



Dave Yost • Auditor of State

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Anna Local School District
Shelby County
P.O. Box 169
Anna, Ohio 45302

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anna Local School District, Shelby County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Anna Local School District, Shelby County, Ohio, as of June 30, 2016, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

August 16, 2017

Anna Local School District
Shelby County, Ohio
Statement of Net Position - Cash Basis
June 30, 2016

	Governmental Activities
Assets	
Equity in Pooled Cash, Cash Equivalents and Investments	<u>\$ 9,285,351</u>
<i>Total Assets</i>	<u><u>\$ 9,285,351</u></u>
Net Position	
Restricted for:	
Debt Service	\$ 1,417,425
Capital Outlay	60,681
Other Purposes	399,994
Unrestricted	<u>7,407,251</u>
<i>Total Net Position</i>	<u><u>\$ 9,285,351</u></u>

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2016

	Program Cash Receipts			Net (Disbursements)
	Operating			Receipts and
	Charges			Changes in
	Cash	for Services	Grants,	Net Position
	Disbursements	and Sales	Contributions, and Interest	Governmental Activities
Instruction:				
Regular	\$ 5,194,300	\$ 825,558	\$ 0	\$ (4,368,742)
Special	1,391,042	33,312	708,447	(649,283)
Vocational	444,937	0	83,131	(361,806)
Other	28,046	0	0	(28,046)
Support Services:				
Pupil	261,478	69,734	0	(191,744)
Instructional Staff	357,146	1,092	800	(355,254)
Board of Education	38,187	0	0	(38,187)
Administration	818,682	0	0	(818,682)
Fiscal	385,775	0	0	(385,775)
Business	101,027	0	5,400	(95,627)
Operation and Maintenance of Plant	976,141	0	0	(976,141)
Pupil Transportation	501,055	4,549	0	(496,506)
Central	245,827	0	0	(245,827)
Operation of Non-Instructional Services	458,917	451,660	87,994	80,737
Extracurricular Activities	581,596	206,057	12,891	(362,648)
Capital Outlay	113,449	0	0	(113,449)
Debt Service:				
Principal Retirement	290,000	0	0	(290,000)
Interest and Fiscal Charges	105,150	0	0	(105,150)
Total Governmental Activities	\$ 12,292,755	\$ 1,591,962	\$ 898,663	(9,802,130)
General Receipts				
Property Taxes Levied for:				
General Purposes				3,370,609
Debt Service				80,072
Capital Outlay				172,362
Income Taxes Levied for General Purposes				1,913,497
Grants and Entitlements Not Restricted to Specific Programs				6,270,539
Interest				92,781
Payment in Lieu of Taxes				750
Contributions and Donations				8,701
Miscellaneous				134,090
Total General Receipts				12,043,401
Change in Net Position				2,241,271
Net Position Beginning of Year				7,044,080
Net Position End of Year				\$ 9,285,351

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2016

	<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	\$ 7,377,251	\$ 1,417,425	\$ 419,722	\$ 9,214,398
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalents	70,953	0	0	70,953
<i>Total Assets</i>	<u>\$ 7,448,204</u>	<u>\$ 1,417,425</u>	<u>\$ 419,722</u>	<u>\$ 9,285,351</u>
Fund Balances				
Restricted	\$ 70,953	\$ 1,417,425	\$ 389,722	\$ 1,878,100
Committed	0	0	30,000	30,000
Assigned	70,666	0	0	70,666
Unassigned	7,306,585	0	0	7,306,585
<i>Total Fund Balances</i>	<u>\$ 7,448,204</u>	<u>\$ 1,417,425</u>	<u>\$ 419,722</u>	<u>\$ 9,285,351</u>

