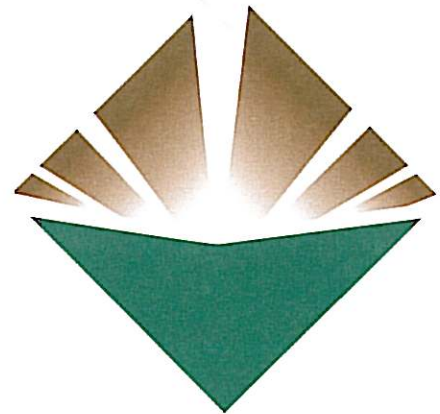


**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**
Basic Financial Statements—Cash Basis

For the Fiscal Years Ended June 30, 2008 and 2007



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.



Mary Taylor, CPA
Auditor of State

Board of Education
Anna Local School District
One McRill Way
Anna, Ohio 45302

We have reviewed the *Independent Auditor's Report* of the Anna Local School District, Shelby County, prepared by Rea & Associates, Inc., for the audit period July 1, 2006 through June 30, 2008. 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 Anna Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 4, 2009

This Page is Intentionally Left Blank.

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

Table of Contents

<u>Title</u>	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements for Fiscal Year Ended June 30, 2008	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis	11
Statement of Activities – Cash Basis.....	12
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis - Governmental Funds	13
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances – Cash Basis – Governmental Funds	14
Statement of Cash Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund	15
Statement of Fiduciary Net Assets – Cash Basis – Fiduciary Funds.....	16
Basic Financial Statements for Fiscal Year Ended June 30, 2007	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis	17
Statement of Activities – Cash Basis.....	18
Fund Financial Statements:	
Statement of Assets and Fund Balances - Cash Basis – Governmental Funds	19
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances – Cash Basis – Governmental Funds	20
Statement of Cash Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund	21
Statement of Fiduciary Net Assets – Cash Basis – Fiduciary Funds.....	22
Notes to the Basic Financial Statements.....	23
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47
Schedule of Prior Audit Findings	49



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

November 21, 2008

The Board of Education
Anna Local School District
Anna, Ohio 45302

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Anna Local School District, Shelby County, Ohio, as of and for the years ended June 30, 2008 and June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 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.

Ohio Administrative Code §117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United State of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Anna Local School District, Shelby County, Ohio, as of June 30, 2008 and June 30, 2007, and the respective changes in cash basis financial position and the respective budgetary comparisons for the General Fund, thereof for the years then ended in conformity with the accounting basis described in Note 2.

In accordance with *Government Auditing Standards* we have also issued our report dated November 21, 2008 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Anna Local School District
November 21, 2008
Page 2

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Rea & Associates, Inc.

Anna Local School District
Shelby County
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

This discussion and analysis of the Anna Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal years ended June 30, 2007, and June 30, 2008, within the limitations of the District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Key highlights for fiscal year 2008 are as follows:

Net assets of governmental activities increased \$530,799, or 9 percent.

The District's receipts are primarily property and income taxes and intergovernmental receipts and contributions, which accounted for about 81 percent of the total cash received during fiscal year 2008 of \$11,792,323. Program specific revenues in the form of charges for services and sales, and operating grants and contributions and capital grants and contributions and interest accounted for \$1,480,782 or 13 percent of total revenues for fiscal year 2008. The other 6 percent of receipts was made up of investment earnings and miscellaneous receipts.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Anna Local School District
Shelby County
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the District as a Whole

The statement of net assets and the statement of activities reflect how the District did financially during the fiscal year, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for the District's programs. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational and capital requirements of the program.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position are indicators of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other non-financial factors as well such as the condition of the District's capital assets and the reliance on non-local financial resources for operations.

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its activities and to help demonstrate that restricted money is being spent for the intended purpose. The fund financial statements provide a detailed view of the District's operations and the basic services it provides. Fund information helps determine whether there are more or less financial resources that can be spent to finance the District's activities. The District's significant funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's major funds are the General Fund and the Bond Retirement Fund.

Anna Local School District
Shelby County
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal years 2008, 2007 and 2006 on a cash basis:

	Table 1		
	Net Assets		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Assets			
Equity in Pooled Cash, Cash Equivalents and Investments	\$6,210,999	\$5,680,200	\$5,857,932
Total Assets	<u>\$6,210,999</u>	<u>\$5,680,200</u>	<u>\$5,857,932</u>
Net Assets			
Restricted for:			
Debt Service	\$1,841,570	\$1,340,692	\$2,039,744
Capital Outlay	259,201	124,363	12,648
Other Purposes	276,727	250,645	214,573
Unrestricted	<u>3,833,501</u>	<u>3,964,500</u>	<u>3,590,967</u>
Total Net Assets	<u>\$6,210,999</u>	<u>\$5,680,200</u>	<u>\$5,857,932</u>

As mentioned previously, net assets of governmental activities increased \$530,799, or 9 percent during fiscal year 2008. The primary reason for the increase in cash balances was an increase in the balance of the bond retirement debt service fund due to increased collections and early state hold harmless payments.

Table 2 reflects the changes in net assets in fiscal year 2008 and 2007, along with a comparative analysis of the changes in net assets for fiscal year 2006.

Anna Local School District
Shelby County
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

	Table 2		
	Governmental Activities 2008	Governmental Activities 2007	Governmental Activities 2006
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 946,685	\$ 776,809	\$ 749,311
Operating Grants and Contributions	521,173	474,588	406,123
Capital Grants and Contributions	12,924	12,564	0
Total Program Receipts	1,480,782	1,263,961	1,155,434
General Receipts:			
Property and Other Local Taxes	4,388,210	5,321,833	6,424,199
Income Taxes	624,680	588,323	539,751
Payments in Lieu of Taxes	13,754	11,708	7,986
Proceeds of Bonds	0	4,520,000	0
Premium on Bonds	0	76,753	0
Grants and Entitlements Not Restricted to Specific Programs	4,525,029	3,888,915	2,604,087
Interest	585,857	483,103	211,212
Miscellaneous	174,011	23,943	5,520
Total General Receipts	10,311,541	14,914,578	9,792,755
Total Receipts	11,792,323	16,178,539	10,948,189
Disbursements:			
Instruction:			
Regular	4,643,390	4,292,854	4,144,468
Special	815,038	815,396	862,199
Vocational	314,932	341,896	297,768
Adult/Continuing	496	710	710
Other	24,111	25,206	32,181
Support Services:			
Pupils	454,813	415,282	421,450
Instructional Staff	292,125	220,433	241,850
Board of Education	56,781	59,756	57,684
Administration	757,363	745,333	784,338
Fiscal	420,687	382,787	333,315
Business	68,935	62,553	47,942
Operation and Maintenance of Plant	968,512	885,366	905,778
Pupil Transportation	499,138	478,440	600,245
Central	4,601	5,390	5,164
Operation of Non-instructional Services	371,374	382,724	395,879
Extracurricular Activities	526,820	489,596	470,995
Capital Outlay	124,533	79,272	47,549
Debt Service			
Principal Retirement	425,000	245,000	535,000
Interest and Fiscal Charges	492,875	356,524	0
Issuance Costs	0	117,897	0
Payment to Refunded Bond Escrow Agent	0	5,953,856	349,450
Total Disbursements	11,261,524	16,356,271	10,533,965
Increase (Decrease) in Net Assets	530,799	(177,732)	414,224
Net Assets, July 1	5,680,200	5,857,932	5,443,708
Net Assets, June 30	\$6,210,999	\$5,680,200	\$5,857,932

Anna Local School District
Shelby County
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

Property and income taxes accounted for 43 percent of the District's receipts in fiscal year 2008. Property tax receipts are decreasing due to the phasing out of the tangible personal property tax, which will be completely phased out in 2009. Unrestricted intergovernmental grants and contributions accounted for about 38 percent of the total cash received in fiscal year 2008. Unrestricted intergovernmental grants increased due to the tangible property hold harmless payments that are meant to reimburse the District for tangible property tax loss due to the phase-out. Program specific revenues in the form of charges for services, operating grants and contributions accounted for \$1,480,782 or 13 percent of total revenues in fiscal year 2008. The other 6 percent of receipts in fiscal year 2008 was made up of investment earnings and miscellaneous receipts. In fiscal year 2007, the proceeds and premium from the refunding bonds accounted for 28 percent of the District's receipts.

