Land	1,388,844
Depreciable capital assets, net.	23,938,242
Capital assets, net	25,327,086
 Total assets.	 47,991,829
Liabilities:	
Accounts payable.	16,757
Contracts payable.	113,386
Accrued wages and benefits	2,774,061
Pension obligation payable.	635,757
Intergovernmental payable	667,652
Deferred revenue	17,291,472
Accrued interest payable	104,151
Long-term liabilities:	
Due within one year.	1,217,315
Due within more than one year	28,302,680
Total liabilities	51,123,231
Net Assets:	
Invested in capital assets, net	
of related debt.	942,086
Restricted for:	
Capital projects	951,181
Other purposes	121,057
Unrestricted.	(5,145,726)
Total net assets	\$ (3,131,402)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

		Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		
Governmental activities:							
Instruction:							
Regular	\$ 14,462,832	\$ 637,109	\$ 149,990	\$ -		\$ (13,675,733)	
Special	1,876,491	-	305,971	-		(1,570,520)	
Vocational	267,779	-	-	-		(267,779)	
Support services:							
Pupil	865,910	-	18,206	-		(847,704)	
Instructional staff	970,686	-	122,041	-		(848,645)	
Board of education	725,946	-	-	-		(725,946)	
Administration	1,981,859	12,242	14,147	-		(1,955,470)	
Fiscal	501,798	-	-	-		(501,798)	
Business	82,821	-	11,018	3,034		(68,769)	
Operations and maintenance	3,577,083	-	-	24,486		(3,552,597)	
Pupil transportation	1,406,743	-	-	-		(1,406,743)	
Central	35,041	-	31,141	-		(3,900)	
Operation of non-instructional services	160,977	59,622	116,744	-		15,389	
Food service operations	768,633	696,952	116,137	-		44,456	
Extracurricular activities	814,680	351,187	-	-		(463,493)	
Interest and fiscal charges	1,485,741	-	3,982	-		(1,481,759)	
Total governmental activities	\$ 29,985,020	\$ 1,757,112	\$ 889,377	\$ 27,520		(27,311,011)	
General Revenues:							
Property taxes levied for:							
General purposes						13,860,097	
Debt service						1,396,365	
Grants and entitlements not restricted to specific programs							8,531,787
Investment earnings						96,770	
Miscellaneous						192,112	
Total general revenues						24,077,131	
Special item:							
Gain on sale of capital assets						7,618	
Total general revenues and special item						24,084,749	
Change in net assets						(3,226,262)	
Net assets at beginning of year						94,860	
Net assets at end of year						\$ (3,131,402)	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,203,203	\$ 1,847,117	\$ 3,050,320
Cash with escrow agent	-	25,826	25,826
Receivables:			
Taxes	17,538,618	1,720,754	19,259,372
Accounts	4,251	-	4,251
Intergovernmental	-	157,771	157,771
Interfund loans	439,722	-	439,722
Prepayments	90,574	-	90,574
Materials and supplies inventory	21,560	20,371	41,931
Restricted assets:			
Equity in pooled cash and cash equivalents	34,698	-	34,698
Total assets	\$ 19,332,626	\$ 3,771,839	\$ 23,104,465
Liabilities:			
Accounts payable	\$ 15,957	\$ 800	\$ 16,757
Contracts payable	-	113,386	113,386
Accrued wages and benefits	2,676,241	97,820	2,774,061
Compensated absences payable	122,995	-	122,995
Pension obligation payable	352,492	11,656	364,148
Intergovernmental payable	650,950	16,702	667,652
Interfund loans payable	-	439,722	439,722
Deferred revenue	16,556,717	1,827,748	18,384,465
Total liabilities	20,375,352	2,507,834	22,883,186
Fund Balances:			
Reserved for encumbrances	257,668	54,829	312,497
Reserved for materials and supplies inventory	21,560	20,371	41,931
Reserved for prepayments	90,574	-	90,574
Reserved for property tax unavailable for appropriation	832,715	38,286	871,001
Reserved for BWC refunds	34,698	-	34,698
Unreserved, undesignated, reported in:			
General fund	(2,279,941)	-	(2,279,941)
Special revenue funds	-	293,939	293,939
Debt service fund	-	(94,601)	(94,601)
Capital projects funds	-	951,181	951,181
Total fund balances (deficit)	(1,042,726)	1,264,005	221,279
Total liabilities and fund balances	\$ 19,332,626	\$ 3,771,839	\$ 23,104,465