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$ 3,370,609	\$ 80,072	\$ 172,362	\$ 3,623,043
Income Tax	1,913,497	0	0	1,913,497
Intergovernmental	6,292,865	417,273	445,171	7,155,309
Interest	92,781	0	202	92,983
Tuition and Fees	842,456	0	0	842,456
Extracurricular Activities	77,966	0	182,430	260,396
Customer Sales and Services	0	0	438,033	438,033
Rentals	45,755	0	0	45,755
Gifts and Donations	9,501	0	12,891	22,392
Payment in Lieu of Taxes	750	0	0	750
Miscellaneous	121,637	873	15,313	137,823
<i>Total Receipts</i>	<u>12,767,817</u>	<u>498,218</u>	<u>1,266,402</u>	<u>14,532,437</u>
Disbursements				
Current:				
Instruction:				
Regular	5,174,576	0	19,724	5,194,300
Special	1,105,129	0	285,913	1,391,042
Vocational	436,178	0	8,759	444,937
Other	28,046	0	0	28,046
Support Services:				
Pupil	261,478	0	0	261,478
Instructional Staff	357,146	0	0	357,146
Board of Education	38,187	0	0	38,187
Administration	817,602	0	1,080	818,682
Fiscal	359,205	1,673	24,897	385,775
Business	95,627	0	5,400	101,027
Operation and Maintenance of Plant	957,145	0	18,996	976,141
Pupil Transportation	471,855	0	29,200	501,055
Central	136,396	0	109,431	245,827
Operation of Non-Instructional Services	0	0	458,917	458,917
Extracurricular Activities	399,380	0	182,216	581,596
Capital Outlay	71,434	0	42,015	113,449
Debt Service:				
Principal Retirement	0	290,000	0	290,000
Interest and Fiscal Charges	0	105,150	0	105,150
<i>Total Disbursements</i>	<u>10,709,384</u>	<u>396,823</u>	<u>1,186,548</u>	<u>12,292,755</u>
<i>Excess of Receipts Over Disbursements</i>	2,058,433	101,395	79,854	2,239,682
Other Financing Sources				
Sale of Capital Assets	1,589	0	0	1,589
<i>Total Other Financing Sources</i>	<u>1,589</u>	<u>0</u>	<u>0</u>	<u>1,589</u>
<i>Net Change in Fund Balances</i>	2,060,022	101,395	79,854	2,241,271
<i>Fund Balances Beginning of Year</i>	<u>5,388,182</u>	<u>1,316,030</u>	<u>339,868</u>	<u>7,044,080</u>
<i>Fund Balances End of Year</i>	<u>\$ 7,448,204</u>	<u>\$ 1,417,425</u>	<u>\$ 419,722</u>	<u>\$ 9,285,351</u>

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property Taxes	\$ 3,191,690	\$ 3,207,034	\$ 3,182,388	\$ (24,646)
Income Tax	1,895,004	1,904,230	1,913,497	9,267
Intergovernmental	6,044,703	6,075,020	6,292,865	217,845
Interest	59,758	60,205	92,781	32,576
Tuition and Fees	699,954	703,732	783,609	79,877
Rentals	44,881	45,101	45,755	654
Gifts and Donations	11,976	12,020	9,269	(2,751)
Payment in Lieu of Taxes Revenue	500	500	750	250
Miscellaneous	40,662	41,286	121,637	80,351
Total Receipts	<u>11,989,128</u>	<u>12,049,128</u>	<u>12,442,551</u>	<u>393,423</u>
Disbursements				
Current:				
Instruction:				
Regular	5,185,048	5,510,791	5,174,423	336,368
Special	1,108,442	902,038	1,106,171	(204,133)
Vocational	437,074	432,788	436,178	(3,390)
Other	28,103	69,217	28,046	41,171
Support Services:				
Pupil	217,868	207,398	217,422	(10,024)
Instructional Staff	357,929	330,337	357,196	(26,859)
Board of Education	38,265	188,355	38,187	150,168
Administration	819,842	842,108	818,162	23,946
Fiscal	359,943	180,887	359,205	(178,318)
Business	97,026	79,287	96,827	(17,540)
Operation and Maintenance of Plant	963,890	969,400	961,915	7,485
Pupil Transportation	472,824	487,755	471,855	15,900
Central	133,837	144,134	133,563	10,571
Extracurricular Activities	383,327	385,882	382,542	3,340
Capital Outlay	71,581	4,623	71,434	(66,811)
Total Disbursements	<u>10,674,999</u>	<u>10,735,000</u>	<u>10,653,126</u>	<u>81,874</u>
Excess of Receipts Over Disbursements	<u>1,314,129</u>	<u>1,314,128</u>	<u>1,789,425</u>	<u>475,297</u>
Other Financing Sources				
Proceeds from Sale of Assets	1,000	1,000	1,589	589
Net Change in Fund Balance	1,315,129	1,315,128	1,791,014	475,886
Fund Balance Beginning of Year	4,979,618	4,979,618	4,979,618	0
Prior Year Encumbrances Appropriated	21,026	21,026	21,026	0
Fund Balance End of Year	<u>\$ 6,315,773</u>	<u>\$ 6,315,772</u>	<u>\$ 6,791,658</u>	<u>\$ 475,886</u>