Instruction accounted for approximately 51 percent of total cash disbursements for fiscal year 2008, with regular instruction comprising 41 percent of total disbursements. Support services accounted for 31 percent of disbursements during fiscal year 2008.

If you look at the Statement of Activities on page 12, you will see that the first column lists the major activities of the District. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Cash Receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for the service or grants and contributions received by the District that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3. That is, it identifies the cost of these services supported by property taxes, unrestricted State entitlements and investment earnings.

Anna Local School District
Shelby County
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

Table 3

	2008		2007		2006	
	Total Cost	Net Cost	Total Cost	Net Cost	Total Cost	Net Cost
Instruction:						
Regular	\$4,643,390	\$4,271,239	\$4,292,854	\$4,052,531	\$4,144,468	\$3,955,018
Special	815,038	560,450	815,396	559,893	862,199	554,335
Vocational	314,932	276,898	341,896	310,003	297,768	273,977
Adult/Continuing	496	124	710	250	710	710
Other	24,111	24,111	25,206	25,206	32,181	32,181
Support Services:						
Pupils	454,813	423,759	415,282	414,911	421,450	397,876
Instructional Staff	292,125	292,125	220,433	220,433	241,850	239,674
Board of Education	56,781	56,781	59,756	59,756	57,684	57,684
Administration	757,363	751,318	745,333	738,333	784,338	779,338
Fiscal	420,687	404,214	382,787	382,787	333,315	320,054
Business	68,935	61,460	62,553	56,553	47,942	41,942
Operation and Maintenance of Plant	968,512	968,512	885,366	885,366	905,778	905,778
Pupil Transportation	499,138	494,988	478,440	470,876	600,245	595,999
Central	4,601	4,601	5,390	5,390	5,164	5,164
Operation of Non-Instructional Services						
Extracurricular Activities	371,374	(15,172)	382,724	(16,338)	395,879	30,871
Capital Outlay	526,820	285,411	489,596	257,347	470,995	255,931
Debt Service:						
Principal Retirement	124,533	124,533	79,272	79,272	47,549	47,549
Interest and Fiscal Charges	425,000	425,000	245,000	245,000	535,000	535,000
Issuance Costs	492,875	492,875	356,524	356,524	349,450	349,450
Payment to Refunded Bond Escrow Agent	0	0	117,897	117,897	0	0
Escrow Agent	0	0	5,953,856	5,953,856	0	0

Charges for services and sales, and operating grants and contributions and capital grants and contributions of about 13 percent of total cash receipts were received and used to fund the expenses of the District during fiscal year 2008. The remaining 87 percent of cash receipts were from property and income taxes, unrestricted State entitlements, investment earnings and miscellaneous receipts. The District relies on these receipts to furnish the services it provides to students.

The District's Funds

All funds of the District are governmental funds. Total funds cash receipts were \$11,792,323 and total fund disbursements were \$11,261,524 for fiscal year 2008. Total funds cash receipts were \$16,207,539 and total disbursements were \$16,384,271 for fiscal year 2007. The greatest change within the funds occurred in the Bond Retirement Debt Service Fund which had an increase of \$500,878 in fund balance in fiscal year 2008 due to increased collections and early state hold harmless payments. The greatest change within the fund balance for fiscal year 2007 was also in the Bond Retirement Debt Service Fund which had a decrease of \$699,052 due to the bond refinancing that was done.

Anna Local School District
Shelby County
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

General Fund Budgeting Highlights

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

During the course of fiscal year 2008, the School District amended its General Fund budget once. The original budget basis revenue was \$8,698,945 and the final budget basis revenue was \$9,047,880. The original budget basis expenditures were \$9,345,189 and the final budget basis expenditures were \$9,381,124.

During the course of fiscal year 2007, the School District amended its General Fund budget once. The original budget basis revenue was \$7,121,188 and the final budget basis revenue was \$7,116,652. The original budget basis expenditures were \$9,293,580 and the final budget basis expenditures were \$9,373,045.

During fiscal year 2008, the School District budgeted \$3,789,872 and received \$3,590,353 in property taxes and budgeted \$4,153,248 and received \$4,012,725 in intergovernmental revenues in the General Fund. During fiscal year 2007, the School District budgeted \$3,405,394 and received \$4,372,210 in property taxes and budgeted \$2,646,892 and received \$3,390,018 in intergovernmental revenues in the General Fund.

Capital Assets

The District tracks its capital assets on the State EIS system. At June 30, 2008, the book value of the capital assets was \$11,287,353. At June 30, 2007, the book value of the capital assets was \$11,578,399.

Debt Administration

At June 30, 2006, the School District had one debt issue outstanding in the amount of \$6,535,000. It was issued on March 1, 1998 for the purpose of defeasing a 1992 school improvement bond issue and for the purpose of reconstructing, renovating and expanding the high school building. During fiscal year 2007, the school paid \$245,000 in principal on the bonds and issued \$4,520,000 in bonds to advance refund \$5,765,000 of the 1998 bonds. The balance outstanding at June 30, 2007 was \$525,000 on the 1998 bonds and \$4,520,000 on the new 2007 bonds. During fiscal year 2008, the School District paid \$255,000 in principal on the 1998 bonds and \$170,000 in principal on the 2007 bonds. The balance outstanding at June 30, 2008 was \$270,000 on the 1998 bonds and \$4,350,000 on the 2007 bonds. For more information on the School District's debt see note 13 of the notes to the financial statements.

Anna Local School District
Shelby County
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

Current Issues

The Anna Local School District continues to benefit from taxpayer and community support as evidenced by the renewal in 2005 of the 4 mill 5 year operating levy first passed in 2000 and a 1.5 mill 5 year permanent improvement levy passed in 2001 and renewed in 2006. Energetic and motivated volunteer organizations provide significant benefits to District staff, students, and facilities. The District enjoys respectful relations between the highly professional and mature staff and competent administration. A three-year negotiated agreement with the Anna Local Teachers Association extending through June 30, 2010, and a relatively stable student population facilitate the process of budgeting and forecasting.

District administrators are always concerned with State funding formulas but are especially and uniquely impacted with the elimination of tangible personal property tax valuation. School facilities are adequate and appropriately sized, however, additional new housing in the District causes administrators to monitor and assess future needs.

The administration of the Anna Local School District continues to try to balance staff, student, and community interests within the restrictions of current law and resources available. The inherent tension between all constituent groups is currently well managed.