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2003

Total governmental fund balances		\$	221,279
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			25,327,086
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	935,222	
Intergovernmental revenue		<u>157,771</u>	
Total			1,092,993
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		1,576,688	
Pension obligation payable		271,609	
General obligation bonds payable		27,054,266	
Lease purchases payable		529,000	
Capital lease obligation		237,046	
Accrued interest payable		<u>104,151</u>	
Total			<u>(29,772,760)</u>
Net assets of governmental activities		\$	<u><u>(3,131,402)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
From local sources:			
Taxes	\$ 14,164,741	\$ 1,396,365	\$ 15,561,106
Tuition	461,365	-	461,365
Charges for services	-	696,952	696,952
Earnings on investments	79,077	17,693	96,770
Extracurricular	-	351,187	351,187
Other local revenues	332,202	281,487	613,689
Intergovernmental - State	8,159,738	348,605	8,508,343
Intergovernmental - Federal	213,760	446,105	659,865
Total revenues	23,410,883	3,538,394	26,949,277
Expenditures:			
Current:			
Instruction:			
Regular	13,039,746	229,912	13,269,658
Special	1,563,621	307,477	1,871,098
Vocational	264,105	-	264,105
Support services:			
Pupil	842,134	16,396	858,530
Instructional staff	903,463	107,902	1,011,365
Board of education	724,070	-	724,070
Administration	1,933,290	18,133	1,951,423
Fiscal	481,459	17,194	498,653
Business	29,745	57,710	87,455
Operations and maintenance	3,368,628	79	3,368,707
Pupil transportation	1,593,706	503,965	2,097,671
Central	-	35,041	35,041
Operation of non-instructional services	-	156,589	156,589
Food service operations	-	783,972	783,972
Extracurricular activities	451,858	330,708	782,566
Facilities acquisition and construction	227,666	2,896,255	3,123,921
Debt service:			
Principal retirement	104,798	905,072	1,009,870
Interest and fiscal charges	19,776	1,244,865	1,264,641
Total expenditures	25,548,065	7,611,270	33,159,335
Excess of revenues under expenditures	(2,137,182)	(4,072,876)	(6,210,058)
Other financing sources (uses):			
Transfers in	-	180,000	180,000
Transfers (out)	(180,000)	-	(180,000)
Proceeds from sale of capital assets	-	276,759	276,759
Proceeds of lease purchase transaction	-	529,000	529,000
Total other financing sources	(180,000)	985,759	805,759
Net change in fund balances	(2,317,182)	(3,087,117)	(5,404,299)
Fund balances at beginning of year (restated)	1,272,026	4,330,751	5,602,777
Increase in reserve for inventory	2,430	20,371	22,801
Fund balances (deficit) at end of year	\$ (1,042,726)	\$ 1,264,005	\$ 221,279

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Net change in fund balances - total governmental funds	\$	(5,404,299)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.		2,460,100
Governmental funds only report the gain from the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(269,141)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		22,801
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(198,137)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		1,009,870
Proceeds of lease purchases are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		(529,000)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and therefore requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and accreted interest on the capital appreciation bonds		(221,100)
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(97,356)
Change in net assets of governmental activities	\$	(3,226,262)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Revenues:				
From local sources:				
Taxes	\$ 15,038,757	\$ 14,969,500	\$ 14,803,911	\$ (165,589)
Tuition.	157,375	156,650	461,365	304,715
Earnings on investments.	125,578	125,000	79,077	(45,923)
Other local revenues	172,916	172,120	282,316	110,196
Intergovernmental - State	8,081,206	8,043,991	8,159,739	115,748
Intergovernmental - Federal.	291,342	290,000	213,760	(76,240)
Total revenues	<u>23,867,174</u>	<u>23,757,261</u>	<u>24,000,168</u>	<u>242,907</u>
Expenditures:				
Current:				
Instruction:				
Regular	12,229,294	12,372,600	12,699,986	(327,386)
Special.	1,664,675	1,684,182	1,562,420	121,762
Vocational.	310,170	313,805	258,971	54,834
Support services:				
Pupil.	762,829	771,768	834,397	(62,629)
Instructional staff	1,022,122	1,034,100	893,505	140,595
Board of education	909,004	919,656	726,197	193,459
Administration.	1,876,399	1,898,387	1,888,985	9,402
Fiscal	604,406	611,489	534,593	76,896
Business	-	-	26,329	(26,329)
Operations and maintenance.	3,384,406	3,424,065	3,365,807	58,258
Pupil transportation	1,847,532	1,869,182	1,743,384	125,798
Extracurricular activities.	400,081	404,769	428,742	(23,973)
Facilities acquisition and construction.	365,792	370,078	308,706	61,372
Total expenditures	<u>25,376,710</u>	<u>25,674,081</u>	<u>25,272,022</u>	<u>402,059</u>
Excess of revenues over (under) expenditures.	<u>(1,509,536)</u>	<u>(1,916,820)</u>	<u>(1,271,854)</u>	<u>644,966</u>
Other financing sources (uses):				
Refund of prior year expenditures.	40,185	40,000	45,575	5,575
Transfers (out)	(177,915)	(180,000)	(180,000)	-
Advances (out)	(434,629)	(439,722)	(439,722)	-
Proceeds from sale of capital assets.	1,005	1,000	50	(950)
Total other financing sources (uses)	<u>(571,354)</u>	<u>(578,722)</u>	<u>(574,097)</u>	<u>4,625</u>
Net change in fund balance	(2,080,890)	(2,495,542)	(1,845,951)	649,591
Fund balance at beginning of year.	2,220,484	2,220,484	2,220,484	-
Prior year encumbrances appropriated	592,336	592,336	592,336	-
Fund balance at end of year	<u>\$ 731,930</u>	<u>\$ 317,278</u>	<u>\$ 966,869</u>	<u>\$ 649,591</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents.	\$ 57,873	\$ 77,821
Total assets	57,873	77,821
Liabilities:		
Intergovernmental payable	-	4,419
Due to students	-	73,402
Total liabilities	-	\$ 77,821
Net Assets:		
Held in trust for scholarships	57,873	
Total net assets	\$ 57,873	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 5,997
Total additions.	5,997
Deductions:	
Scholarships awarded	3,923
Change in net assets	2,074
Net assets at beginning of year.	55,799
Net assets at end of year	\$ 57,873

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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 118th largest by enrollment among the 740 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 3,708 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The reporting entity is comprised of the primary government, component units and other organization that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise have access to the organizations resources; 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. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

JOINTLY GOVERNED ORGANIZATIONS

Penta Career Center

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

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.

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "GRP") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (b) for the accumulation of resources for, and the repayment of, general long-term debt principal, interest and related costs; and (c) for grants and other resources whose use is restricted to a particular purpose.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

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

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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

E. Budgets

The 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 Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased tax rates). By no later than January 20, the Board-adopted budget is filed with Lucas County Budget Commission for rate determination. The Lucas County Budget Commission waived the tax budget filing requirement for the fiscal year 2003.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commissions' 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 the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. 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 statements reflect the amounts in the final amended Certificate issued during the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the fund level must be approved by the Board of Education.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, all supplemental appropriations were legally enacted. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budget amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

F. Cash and Investments

To improve cash management, cash received by the District other than cash in escrow is pooled in a central bank account. 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 and Cash Equivalents" on the basic financial statements.

During fiscal year 2003, investments were limited to overnight repurchase agreements, nonnegotiable certificates of deposits, federal agency securities, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2003. 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, 2003.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$79,077, which includes \$43,807 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

G. Inventory

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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

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

H. Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2003 the District increased its capitalization threshold from \$1,000 to \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

I. Interfund Balances

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

J. Compensated Absences

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2003, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property taxes unavailable for appropriation and Bureau of Workers' Compensation (BWC) refunds. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute. The designation has been eliminated on the balance sheet due to a negative unreserved fund balance.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

M. Net Assets

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

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

O. Estimates

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

P. Restricted Assets

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

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basis financial statements.

R. Nonpublic Schools

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had a special item this year resulting from the sale of land.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balances

For fiscal year 2003, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statements 37, 38 and 41.

GASB No. 34 creates new basic financial statements for reporting on the District's financial activities. The basic financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the District not being able to present budgetary comparisons for the general fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by fund reclassifications, prior period adjustments and the conversion to the accrual basis of accounting.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. Certain funds previously reported as enterprise funds and expendable trust funds have been reclassified and are now part of the general fund and other nonmajor governmental funds. In addition, certain costs associated with insurance premiums were understated at June 30, 2002. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2002.

The fund reclassification, the adjustments for interest and tax revenue and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance			
June 30, 2002	\$ 1,654,675	\$ 4,060,646	\$ 5,715,321
Fund reclassifications	-	272,479	272,479
Adjustments due to accrued payments	(369,894)	(2,374)	(372,268)
Implementation of GASB Interpretation No. 6	(12,755)	-	(12,755)
Restated fund balance, June 30, 2002	\$ 1,272,026	\$ 4,330,751	\$ 5,602,777

The District had restatements for the capital lease and bonds payable balances at June 30, 2002. These restatements had no effect on fund balance until the implementation of GASB 34, therefore, these adjustments are included in the GASB 34 adjustments.

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Restated fund balance, June 30, 2002	\$ 5,602,777
GASB 34 adjustments:	
Long-term (deferred) assets	1,291,130
Capital assets	23,136,127
Accrued interest payable	(127,868)
Long-term liabilities	(29,807,306)
Governmental activities net assets, June 30, 2002	\$ 94,860

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2003 included the following individual fund deficits:

<u>Major Fund</u>	<u>Deficit</u>
General Fund	\$ 1,042,726
 <u>Nonmajor Funds</u>	
Ohio Reads	204
Title VI-B	57,495
Title I	35,150
Miscellaneous Federal Grant Fund	34
Debt Service	56,315

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances results from adjustments for accrued liabilities.