Contacting the District's Financial Management

This financial report is designed to provide our citizens with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Dennis Raberding, Treasurer, Anna Local School District, 1 McRill Way, Anna, Ohio 45302 or e-mail at Draberding@anna.k12.oh.us.

Anna Local School District
Shelby County
Statement of Net Assets - Cash Basis
June 30, 2008

	Governmental Activities
Assets	
Equity in Pooled Cash, Cash Equivalents and Investments	<u>\$ 6,210,999</u>
<i>Total Assets</i>	<u><u>\$ 6,210,999</u></u>
Net Assets	
Restricted for:	
Debt Service	\$ 1,841,570
Capital Outlay	259,201
Other Purposes	276,727
Unrestricted	<u>3,833,501</u>
<i>Total Net Assets</i>	<u><u>\$ 6,210,999</u></u>

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2008

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Current:					
Instruction:					
Regular	\$ 4,643,390	\$ 324,881	\$ 38,496	\$ 8,774	\$ (4,271,239)
Special	815,038	227	376,846	0	(437,965)
Vocational	314,932	0	38,034	0	(276,898)
Adult/Continuing	496	372	0	0	(124)
Other	24,111	0	0	0	(24,111)
Support Services:					
Pupil	454,813	31,054	0	0	(423,759)
Instructional Staff	292,125	0	0	0	(292,125)
Board of Education	56,781	0	0	0	(56,781)
Administration	757,363	0	6,045	0	(751,318)
Fiscal	420,687	0	0	0	(420,687)
Business	68,935	0	7,475	0	(61,460)
Operation and Maintenance of Plant	968,512	0	0	0	(968,512)
Pupil Transportation	499,138	0	0	4,150	(494,988)
Central	4,601	0	0	0	(4,601)
Operation of Non-instructional Services	371,374	348,742	54,277	0	31,645
Extracurricular Activities	526,820	241,409	0	0	(285,411)
Capital Outlay	124,533	0	0	0	(124,533)
Debt Service:					
Principal Retirement	425,000	0	0	0	(425,000)
Interest and Fiscal Charges	492,875	0	0	0	(492,875)
Total Governmental Activities	\$ 11,261,524	\$ 946,685	\$ 521,173	\$ 12,924	(9,780,742)
General Receipts					
Property Taxes Levied for:					
General Purposes					3,590,353
Debt Service					589,095
Capital Outlay					208,762
Income Taxes Levied for General Purposes					624,680
Grants and Entitlements Not Restricted to Specific Programs					4,525,029
Interest					585,857
Payment in Lieu of Taxes					13,754
Rentals					167,010
Contributions and Donations					3,377
Miscellaneous					3,624
Total General Receipts					10,311,541
Change in Net Assets					530,799
Net Assets Beginning of Year					5,680,200
Net Assets End of Year					\$6,210,999

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2008

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 3,798,501	\$ 1,841,570	\$ 508,889	\$ 6,148,960
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalents	62,039	0	0	62,039
Total Assets	<u>\$ 3,860,540</u>	<u>\$ 1,841,570</u>	<u>\$ 508,889</u>	<u>\$ 6,210,999</u>
Fund Balances				
Reserved for Encumbrances	\$ 143,164	\$ 0	\$ 226,308	\$ 369,472
Reserved for School Bus Purchase	62,039	0	0	62,039
Unreserved:				
Undesignated, Reported in:				
General Fund	3,655,337	0	0	3,655,337
Special Revenue Funds	0	0	208,652	208,652
Debt Service Funds	0	1,841,570	0	1,841,570
Capital Projects Funds	0	0	73,929	73,929
Total Fund Balances	<u>\$ 3,860,540</u>	<u>\$ 1,841,570</u>	<u>\$ 508,889</u>	<u>\$ 6,210,999</u>

See accompanying notes to the basic financial statements

**Anna Local School District
Shelby County**

*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2008*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$3,590,353	\$589,095	\$208,762	\$4,388,210
Income Tax	624,680	0	0	624,680
Intergovernmental	4,012,725	550,867	495,534	5,059,126
Interest	290,317	295,540	0	585,857
Tuition and Fees	322,796	0	0	322,796
Extracurricular Activities	30,583	0	226,792	257,375
Customer Sales and Services	0	0	348,742	348,742
Rentals	167,010	0	0	167,010
Gifts and Donations	3,377	0	0	3,377
Payment in Lieu of Taxes Revenue	13,754	0	0	13,754
Miscellaneous	20,123	0	0	20,123
Total Receipts	9,075,718	1,435,502	1,279,830	11,791,050
Disbursements				
Current:				
Instruction:				
Regular	4,535,065	0	108,325	4,643,390
Special	560,677	0	254,361	815,038
Vocational	303,506	0	11,426	314,932
Adult/Continuing	496	0	0	496
Other	24,111	0	0	24,111
Support Services:				
Pupil	426,384	0	28,429	454,813
Instructional Staff	292,125	0	0	292,125
Board of Education	56,781	0	0	56,781
Administration	753,156	0	4,207	757,363
Fiscal	379,607	16,749	24,331	420,687
Business	61,460	0	7,475	68,935
Operation and Maintenance of Plant	960,302	0	8,210	968,512
Pupil Transportation	499,138	0	0	499,138
Central	4,601	0	0	4,601
Operation of Non-Instructional Services	0	0	371,374	371,374
Extracurricular Activities	339,964	0	186,856	526,820
Capital Outlay	6,466	0	118,067	124,533
Debt Service:				
Principal Retirement	0	425,000	0	425,000
Interest and Fiscal Charges	0	492,875	0	492,875
Total Disbursements	9,203,839	934,624	1,123,061	11,261,524
Excess of Receipts Over (Under) Disbursements	(128,121)	500,878	156,769	529,526
Other Financing Sources				
Refund of Prior Year Expenditures	1,273	0	0	1,273
Advances In	1,000	0	35,000	36,000
Advances Out	(35,000)	0	(1,000)	(36,000)
Total Other Financing Sources (Uses)	(32,727)	0	34,000	1,273
Net Change in Fund Balances	(160,848)	500,878	190,769	530,799
Fund Balances Beginning of Year	4,021,388	1,340,692	318,120	5,680,200
Fund Balances End of Year	\$3,860,540	\$1,841,570	\$508,889	\$6,210,999