C. Compliance

The following funds had expenditures in excess of appropriations contrary to Section 5705.41 (B), Ohio Revised Code:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>Special Revenue Funds</u>	
Public School Fund	\$ 4,018
SchoolNet Professional Development	3,450
 <u>Capital Projects Fund</u>	
Building Fund	3,206

The following funds had appropriations in excess of estimated resources contrary to Section 5705.39, Ohio Revised Code:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>Special Revenue Funds</u>	
Eisenhower Professional Development	\$ 3,227
Food Service	41,492
 <u>Debt Service Fund</u>	
Bond Retirement	226,314

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of 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 (FDIC), by eligible securities pledged by the finance institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

8. Under limited circumstances, corporate debt instrument 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.

Cash on hand: At fiscal year-end, the District had \$5,000 in undeposited cash on hand which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents".

Cash with Escrow Agent: At fiscal year-end, the District had \$25,826 in cash and cash equivalents held by National City Bank in relation to the lease-purchase agreement discussed in Note 9. This amount is included on the Balance Sheet and Statement of Net Assets as "Cash with Escrow Agent". These monies are invested in U.S. government money market mutual funds, which are unclassified investments under GASB No. 3 as they are not evidenced by securities that exist in physical or book entry form.

The following information classifies deposits and investments by categories of custodial credit risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reserve Repurchase Agreements".

Deposits: At year-end, the carrying amount of the District's deposits was \$(46,424) and the bank balance was \$225,602. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft due to the "zero balance" nature of the District's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements, which are reported as "investments". Of the bank balance:

1. \$100,000 was covered by federal depository insurance or surety company bonds deposited with the District; and
2. \$125,602 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Investments: The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. 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, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreements	\$ 1,522,021	\$ 1,522,021	\$ 1,522,021
Total	<u>\$ 1,522,021</u>		
Investment in STAR Ohio		<u>1,740,115</u>	<u>1,740,115</u>
Total investments		<u>\$ 3,262,136</u>	<u>\$ 3,262,136</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 3,246,538	\$ -
Investments of the cash management pool:		
Repurchase agreements	(1,522,021)	1,522,021
Investment in STAR Ohio	(1,740,115)	1,740,115
Cash with escrow agent	(25,826)	-
Cash on hand	<u>(5,000)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ (46,424)</u>	<u>\$ 3,262,136</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2003 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 439,722

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2003 are reported on the Statement of Net Assets.

- B.** Interfund transfers for the year ended June 30, 2003, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:

General Fund	\$180,000
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Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. 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 assessed value upon which the 2002 taxes were collected was \$607,905,137. Agricultural/residential and public utility/minerals real estate represented \$465,944,450 or 76.65% of this total, commercial & industrial real estate represented \$73,812,190 or 12.14% of this total, public utility tangible represented \$18,851,880 or 3.10% of this total and general tangible property represented \$49,296,617 or 8.11% of this total. The voted general tax rate at the fiscal year ended June 30, 2003 was \$56.60 per \$1,000.00 of assessed valuation for operations. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Lucas, Fulton and Wood Counties. These County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003 was \$832,715 in the general fund and \$38,286 in the debt service fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2002 was \$605,970 in the general fund, and \$41,918 in the debt service fund.

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

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:	
Property taxes	\$ 19,259,372
Accounts	4,251
Intergovernmental	<u>157,771</u>
Total	<u>\$ 19,421,394</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 8 - CAPITAL ASSETS

The capital asset balances of the governmental activities have been restated due to errors and omissions reported in prior years, fund reclassifications, change in the capitalization threshold (see Note 2.H. for detail) and depreciation of capital assets in accordance with GASB Statement No. 34.

	<u>Balance</u> <u>6/30/02</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> <u>6/30/02</u>
Governmental Activities:			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 1,657,985	\$ -	\$ 1,657,985
Construction in progress	<u>4,981,750</u>	<u>-</u>	<u>4,981,750</u>
Total capital assets, not being depreciated	<u>6,639,735</u>	<u>-</u>	<u>6,639,735</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	1,876,377	222,789	2,099,166
Buildings and improvements	24,678,012	(2,262,147)	22,415,865
Furniture and equipment	6,444,973	(5,241,962)	1,203,011
Vehicles	<u>2,898,107</u>	<u>18,808</u>	<u>2,916,915</u>
Total capital assets, being depreciated	<u>35,897,469</u>	<u>(7,262,512)</u>	<u>28,634,957</u>
<i>Less: accumulated depreciation</i>	<u>-</u>	<u>(12,138,565)</u>	<u>(12,138,565)</u>
Governmental activities capital assets, net	<u>\$ 42,537,204</u>	<u>\$ (19,401,077)</u>	<u>\$ 23,136,127</u>

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 8 - CAPITAL ASSETS - (Continued)

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	<u>Balance 06/30/02</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 06/30/03</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,657,985	\$ -	\$ (269,141)	\$ 1,388,844
Construction in progress	<u>4,981,750</u>	<u>3,032,453</u>	<u>(8,014,203)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>6,639,735</u>	<u>3,032,453</u>	<u>(8,283,344)</u>	<u>1,388,844</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,099,166	-	-	2,099,166
Building and improvements	22,415,865	7,987,510	-	30,403,375
Furniture and equipment	1,203,011	26,693	-	1,229,704
Vehicles	<u>2,916,915</u>	<u>426,509</u>	<u>-</u>	<u>3,343,424</u>
Total capital assets, being depreciated	<u>28,634,957</u>	<u>8,440,712</u>	<u>-</u>	<u>37,075,669</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,345,222)	(186,667)	-	(1,531,889)
Building and improvements	(8,792,804)	(509,336)	-	(9,302,140)
Furniture and equipment	(550,127)	(76,076)	-	(626,203)
Vehicles	<u>(1,450,412)</u>	<u>(226,783)</u>	<u>-</u>	<u>(1,677,195)</u>
Total accumulated depreciation	<u>(12,138,565)</u>	<u>(998,862)</u>	<u>-</u>	<u>(13,137,427)</u>
Governmental activities capital assets, net	<u>\$ 23,136,127</u>	<u>\$ 10,474,303</u>	<u>\$ (8,283,344)</u>	<u>\$ 25,327,086</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 661,528
Special	11,612
Vocational	2,849
<u>Support Services:</u>	
Instructional staff	2,917
Administration	7,313
Fiscal	2,000
Business	2,398
Operations and maintenance	27,086
Pupil transportation	229,934
Community services	4,388
Extracurricular activities	32,233
Food service operation	<u>14,604</u>
Total depreciation expense	<u>\$ 998,862</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

- A. In a prior year, the District entered into capitalized leases for buses, copiers and computer equipment. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as regular, pupil transportation, and operations and maintenance and function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$485,328. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2003 totaled \$174,870 paid by the general fund and other special revenue fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2003:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2004	\$ 87,663
2005	87,664
2006	<u>87,663</u>
Total minimum lease payments	<u>262,990</u>
Less amount representing interest	<u>(25,944)</u>
Total	<u><u>\$ 237,046</u></u>

B. Lease Purchase Obligation

During fiscal 2003, the District entered into a lease-purchase agreement with the Rickenbacker Port Authority (through the OASBO Expanded Asset Pooled Financing Program) for the purchase of school buses. Fifth Third Bank has been designated as trustee for the agreement. The source of revenue to fund the principal and interest payments are general operating revenue of the District. During fiscal 2003, the District made \$5,185 in interest payments on the lease-purchase agreement. No principal payments were required in fiscal 2003.

A liability in the amount of the present value of minimum lease payments has been recorded in the Government-wide Financial Statement.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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

<u>Fiscal Year Ending</u>	<u>Payments</u>
2004	\$ 66,129
2005	66,125
2006	66,030
2007	65,845
2008	65,567
2009 - 2013	<u>328,699</u>
Total	658,395
Less interest	<u>(129,395)</u>
Present value	<u>\$ 529,000</u>

In conjunction with the lease-purchase agreement, the District entered into an escrow agreement with Fifth Third Bank whereby acts as escrow agent for the funds received under the lease-purchase agreement. Under the escrow agreement, the District authorizes and directs Fifth Third Bank to make disbursements to pay the project costs from the amount deposited with the escrow agent. The escrow agreement terminates upon termination of the lease-purchase agreement. At June 30, 2003, the funds held by the escrow agent are reported as "Cash with Escrow Agent" on the combined balance sheet.

NOTE 10 - LONG-TERM OBLIGATIONS

- A. The balance of the District's governmental activities long-term obligations at June 30, 2002 has been restated. The compensated absences liability increased \$1,532 from \$1,538,195 to \$1,539,727 due to the implementation of GASB Interpretation No. 6 and the fund reclassifications described in Note 3.A. In addition, pension obligations of \$144,572 at June 30, 2002 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the statement of net assets. General Obligation Bonds were increased \$27,374 from \$27,617,075 to \$27,644,449 due to errors and omissions in prior year. Capital leases were decreased \$73,412 from \$485,328 to \$411,916 due to an extra lease payment in prior years. The effect on the total governmental activities long-term obligations at July 1, 2002 was a decrease of \$(189,078) from \$29,785,170 to \$29,596,092. During the fiscal year 2003, the following changes occurred in governmental activities long-term obligations:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