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County
Statement of Cash Receipts, Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		Actual	Favorable (Unfavorable) Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$3,656,983	\$3,789,872	\$3,590,353	(\$199,519)
Income Tax	583,203	606,283	624,680	18,397
Intergovernmental	4,003,813	4,153,248	4,012,725	(140,523)
Interest	192,194	202,920	290,317	87,397
Tuition and Fees	116,320	128,247	322,796	194,549
Extracurricular Activities	0	13,177	30,583	17,406
Rentals	115,009	121,180	167,010	45,830
Gifts and Donations	909	1,034	3,377	2,343
Payment in Lieu of Taxes Revenue	13,630	14,138	13,754	(384)
Miscellaneous	15,684	16,427	20,123	3,696
Total Revenues	<u>8,697,745</u>	<u>9,046,526</u>	<u>9,075,718</u>	<u>29,192</u>
Expenditures				
Current:				
Instruction:				
Regular	4,587,268	4,604,908	4,592,621	12,287
Special	567,130	569,312	560,964	8,348
Vocational	307,000	308,180	307,676	504
Adult/Continuing	502	504	496	8
Other	24,389	24,482	24,111	371
Support Services:				
Pupil	431,292	432,951	429,252	3,699
Instructional Staff	295,488	296,624	293,125	3,499
Board of Education	57,435	57,655	56,781	874
Administration	761,826	764,755	753,156	11,599
Fiscal	383,977	385,453	379,607	5,846
Business	62,167	62,407	61,460	947
Operation and Maintenance of Plant	971,356	975,091	1,011,308	(36,217)
Pupil Transportation	504,884	506,825	525,368	(18,543)
Central	4,654	4,672	4,601	71
Extracurricular Activities	343,757	345,038	339,964	5,074
Capital Outlay	6,540	6,566	6,513	53
Total Expenditures	<u>9,309,665</u>	<u>9,345,423</u>	<u>9,347,003</u>	<u>(1,580)</u>
Excess of Receipts Under Disbursements	<u>(611,920)</u>	<u>(298,897)</u>	<u>(271,285)</u>	<u>27,612</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	1,200	1,200	0	(1,200)
Advances In	0	141	1,000	859
Advances Out	(35,524)	(35,701)	(35,000)	701
Refund of Prior Year Expenditures	0	13	1,273	1,260
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>(34,324)</u>	<u>(34,347)</u>	<u>(32,727)</u>	<u>1,620</u>
Net Change in Fund Balance	<u>(646,244)</u>	<u>(333,244)</u>	<u>(304,012)</u>	<u>29,232</u>
Fund Balance Beginning of Year	<u>3,826,831</u>	<u>3,826,831</u>	<u>3,826,831</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>190,032</u>	<u>190,032</u>	<u>190,032</u>	<u>0</u>
Fund Balance End of Year	<u>\$3,370,619</u>	<u>\$3,683,619</u>	<u>\$3,712,851</u>	<u>\$29,232</u>

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
June 30, 2008

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$93,334</u>
Net Assets	
Unrestricted	<u>\$93,334</u>

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County
Statement of Net Assets - Cash Basis
June 30, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash, Cash Equivalents and Investments	<u>\$ 5,680,200</u>
<i>Total Assets</i>	<u><u>\$ 5,680,200</u></u>
Net Assets	
Restricted for:	
Debt Service	\$ 1,340,692
Capital Outlay	124,363
Other Purposes	250,645
Unrestricted	<u>3,964,500</u>
<i>Total Net Assets</i>	<u><u>\$ 5,680,200</u></u>

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2007

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Current:					
Instruction:					
Regular	\$ 4,292,854	\$ 196,242	\$ 44,081	\$ 0	\$ (4,052,531)
Special	815,396	416	338,623	0	(476,357)
Vocational	341,896	0	31,893	0	(310,003)
Adult/Continuing	710	460	0	0	(250)
Other	25,206	0	0	0	(25,206)
Support Services:					
Pupil	415,282	31,658	371	0	(383,253)
Instructional Staff	220,433	0	0	0	(220,433)
Board of Education	59,756	0	0	0	(59,756)
Administration	745,333	0	7,000	0	(738,333)
Fiscal	382,787	0	0	0	(382,787)
Business	62,553	0	6,000	0	(56,553)
Operation and Maintenance of Plant	885,366	0	0	0	(885,366)
Pupil Transportation	478,440	0	0	7,564	(470,876)
Central	5,390	0	0	0	(5,390)
Operation of Non-instructional Services	382,724	352,442	46,620	0	16,338
Extracurricular Activities	489,596	195,591	0	5,000	(289,005)
Capital Outlay	79,272	0	0	0	(79,272)
Debt Service:					
Principal Retirement	245,000	0	0	0	(245,000)
Interest and Fiscal Charges	356,524	0	0	0	(356,524)
Issuance Costs	117,897	0	0	0	(117,897)
Payment to Refunded Bond Escrow Agent	5,953,856	0	0	0	(5,953,856)
Total Governmental Activities	\$ 16,356,271	\$ 776,809	\$ 474,588	\$ 12,564	(15,092,310)
General Receipts					
Property Taxes Levied for:					
General Purposes					4,372,210
Debt Service					698,960
Capital Outlay					250,663
Income Taxes Levied for General Purposes					588,323
Grants and Entitlements Not Restricted to Specific Programs					3,888,915
Interest					483,103
Payment in Lieu of Taxes					11,708
Rentals					6,750
Proceeds of Bonds					4,520,000
Premium on Bonds					76,753
Miscellaneous					17,193
Total General Receipts					14,914,578
Change in Net Assets					(177,732)
Net Assets Beginning of Year					5,857,932
Net Assets End of Year					\$ 5,680,200

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2007

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 3,963,500	\$ 1,340,692	\$ 318,120	\$ 5,622,312
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalents	57,888	0	0	57,888
<i>Total Assets</i>	<u>\$ 4,021,388</u>	<u>\$ 1,340,692</u>	<u>\$ 318,120</u>	<u>\$ 5,680,200</u>
Fund Balances				
Reserved for Encumbrances	\$ 190,032	\$ 0	\$ 64,232	\$ 254,264
Reserved for School Bus Purchase	57,888	0	0	57,888
Unreserved:				
Undesignated, Reported in:				
General Fund	3,773,468	0	0	3,773,468
Special Revenue Funds	0	0	183,860	183,860
Debt Service Funds	0	1,340,692	0	1,340,692
Capital Projects Funds	0	0	70,028	70,028
<i>Total Fund Balances</i>	<u>\$ 4,021,388</u>	<u>\$ 1,340,692</u>	<u>\$ 318,120</u>	<u>\$ 5,680,200</u>

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$ 4,372,210	\$ 698,960	\$ 250,663	\$ 5,321,833
Income Tax	588,323	0	0	588,323
Intergovernmental	3,390,018	545,470	432,080	4,367,568
Interest	335,333	147,770	0	483,103
Tuition and Fees	195,526	0	0	195,526
Extracurricular Activities	14,658	0	207,446	222,104
Customer Sales and Services	0	0	352,442	352,442
Rentals	6,750	0	0	6,750
Gifts and Donations	1,499	0	0	1,499
Payment in Lieu of Taxes Revenue	11,708	0	0	11,708
Miscellaneous	25,161	0	0	25,161
<i>Total Receipts</i>	<u>8,941,186</u>	<u>1,392,200</u>	<u>1,242,631</u>	<u>11,576,017</u>
Disbursements				
Current:				
Instruction:				
Regular	4,123,247	0	169,607	4,292,854
Special	565,469	0	249,927	815,396
Vocational	333,896	0	8,000	341,896
Adult/Continuing	710	0	0	710
Other	25,206	0	0	25,206
Support Services:				
Pupil	388,051	0	27,231	415,282
Instructional Staff	220,433	0	0	220,433
Board of Education	59,756	0	0	59,756
Administration	738,333	0	7,000	745,333
Fiscal	344,965	14,728	23,094	382,787
Business	56,553	0	6,000	62,553
Operation and Maintenance of Plant	885,366	0	0	885,366
Pupil Transportation	465,620	0	12,820	478,440
Central	5,390	0	0	5,390
Operation of Non-Instructional Services	0	0	382,724	382,724
Extracurricular Activities	321,126	0	168,470	489,596
Capital Outlay	6,761	0	72,511	79,272
Debt Service:				
Principal Retirement	0	245,000	0	245,000
Interest and Fiscal Charges	0	356,524	0	356,524
Issuance Costs	0	117,897	0	117,897
<i>Total Disbursements</i>	<u>8,540,882</u>	<u>734,149</u>	<u>1,127,384</u>	<u>10,402,415</u>
<i>Excess of Receipts Over Disbursements</i>	<u>400,304</u>	<u>658,051</u>	<u>115,247</u>	<u>1,173,602</u>
Other Financing Sources (Uses)				
Proceeds of Bonds	0	4,520,000	0	4,520,000
Premium on Bonds	0	76,753	0	76,753
Payment to Refunded Bond Escrow Agent	0	(5,953,856)	0	(5,953,856)
Refund of Prior Year Expenditures	5,769	0	0	5,769
Advances In	185,000	0	1,000	186,000
Advances Out	(1,000)	0	(185,000)	(186,000)
Transfers In	0	0	25,000	25,000
Transfers Out	(25,000)	0	0	(25,000)
<i>Total Other Financing Sources (Uses)</i>	<u>164,769</u>	<u>(1,357,103)</u>	<u>(159,000)</u>	<u>(1,351,334)</u>
<i>Net Change in Fund Balances</i>	565,073	(699,052)	(43,753)	(177,732)
<i>Fund Balances Beginning of Year</i>	<u>3,456,315</u>	<u>2,039,744</u>	<u>361,873</u>	<u>5,857,932</u>
<i>Fund Balances End of Year</i>	<u>\$ 4,021,388</u>	<u>\$ 1,340,692</u>	<u>\$ 318,120</u>	<u>\$ 5,680,200</u>