	Restated Balance at <u>July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2003</u>	Amounts Due Within <u>One Year</u>
General obligation bonds:					
<u>Series 1993, refunding</u>					
Current interest bonds	\$ 820,000	\$ -	\$ (145,000)	\$ 675,000	\$ 155,000
Capital appreciation bonds	129,790	-	-	129,790	-
Accreted interest	306,822	64,571	-	371,393	-
<u>Series 1995, facilities improvement</u>					
Current interest bonds	1,140,000	-	(225,000)	915,000	265,000
Capital appreciation bonds	299,704	-	-	299,704	-
Accreted interest	457,552	111,463	-	569,015	-
<u>Series 2000, facilities improvement</u>					
Current interest bonds	7,660,000	-	(40,000)	7,620,000	40,000
Capital appreciation bonds	340,000	-	-	340,000	-
Accreted interest	48,207	33,019	-	81,226	-
<u>Series 2001, refunding</u>					
Current interest bonds	10,525,000	-	(120,000)	10,405,000	120,000
Capital appreciation bonds	139,995	-	-	139,995	-
Accreted interest	27,379	35,764	-	63,143	-
<u>Series 2001, facilities improvement</u>					
Current interest bonds	5,750,000	-	(305,000)	5,445,000	260,000
Total G.O. bonds	<u>27,644,449</u>	<u>244,817</u>	<u>(835,000)</u>	<u>27,054,266</u>	<u>840,000</u>
Other long-term obligations:					
Capital leases payable	411,916	-	(174,870)	237,046	74,914
Lease purchase payable	<u>-</u>	<u>529,000</u>	<u>-</u>	<u>529,000</u>	<u>43,000</u>
Total other long-term obligations	<u>411,916</u>	<u>529,000</u>	<u>(174,870)</u>	<u>766,046</u>	<u>117,914</u>
Compensated absences:					
Severance	1,407,810	155,467	-	1,563,277	122,995
Vacation leave	<u>131,917</u>	<u>4,489</u>	<u>-</u>	<u>136,406</u>	<u>136,406</u>
Total compensated absences	<u>1,539,727</u>	<u>159,956</u>	<u>-</u>	<u>1,699,683</u>	<u>259,401</u>
Total	<u>\$ 29,596,092</u>	<u>\$ 933,773</u>	<u>\$ (1,009,870)</u>	<u>\$ 29,519,995</u>	<u>\$ 1,217,315</u>

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

This issue is comprised of current interest bonds, present value \$675,000 at June 30, 2003, and capital appreciation bonds, par value \$1,325,000. The capital appreciation bonds mature each December 1, 2007 through 2013, (average interest 14.17%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported on the statement of net assets at June 30, 2003 was \$129,790. Total accreted interest of \$371,393 has been included on the statement of net assets at June 30, 2003.

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

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

This issue is comprised of current interest bonds, present value \$915,000 at June 30, 2003 and capital appreciation bonds, par value \$2,770,000. The capital appreciation bonds mature each December 1, 2009 through 2013, (average interest 14.25%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported on the statement of net assets at June 30, 2003 was \$299,704. Total accreted interest of \$569,015 has been included on the statement of net assets at June 30, 2003.

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

- D.** On October 1, 2000, the District issued \$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. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund (a nonmajor governmental fund). On the government-wide financial statements, principal payments reduce the liability reported on the statement of net assets. The source of payment is derived from a current 2.80 (average) mill bonded debt tax levy.

This issue was comprised of current interest bonds, present value \$7,620,000 at June 30, 2003, and capital appreciation bonds, par value \$1,055,000. The capital appreciation bonds mature each December 1, 2012 through 2015, (effective interest 8.4311%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported on the statement of net assets at June 30, 2003 was \$340,000. Total accreted interest of \$81,226 has been included on the statement of net assets at June 30, 2003.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

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

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

This issue was comprised of current interest bonds, present value \$10,405,000 at June 30, 2003, and capital appreciation bonds, par value \$2,270,005. The capital appreciation bonds mature each December 1, 2014 through 2016, (effective interests 21.218% - 21.541%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported on the statement of net assets at June 30, 2003 was \$139,995. Total accreted interest of \$63,143 has been included on the statement of net assets at June 30, 2003.

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

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

- G.** Principal and interest requirements to retire the long-term obligations are as follows:

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 840,000	\$ 977,152	\$ 1,817,152	\$ -	\$ -	\$ -
2005	745,000	949,768	1,694,768	-	-	-
2006	785,000	918,623	1,703,623	-	-	-
2007	855,000	887,459	1,742,459	-	-	-
2008	745,000	855,483	1,600,483	185,000	-	185,000
2009 - 2013	2,325,000	4,026,904	6,351,904	3,315,000	-	3,315,000
2014 - 2018	2,630,000	3,828,381	6,458,381	3,920,005	-	3,920,005
2019 - 2023	8,005,000	2,699,757	10,704,757	-	-	-
2024 - 2028	5,975,000	930,362	6,905,362	-	-	-
2029 - 2032	2,155,000	156,975	2,311,975	-	-	-
Total	\$ 25,060,000	\$ 16,230,864	\$ 41,290,864	\$ 7,420,005	\$ -	\$ 7,420,005

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

H. Legal Debt Margin

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

The effects of these debt limitations at June 30, 2003 are a voted debt margin of \$27,600,881 and an unvoted debt margin of \$607,905.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Each employee earns sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for twenty-five percent of the total sick leave accumulation, up to a maximum accumulation of seventy days for both certificated and classified employees. An employee receiving such payment must meet the retirement provisions set by STRS and SERS.