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County
Statement of Cash Receipts, Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance with Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 3,407,569	\$ 3,405,394	\$ 4,372,210	\$ 966,816
Income Tax	458,755	458,463	588,323	129,860
Intergovernmental	2,648,574	2,646,892	3,390,018	743,126
Interest	261,482	261,315	335,333	74,018
Tuition and Fees	152,465	152,368	195,526	43,158
Extracurricular Activities	8,701	8,695	14,658	5,963
Rentals	5,263	5,260	6,750	1,490
Gifts and Donations	1,169	1,168	1,499	331
Payment in Lieu of Taxes Revenue	0	0	11,708	11,708
Miscellaneous	25,336	25,319	25,161	(158)
Total Revenues	6,969,314	6,964,874	8,941,186	1,976,312
Expenditures				
Current:				
Instruction:				
Regular	4,472,746	4,510,990	4,213,729	297,261
Special	613,400	618,645	565,469	53,176
Vocational	362,198	365,295	334,353	30,942
Adult/Continuing	770	777	710	67
Other	27,343	27,576	25,206	2,370
Support Services:				
Pupil	420,943	424,543	389,569	34,974
Instructional Staff	239,118	241,162	222,199	18,963
Board of Education	64,821	65,375	59,756	5,619
Administration	800,916	807,765	742,194	65,571
Fiscal	374,205	377,405	350,009	27,396
Business	61,347	61,871	56,553	5,318
Operation and Maintenance of Plant	960,412	968,624	959,404	9,220
Pupil Transportation	505,087	509,406	477,652	31,754
Central	5,847	5,897	5,390	507
Extracurricular Activities	334,244	337,102	321,126	15,976
Capital Outlay	7,334	7,397	7,595	(198)
Total Expenditures	9,250,731	9,329,830	8,730,914	598,916
Excess of Receipts Over (Under) Disbursements	(2,281,417)	(2,364,956)	210,272	2,575,228
Other Financing Sources (Uses)				
Advances In	147,376	147,282	185,000	37,718
Advances Out	(15,729)	(15,864)	(1,000)	14,864
Refund of Prior Year Expenditures	4,498	4,496	5,769	1,273
Transfers Out	(27,120)	(27,351)	(25,000)	2,351
Total Other Financing Sources (Uses)	109,025	108,563	164,769	56,206
Net Change in Fund Balance	(2,172,392)	(2,256,393)	375,041	2,631,434
Fund Balance Beginning of Year	3,334,361	3,334,361	3,334,361	0
Prior Year Encumbrances Appropriated	117,429	117,429	117,429	0
Fund Balance End of Year	\$ 1,279,398	\$ 1,195,397	\$ 3,826,831	\$ 2,631,434

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
June 30, 2007

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalentts	\$ 109,549
	<hr/> <hr/>
Net Assets	
Unrestricted	\$ 109,549
	<hr/> <hr/>

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Anna Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and federal agencies.

The District serves an area of approximately 70 square miles. It is located in Shelby County, and includes all of the Villages of Anna and Kettlersville and all or part of Van Buren, Dinsmore, Franklin, Turtle Creek, Salem and McLean Townships. It is staffed by 58 non-certified employees, 75 certified full-time teaching personnel, and four administrative employees who provide services to 1,256 students and other community members. The District currently operates two instructional buildings and one vocational agriculture building.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District. For Anna Local School District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable, or for which the District is not financially accountable but the nature and significance of the District's relationship with the separate organization is such that it is required to be presented as a component unit. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization or (2) the District is legally entitled to or can otherwise access the organization's resources; 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. Organizations for which the District is not financially accountable are component units of the District if (1) economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District or its constituents, (2) the District is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the organization and (3) the economic resources received or held by the organization are significant to the District. Anna Local School District has no component units.

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (continued)

The District participates in four jointly governed organizations and three insurance purchasing pools. A jointly governed organization is governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility on the part of the participating governments. An insurance purchasing pool is an organization formed by a group of governments to pool funds or resources to purchase commercial insurance policies. These organizations are discussed in Notes 14 and 15 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Western Ohio Computer Organization
Anna Local Schools Education Foundation
Southwestern Ohio Educational Purchasing Council
Southwestern Ohio Instructional Technology Association

Insurance Purchasing Pools:

Ohio School Boards Association Workers' Compensation Group Rating Plan
Shelby County Schools Consortium
Ohio School Insurance Program

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting.

This basis of accounting is similar to the cash receipts and disbursements basis. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the fiscal year.

A. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts.

An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

1. Total assets, receipts or disbursements of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

Anna Local School District
Shelby County

Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Total assets, receipts or disbursements of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Governmental Fund Types - The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the District's major governmental funds:

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

Bond Retirement Fund - The Bond Retirement Fund accounts for property tax revenues and State exemption reimbursements collected for the payment of general obligation bonded debt.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Fund Type - Fiduciary funds account for cash and investments where the District is acting as trustee or fiscal agent for other entities or individuals. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The District's only fiduciary funds are agency funds. Agency funds are custodial in nature and do not involve measurement of results of operations. The unreimbursed medical claims agency fund accounts for the pretax dollars that employees have taken out of their pay check to be used as needed for medical bills. The student managed activities agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

B. Basis of Presentation

The District's basic financial statements consist of a government-wide statement of net assets and a statement of activities, and fund financial statements providing more detailed financial information.

Government-wide Financial Statement of Activities: This statement displays information about the District as a whole.

The government-wide statement of activities compares disbursements with program receipts for each function of the District's governmental activities. These disbursements are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the modified-cash basis or draws from the District's general receipts.

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements: Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

C. Cash, Cash Equivalents and Investments

The District pools cash from all funds for investment purposes. Interest in the pool is presented as "equity in pooled cash, cash equivalents and investments" on the financial statements.

The District values investments and cash equivalents at cost.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest received into the General Fund during fiscal year 2007 was \$335,333 including \$124,933 assigned from other District funds. Interest received into the General Fund during fiscal year 2008 was \$290,317 including \$105,791 assigned from other District funds.