B. Insurance Benefits

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

NOTE 12 - RISK MANAGEMENT

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

During fiscal year 2003, The District purchased from Nationwide Insurance Company (through the Ohio School Boards Association) general liability insurance, which carried a \$1 million per occurrence/\$3 million annual aggregate limitation.

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

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has not been a significant reduction in amounts of insurance coverage from fiscal 2002.

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LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 12 - RISK MANAGEMENT - (Continued)

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 14. As such, no funding provisions are required by the District.

OSBA WORKERS' COMPENSATION GROUP RATING

For fiscal year 2003, 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 13 - 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 retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. 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, 2003, 2002, and 2001 were \$544,100, \$506,188, and \$550,287, respectively; 43.70% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$306,336, represents the unpaid contribution for fiscal year 2003.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS 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 State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5% of annual covered salary 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,729,940, \$1,654,103, and \$1,699,104, respectively; 84.85% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$262,036, represents the unpaid contribution for fiscal year 2003.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B 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 pay a portion of the 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% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$123,567 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$2.8 billion at June 30, 2003. For the fiscal year ended June 30, 2003, net health care costs paid by STRS were \$352.301 million and STRS had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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.

For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. The surcharge, added to the unallocated portion of the 14% 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, 2003 were \$204.931 million and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$269,761 during the 2003 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (1,845,951)
Net adjustment for revenue accruals	(589,285)
Net adjustment for expenditure accruals	(547,075)
Net adjustment for other sources/uses	394,097
Adjustment for encumbrances	<u>271,032</u>
GAAP basis	<u>\$ (2,317,182)</u>

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 16 - CONTINGENCIES - (Continued)

C. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

NOTE 17 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>	<u>Budget Stabilization Designated</u>
Set-aside cash balance as of June 30, 2002	\$ (444,462)	\$ (5,548,970)	\$ 34,698	\$ 547,582
Current year set-aside requirement	468,942	468,942	-	-
Qualifying disbursements	<u>(546,101)</u>	<u>(4,388,744)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ (521,621)</u>	<u>\$ (9,468,772)</u>	<u>\$ 34,698</u>	<u>\$ 547,582</u>
Balance carried forward to FY 2004	<u>\$ (521,621)</u>	<u>\$ (9,468,772)</u>	<u>\$ 34,698</u>	<u>\$ -</u>

Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute. The District is still required by state law to maintain the textbook reserve and the capital acquisition reserve. The Board of Education resolved to maintain the budget reserve, which will be used to offset a negative unreserved fund balance.

A schedule of the governmental fund restricted assets at June 30, 2003 follows:

Amount restricted for BWC refunds	<u>\$ 34,698</u>
Total restricted assets	<u>\$ 34,698</u>
Amount designated for budget stabilization	<u>\$ 547,587</u>

NOTE 18 - SUBSEQUENT EVENTS

The District issued bond anticipation notes in the amount of \$2,945,000 on January 27, 2004.

SUPPLEMENTAL DATA

ANTHONY WAYNE LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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 OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A),(B) Food Distribution	10.550	N/A		\$ 43,512		\$ 43,512
(A),(C) National School Lunch	10.555	048207-LL-P4-2002	\$ 19,669		\$ 19,669	
(A),(C) National School Lunch	10.555	048207-LL-P4-2003	60,807		60,807	
Total U.S. Department of Agriculture and Nutrition Cluster			<u>80,476</u>	<u>43,512</u>	<u>80,476</u>	<u>43,512</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I - Grants to Local Educational Agencies	84.010	048207-C1-S1-2002	3,477		20,976	
Title I - Grants to Local Educational Agencies	84.010	048207-C1-S1-2003	114,819		114,819	
Total Title I			<u>118,296</u>		<u>135,795</u>	
Title VI-B - Special Education: Grants to States	84.027	048207-6B-SF-2002-P	75,943		53,663	
Title VI-B - Special Education: Grants to States	84.027	048207-6B-SF-2003-P	143,468		188,983	
Total Title VI-B			<u>219,411</u>		<u>242,646</u>	
Safe and Drug-Free Schools	84.186	048207-DR-S1-2003	3,186		1,893	
Eisenhower Professional Development	84.281	048207-MS-S1-2002	-		1,562	
Title VI - Innovative Educational Program Strategies	84.298	048207-C2-S1-2002	-		1,928	
Title VI - Innovative Educational Program Strategies	84.298	048207-C2-S1-2003	3,597		1,080	
Total Title VI			<u>3,597</u>		<u>3,008</u>	
Technology Literacy Challenge	84.318	048207-TJ-S1-2003	566		49	
Title VI-R - Class Size Reduction	84.340	048207-CR-S1-2001	8,914		8,914	
Title VI-R - Class Size Reduction	84.340	048207-CR-S1-2002	-		9,678	
Total Title VI-R			<u>8,914</u>		<u>18,592</u>	
School Renovation, IDEA and Technology	84.352A	048207-AT-S3-2002	9,764		9,764	
Improving Teacher Quality	84.367	048207-TR-S1-2003	52,185		43,615	
Total U.S. Department of Education			<u>415,919</u>		<u>456,924</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES:						
Community Alternative Funding System Program (CAFS)	93.778	N/A	213,760		213,760	
Total Federal Financial Assistance			<u>\$ 710,155</u>	<u>\$ 43,512</u>	<u>\$ 751,160</u>	<u>\$ 43,512</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) Commingled 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 Basic Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, its major fund, and the remaining aggregate fund information of the Anthony Wayne Local School District as of and for the fiscal year ended June 30, 2003, and have issued our report thereon dated February 27, 2004. During the fiscal year ended June 30, 2003, the Anthony Wayne Local School District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note Disclosures; GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences. In addition, the District had a change in accounting principle for its threshold for fixed assets and prior period adjustments due to errors and omissions as disclosed in Note 2H and Note 8. As disclosed in Note 3, the District had a prior period adjustment for accrued wages. 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 the governmental activities, its major fund, and the aggregate remaining fund information 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 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 2003-AWLSD-001 and 2003-AWLSD-002. We also noted certain immaterial instances of noncompliance that we have reported to management of Anthony Wayne Local School District in a separate letter dated February 27, 2004.

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 opinions on the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Anthony Wayne Local School District and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting 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 misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of Anthony Wayne Local School District in a separate letter dated February 27, 2004.

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

Trimble, Julian & Grube, Inc.
February 27, 2004

TRIMBLE, JULIAN & GRUBE, INC.

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

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

Compliance

We have audited the compliance of the Anthony Wayne Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2003. The Anthony Wayne Local School District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note Disclosures; GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences. In addition, the District had a change in accounting principle for its threshold for fixed assets and prior period adjustments due to errors and omissions as disclosed in Note 2.H. and Note 8. As disclosed in Note 3, the District had a prior period adjustment for accrued wages. The Anthony Wayne Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Anthony Wayne Local School District's management. Our responsibility is to express an opinion on the Anthony Wayne Local School District's compliance based on our audit.

Board of Education
Anthony Wayne Local School District

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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about Anthony Wayne Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Anthony Wayne Local School District's compliance with those requirements.

In our opinion, Anthony Wayne Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2003.

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.
February 27, 2004

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO
JUNE 30, 2003**

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

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

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO
JUNE 30, 2003**

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

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

Finding Number	2003-AWLSD-001
----------------	----------------

Ohio Revised Code Section 5705.39 in part requires that the total appropriations from each fund should not exceed total estimated resources.

It was noted during the audit that the total appropriations exceeded total estimated resources for the following funds:

<u>Fund Type</u>	<u>Fund</u>	<u>Excess</u>
Special Revenue	Eisenhower Professional Development	\$ 3,227
Special Revenue	Food Service	41,492
Debt Service	Bond Retirement	226,314

With appropriations exceeding estimated resources, the District may spend more funds than in the Treasury or in the process of collection and may cause fund deficits.

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 resource records and amending the budget as needed and prior to year end. If appropriations are increased 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 continual basis.

**ANTHONY WAYNE LOCAL SCHOOL DISTRICT
LUCAS COUNTY, OHIO
JUNE 30, 2003**

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

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

Finding Number	2003-AWLSD-002
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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 exceeding appropriations in the following funds:

<u>Fund Type</u>	<u>Fund</u>	<u>Excess Amount</u>
Special Revenue	Public School Support	\$4,018
Special Revenue	SchoolNet Professional Development	3,450
Capital Projects	Building	3,206

With expenditures exceeding appropriations, the District is expending monies that have not been appropriated. This could result in unnecessary purchases or fund deficits.

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, OHIO
JUNE 30, 2003**

**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
2002-AWLSD-001	Ohio Revised Code Section 5705.39	Not Corrected	The District is attempting to certify to the County amended certificates on a more frequent basis.
2002-AWLSD-002	Ohio Revised Code Section 5705.41(B)	Not Corrected	The District is attempting to provide the Board with amendments to the appropriations on a more frequent basis.
2002-AWLSD-003	Ohio Revised Code Section 5705.10	Corrected	N/A



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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
APRIL 8, 2004**