For presentation on the financial statements, investments with an original maturity of three months or less when purchased are deemed cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

D. Inventory and Prepaid Items

On the cash-basis of accounting, inventories of supplies are reported as disbursements when purchased.

E. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

F. Compensated Absences

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's modified-cash basis of accounting.

G. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which are not available for appropriation or expenditure. Fund equity reserves have been established for encumbrances and bus purchases. The reserve for bus purchases represents money required to be spent on buses.

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Net Assets

Net assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

J. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and appropriation resolution, which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the object level within the General Fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the certificate that was in effect at the time final appropriations were passed by the Board.

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

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Long-Term Debt

Under Ohio law, a debt service fund must be created and used for the payment of tax and receipt anticipation notes. Long-term debt arising from cash basis transactions of governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

L. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants for the acquisition or construction of capital assets in proprietary funds are recorded as receipts when the grant money is received.

M. Receipts, Disbursements, and Expenses

Program Receipts

In the statement of activities, receipts that are derived directly from each activity or from parties outside the District's taxpayers are reported as program receipts. The District has the following program receipts: charges for services and sales, operating and capital grants, and contributions.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

NOTE 3 - IMPLEMENTATION OF NEW ACCOUNTING POLICIES

For the fiscal year ended June 30, 2008, the District has implemented GASB Statement No. 50, "Pension Disclosures - an amendment of GASB Statements No. 25 and No. 27".

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans", and GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers", to conform with requirements of GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", and GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions".

Implementation of this GASB Statement did not affect the presentation of the financial statements of the District.

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

NOTE 4 – RESTATEMENT OF FUND BALANCES

Due to reclassification of Interfund Receivables and Interfund Payables to Advances In and Advances Out beginning in fiscal year 2007, the beginning fund balances of the General Fund and Other Governmental Funds have been restated as follows:

	<u>General Fund</u>	<u>All Other Funds</u>
Reported Fund Balances at June 30, 2006	\$3,641,315	\$176,873
Adjustments for Interfund (Receivable)/Payable	<u>(185,000)</u>	<u>185,000</u>
Restated Fund Balance at July 1, 2006	<u>\$3,456,315</u>	<u>\$361,873</u>

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including, but not limited to, passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

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

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests 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 and the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information discloses the risks associated with the District's deposits and investments as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

A. Deposits

At June 30, 2007, the carrying amount of the District's deposits was \$460,070 and the bank balance was \$517,098. At June 30, 2008, the carrying amount of the District's deposits was \$2,190,359 and the bank balance was \$2,280,342. Of the bank balance at June 30 of each year, \$100,000 was covered by federal depository insurance and the balance was uninsured but collateralized. Non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

**Anna Local School District
Shelby County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and June 30, 2007*

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

B. Investments

As of June 30, 2007, the District had the following investments and maturities:

Investment Type	Investment Maturities			
	Carrying Value	Less Than One Year	One to Two Years	Two to Three Years
Federal Home Loan Bank	\$1,906,167	\$1,400,000	\$ 0	\$ 506,167
Federal Home Loan Mortgage Corporation	1,150,483	250,000	500,483	400,000
Federal National Mortgage Association	2,211,203	301,060	1,685,077	225,066
STAR Ohio	46,826	46,826	0	0
Money Market Mutual Fund	15,000	15,000	0	0
Total	\$5,329,679	\$2,012,886	\$2,185,560	\$1,131,233

As of June 30, 2008, the District had the following investments and maturities:

Investment Type	Investment Maturities			
	Carrying Value	Less Than One Year	One to Three Years	Three to Five Years
Federal Home Loan Bank	\$1,310,768	\$ 190,000	\$ 350,000	\$ 770,768
Federal Home Loan Mortgage Corporation	1,199,875	400,000	499,875	300,000
Federal National Mortgage Association	1,554,624	504,531	1,050,093	0
STAR Ohio	48,707	48,707	0	0
Total	\$4,113,974	\$1,143,238	\$1,899,968	\$1,070,768

Interest Rate Risk: State statute limits the maturity of investments to five years unless matched to a specific obligation or debt of the District. The District does not have a formal investment policy that further limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk: The District places no limit on the amount it may invest in any one issuer. At June 30, 2007, 36% of the District's investments were in the Federal Home Loan Bank, 22% were in the Federal Home Loan Mortgage Corporation and 41% were in the Federal National Mortgage Association. At June 30, 2008, 32% of the District's investments were in the Federal Home Loan Bank, 29% were in the Federal Home Loan Mortgage Corporation and 38% were in the Federal National Mortgage Association.

Credit Risk: State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices. The District's investments in the Federal Farm Credit Bank, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association were rated Aaa by Moody's Investors Service and AAA by Standard & Poor's at June 30, 2007 and at June 30, 2008. The District's investment in STAR Ohio was rated AAA by Standard & Poor's at June 30, 2007 and June 30, 2008. The District's investment in the money market mutual fund was not rated at June 30, 2007.

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes and that received in 2008 represents collections of 2007 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 year 2007 represents collections of calendar year 2006 taxes, and those received in 2008 represent collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006, and are collected in 2007 with real property taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007, and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes, and that received in 2008 represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2007, on the value as of December 31, 2006. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2008, on the value as of December 31, 2007. Tangible personal property is being phased out over a four-year period ending in calendar year 2009. For 2008, it is assessed at 6.25 percent of true value with certain tangible property used in manufacturing immediately exempt from the tax. . 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.

The District receives property taxes from Shelby County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The amount available as an advance at June 30, 2007, was \$113,951 in the General Fund, \$20,309 in the Bond Retirement Debt Service Fund, and \$6,910 in the Capital Improvement Capital Projects Fund. The amount available as an advance at June 30, 2008, was \$136,591 in the General Fund, \$24,380 in the Bond Retirement Debt Service Fund, and \$8,290 in the Capital Improvement Capital Projects Fund.

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

NOTE 6 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2007 taxes were collected are:

	<u>2006 Second- Half Collections</u>		<u>2007 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$106,525,620	56.79%	\$108,600,790	67.47%
Public Utility – Personal	4,333,130	2.31	4,200,420	2.61
Tangible Personal Property	<u>76,719,193</u>	<u>40.90</u>	<u>48,157,270</u>	<u>29.92</u>
Total Assessed Value	<u>\$187,577,943</u>	<u>100.00%</u>	<u>\$160,958,480</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$33.70		\$33.70	

The assessed values upon which fiscal year 2008 taxes were collected are:

	<u>2007 Second- Half Collections</u>		<u>2008 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$108,600,790	67.47%	\$112,703,980	81.57%
Public Utility – Personal	4,200,420	2.61	3,403,140	2.46
Tangible Personal Property	<u>48,157,270</u>	<u>29.92</u>	<u>22,062,810</u>	<u>15.97</u>
Total Assessed Value	<u>\$160,958,480</u>	<u>100.00%</u>	<u>\$138,169,930</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$33.70		\$33.70	

NOTE 7 - INCOME TAX

The District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1983, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts credited to the General Fund for fiscal year 2008 and fiscal year 2007 were \$624,680 and \$588,323, respectively.

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

NOTE 8 – INTERFUND TRANSFERS AND ADVANCES

General fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Restricted monies are used to reimburse the General Fund for advancing monies to other funds or paying expenditures of other funds due to timing differences in the receiving of grant and property tax monies. When the monies are finally received, those funds reimburse the General Fund for the initial advance. During fiscal year 2008, the General Fund advance \$35,000 to nonmajor funds and received \$1,000 from nonmajor funds as reimbursement for prior advances. During fiscal year 2007, the General Fund advanced \$1,000 to nonmajor funds and received \$185,000 from nonmajor funds as reimbursement for prior advances.

The General Fund had transfers out to nonmajor funds of \$25,000 during fiscal year 2007.

Transfers are used to move General Fund revenues that are used to subsidize various programs in other funds and to create a balance to be used in the future.

NOTE 9 – RISK MANAGEMENT

A. Property and Liability

The District has obtained commercial insurance for the following risks:

- Building and Contents – replacement cost
- Automobile Liability
- General Liability

There has been no significant reduction in insurance coverage from last fiscal year, nor have there been any claims in excess of coverage limits in any of the past three years.

B. Workers' Compensation

For fiscal year 2007 and fiscal year 2008, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). 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 percentage 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 and Company provides administrative, cost control, and actuarial services to the GRP.

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

NOTE 10 – PENSION PLANS

A. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal years ended June 30, 2008 and June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2008, 2007, and 2006 were \$634,269, \$571,495 and \$559,609, respectively; 83 percent has been contributed fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal years 2008 and 2007 were \$1,365 and \$10,182 respectively, made by the District and \$7,054 and \$14,919, respectively made by the plan members.

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

NOTE 10 – PENSION PLANS (continued)

B. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

For fiscal years 2008 and 2007, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute at an actuarially determined rate of 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$110,127, \$130,510 and \$123,984, respectively; 43 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. For the fiscal years ended June 30, 2007 and June 30, 2008, all five members of the Board of Education members have elected Social Security. The Governing Board's liability is 6.2 percent of wages.

NOTE 11 – POSTEMPLOYMENT BENEFITS

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007 and June 30, 2008, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$43,961 for fiscal year 2007 and \$48,790 for fiscal year 2008.

**Anna Local School District
Shelby County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and June 30, 2007*

NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, (the latest information available) the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

SERS administers two postemployment benefit plans – the Medicare Part B Plan and the Health Care Plan. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare part B premium or the current premium. The Medicare Part B premium for calendar year 2007 was \$93.50; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2007, the actuarially required allocation was .68 percent. For fiscal year 2008, the actuarially required allocation was .66%. The District's contributions for the fiscal years ended June 30, 2007 and June 30, 2008 were \$8,875 and \$7,935, respectively, which equaled the required contributions for the fiscal year.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides statutory authority to SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Healthcare Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the remainder of the employer's 14 percent contribution is allocated to the Health Care Fund. For the fiscal years ended June 30, 2007 and June 30, 2008, the health care allocation was 3.32 percent and 4.18 percent of covered payroll, respectively. The actuarially required contribution as of the December 31, 2006 annual valuation was 11.50% of covered payroll.

The actuarially required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years.

In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal years 2007 and 2008, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 and 2008 fiscal years equaled \$61,869 and \$68,795, respectively.

The SERS Retirement Board establishes rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)

The financial reports of SERS' Health care and Medicare B Plans are included in its stand-alone report. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853, or by visiting the SERS website at ohsers.org under forms and publications

NOTE 12 – OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements, board policy, and State laws. Eligible classified employees and administrators earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time. Accumulated, unused vacation time up to 45 days is paid to classified employees and administrators upon termination of employment.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 216 days for all personnel. Upon retirement with five years of service, or upon separation with twenty years of service at the District, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days for all employees. Upon retirement, payment to the Treasurer and Superintendent is made for 35 percent of accrued, but unused sick leave credit.

B. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance through Medical Life to most employees. Medical/surgical and dental benefits are provided by Anthem. Coverage for vision benefits is provided by Vision Service Plan.

C. Deferred Compensation Plan

The Treasurer and the Superintendent participated in the Baird Company Deferred Compensation Plan during fiscal year 2007 and 2008. The plan was created in accordance with Internal Revenue Code Section 457 (f). The Board of Education contributed \$5,000 each year for each participant. Employer contributions were vested at 50 percent after five years of service and at 100 percent after ten years. All earnings were immediately vested to the participants. The Superintendent left the District during fiscal year 2007 and was 50 percent vested. The Treasurer was fully vested during fiscal year 2008 and received his distribution. As of June 30, 2008, there is no longer a deferred compensation plan offered to employees.

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

NOTE 13 – LONG-TERM OBLIGATIONS

The changes in the District’s long-term obligations during fiscal year 2007 and 2008 were as follows:

	Principal Outstanding 6/30/06	Additions	Reductions	Principal Outstanding 6/30/07
General Obligations:				
1998 Bond Issue Various Purpose Bonds 3.65 – 5.10%	\$6,535,000	\$ 0	\$6,010,000	\$ 525,000
2007 Bond Issue Advance Refunding Bonds 3.65 – 5.00%	0	4,520,000	0	4,520,000
Total General Obligations	\$6,535,000	\$4,520,000	\$6,010,000	\$5,045,000

	Principal Outstanding 6/30/07	Additions	Reductions	Principal Outstanding 6/30/08
General Obligations:				
1998 Bond Issue Various Purpose Bonds 3.65 – 5.10%	\$ 525,000	\$ 0	\$255,000	\$ 270,000
2007 Bond Issue Advance Refunding Bonds 3.65 – 5.00%	4,520,000	0	170,000	4,350,000
Total General Obligations	\$5,045,000	\$ 0	\$425,000	\$4,620,000

As of June 30, 2007 and June 30, 2008, respectively, the 1998 Bond Issue had \$255,000 and \$270,000 due within one year and the 2007 Bond Issue had \$170,000 and \$120,000 due within one year.

School Building Construction and Improvement Refunding General Obligation Bonds – On March 1, 1998, the District issued bonds in the amount of \$9,740,000. The bonds were issued for the purpose of the defeasance of a 1992 School Improvement outstanding bond issue and for the purpose of reconstructing, renovating and expanding the high school building. The bond issue included \$5,935,000 in serial bonds and \$3,805,000 in term bonds. The serial bonds were issued for a twenty-three year period with final maturity on December 1, 2014. These bonds have interest rates ranging from 3.65 to 5.1 percent. The term bonds have a 5.1 percent interest rate with a final maturity on December 1, 2022.

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

NOTE 13 – LONG-TERM OBLIGATIONS (continued)

On March 27, 2007, the District issued \$4,520,000 general obligation school improvement bonds to advance refund \$5,765,000 of the 1998 school improvement bonds. Of these bonds, \$3,320,000 are serial bonds, with maturity dates of December 1, 2007 to December 1, 2022. \$475,000 are term bonds maturing on December 1, 2010 and \$725,000 are term bonds maturing on December 1, 2021.

The term bonds maturing on December 1, 2010, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1, 2009 the principal amount to be redeemed is \$235,000. The remaining principal amount of these term bonds, \$240,000, will be paid at stated maturity on December 1, 2010.

The term bonds maturing on December 1, 2021 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1, 2020 the principal amount to be redeemed is \$355,000. The remaining principal amount of these term bonds, \$370,000, will be paid at stated maturity on December 1, 2021.

The proceeds from the refunding bonds, along with a contribution of equity of \$1,475,000 from the District, were used to provide resources to purchase U.S. Government Securities and State and Local Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets.

The reacquisition price was higher than the net carrying amount of the old debt by \$188,856. This advance refunding also resulted in a reduction in total debt service payments of \$1,148,761 and resulted in an economic gain of \$380,806.

The Bonds are being paid from the Bond Retirement Debt Service Fund.

The District's overall legal debt margin was \$10,595,190 at June 30, 2007 and \$9,287,577 at June 30, 2008, and the unvoted debt margin was \$158,883 at June 30, 2007 and \$134,067 at June 30, 2008. Principal and interest requirements to retire general obligation debt outstanding at June 30, 2008, are as follows:

Fiscal year Ending June 30,	1998 Bond Issue	2007 Bond Issue	Interest	Total
2009	\$270,000	\$ 120,000	\$ 326,933	\$ 716,933
2010	0	235,000	166,399	401,399
2011	0	240,000	157,730	397,730
2012	0	250,000	148,350	398,350
2013	0	260,000	138,150	398,150
2014 – 2018	0	1,460,000	521,775	1,981,775
2019 – 2023	0	1,785,000	184,499	1,969,499
Total	<u>\$270,000</u>	<u>\$4,350,000</u>	<u>\$1,643,836</u>	<u>\$6,263,836</u>

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Computer Organization

The District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. WOCO is an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Payments to WOCO are made from the General Fund. The District paid WOCO \$30,922 for services provided during fiscal year 2007 and \$39,563 for fiscal year 2008. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

B. Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2007, the District paid \$786 to SOEPC and paid \$786 to SOEPC during fiscal year 2008. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio

C. Anna Local Schools Education Foundation

The Anna Education Foundation is a non-profit corporation whose purpose is to provide financial assistance for enhanced educational and/or career opportunities to residents, employees, and current and former students of the District. The board is made up of nine members, one of which is appointed by the Anna Local School Board. The remaining eight members are elected by the Board of Trustees. Seven of the nine trustees must be residents of the District. Payments to the Anna Education Foundation are made from the General Fund. The District paid \$594 to the Anna Education Foundation during fiscal year 2007 and \$975 during fiscal year 2008.

Information on this organization can be obtained from David Richard, who serves as Treasurer, at Post Office Box 475, Anna, Ohio 45302.

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS (continued)

D. Southwestern Ohio Instructional Technology Association

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2007, the District paid \$4,135 to SOITA and paid \$1,748 to SOITA during fiscal year 2008. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005

NOTE 15 - INSURANCE PURCHASING POOLS

A. Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance 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 program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Shelby County Schools Consortium

The Shelby County Schools Consortium is an insurance purchasing pool among seven local school districts and the Shelby County Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The consortium acts together to provide health/surgical, dental and term-life benefits to its participants at a lower rate than if individual districts acted independently.

Each school district pays monthly premiums to the provider, Anthem and Community National Assurance Company. The Group is governed by an administrative committee consisting of the superintendent from each participating school district and the educational service center. The degree of control exercised by any participating school district is limited to its representation on the committee. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, at 131 North Ludlow Street, Dayton, Ohio 45402.

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

NOTE 15 - INSURANCE PURCHASING POOLS (continued)

C. Ohio School Insurance Program

The District participates in the Ohio School Insurance Program (OSIP), an insurance purchasing pool. The Ohio School Insurance Program (OSIP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSIP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSIP's business and affairs are conducted by a fifteen member Board of Directors consisting of District superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSIP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSIP and member schools.

NOTE 16 – CONTINGENCIES

The District receives financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2007 or June 30, 2008.

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

NOTE 17 - SET-ASIDE CALCULATIONS

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements and an equal amount for the purchase of textbooks and other instructional materials. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

The following information describes the change in the fiscal year-end 2007 set-aside amounts for capital improvements and textbooks/instructional materials.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Totals</u>
Set-Aside Balance as of 6/30/06	\$ (142,269)	\$ 0	\$ (142,269)
Current Year Required Set-aside	176,434	176,434	352,868
Current Year Offsets	0	(949,204)	(949,204)
Current Year Qualifying Disbursements	<u>(194,173)</u>	<u>(27,969)</u>	<u>(222,142)</u>
 Total	 <u>\$ (160,008)</u>	 \$ (800,739)	 <u>\$ (960,747)</u>
 Set-Aside Balance Carried Forward to FY 2008	 <u>\$ (160,008)</u>		
 Prior Year Offsets Carried Forward		<u>(7,790,341)</u>	
Offset Balance Carried Forward to FY 2008		<u>\$ (8,591,080)</u>	

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

NOTE 17 - SET-ASIDE CALCULATIONS (continued)

The following information describes the change in the fiscal year-end 2008 set-aside amounts for capital improvements and textbooks/instructional materials.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Totals</u>
Set-Aside Balance as of 6/30/07	\$ (160,008)	\$ 0	\$ (160,008)
Current Year Required Set-aside	187,580	187,580	375,160
Current Year Offsets	0	(797,857)	(797,857)
Current Year Qualifying Disbursements	(237,926)	(21,023)	(258,949)
 Total	 \$ (210,354)	 \$ (631,300)	 \$ (841,654)
 Set-Aside Balance Carried Forward to FY 2009	 \$ (210,354)		
 Prior Year Offsets Carried Forward		 (8,591,080)	
Offset Balance Carried Forward to FY 2009		\$ (9,222,380)	

The District had offsets and qualifying disbursements during the fiscal years that reduced the capital improvements and textbooks/instructional materials set-asides below zero. These extra amounts may be used to reduce the set-aside requirements in future fiscal years.

NOTE 18 - SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2007, the District had significant contractual purchase commitments as follows:

Vendor	Project	Contract Amount	Amount Expended	Balance at 6/30/07
C&J Electric	Redo Lighting	\$15,942	\$0	\$15,942
Richard Smith & Sons	Elementary Restroom	17,178	0	17,178
Richard Smith & Sons	Ceramic Floor Tile	10,333	0	10,333
Totals		\$43,453	\$0	\$43,453

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and June 30, 2007

NOTE 18 - SIGNIFICANT CONTRACTUAL COMMITMENTS (continued)

As of June 30, 2008, the District had significant contractual purchase commitments as follows:

<u>Vendor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/07</u>
Schoolhouse				
Electronics	Airliners, symposiums	\$29,546	\$15,953	\$13,593
Cardinal Bus Sales	School busses	153,644	0	153,644
Microcheck Systems	Upgrade cafeteria register	15,645	0	15,645
NuWave Technology	Install underground wires	22,317	0	22,317
Totals		<u>\$221,152</u>	<u>\$15,953</u>	<u>\$205,199</u>



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

November 21, 2008

Board of Education
Anna Local School District
Anna, Ohio 48302

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of Anna Local School District as of and for the years ended June 30, 2008 and June 30, 2007, and have issued our report thereon dated November 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Anna Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Anna Local School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Anna Local School District's internal control over financial reporting.

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

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

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

We noted certain matters that we reported to management of Anna Local School District in a separate letter dated November 21, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Anna Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters, not required to be reported here, that we reported to management of Anna Local School District in a separate letter dated November 21, 2008.

This report is intended solely for the information and use of the Board of Education and management and is not intended to be and should not be used by anyone other than those specified parties.

Rea & Associates, Inc.

ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY
Schedule of Prior Audit Findings
Fiscal Years Ended June 30, 2008 and June 30, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	Ohio Rev. Code Section 5705.36	YES	



Mary Taylor, CPA
Auditor of State

ANNA LOCAL SCHOOL DISTRICT

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 17, 2009**