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2016

	<u>Agency</u>
Assets	
Equity in Pooled Cash, Cash Equivalents, and Investments	<u>\$ 99,888</u>
Net Position	
Unrestricted	<u>\$ 99,888</u>

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 52 non-certified employees, 72 certified full-time teaching personnel, and seven administrative employees who provide services to 1,273 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 and for which a financial benefit or burden relationship exists. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District is financially accountable for an organization if an organization is fiscally dependent on the District and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on the District regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. Component units may also include organizations that do not otherwise meet the criteria for inclusion if it is determined that their exclusion would be misleading. Anna Local School District does not have any component units.

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 12 and 13 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

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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
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.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 are used to account for property tax revenues and exemption reimbursements collected for capital improvements, grants, and other resources to which the District is bound to observe constraints imposed upon the use of the resources.

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 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 position and a statement of activities, and fund financial statements providing more detailed financial information.

Government-Wide Financial Statements: The statement of net position and statement of activities display information about the District as a whole. These statements include all funds of the District except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the District at year end. The 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 cash basis or draws from the District's general receipts.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 receipted into the General Fund during fiscal year 2016 was \$92,781 including \$19,779 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. During fiscal year 2016, investments were limited to U.S. Government and Agencies' securities.

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 cash basis of accounting.

G. Pension Liability

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

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Fund Balance

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

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

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

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

Assigned – Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned balance represents the remaining amount that is not restricted or committed. In the general fund, assigned balances represent intended uses established by policies of the Board of Education.

Unassigned – Unassigned balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance.

The District applies committed resources first and then assigned resources when a disbursement is incurred for purposes which committed, assigned and unassigned fund balance is available.

I. Net Position

Net position is 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 position is available.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange 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.

K. 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.

L. Long-Term Debt

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue 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.

M. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. 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 grants and contributions and interest.

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended June 30, 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application." This statement addresses accounting and financial reporting issues related to fair value measurements. The implementation of GASB Statement No. 72 had no impact on net position as previously reported at June 30, 2015.

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in 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*."

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2016

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

A. Deposits

At June 30, 2016, the carrying amount of the District’s deposits was \$1,008,638 and the bank balance was \$1,097,746. Of the bank balance, \$712,607 was exposed to custodial credit risk as discussed below, while \$385,139 was covered by the Federal Deposit Insurance Corporation (FDIC). Although the securities serving as collateral were held by the pledging financial institution’s trust department in the District’s name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

B. Investments

As of June 30, 2016, 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 Farm Credit Bank	\$1,751,921	\$497,029	\$401,272	\$853,620
Federal Home Loan Bank	2,000,657	499,858	350,799	1,150,000
Federal Home Loan Mortgage Corporation	2,138,778	0	249,750	1,889,028
Federal National Mortgage Association	2,485,245	299,700	1,198,706	986,839
Total	<u>\$8,376,601</u>	<u>\$1,296,587</u>	<u>\$2,200,527</u>	<u>\$4,879,487</u>

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, 2016, 21% of the District’s investments were in the Federal Farm Credit Bank, 24% were in the Federal Home Loan Bank, 25% were in the Federal Home Loan Mortgage Corporation, and 30% 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 AA+ by Standard & Poor’s at June 30, 2016.

Anna Local School District
Shelby County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2016

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

NOTE 5 - PROPERTY TAXES

Tangible personal property tax revenues received in calendar year 2016 (other than public utility property) represent the collection of calendar year 2015 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2016 were levied after October 1, 2015, on the value as of December 31, 2015. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated by calendar year 2009, and the tax on telephone and telecommunications property was eliminated by calendar year 2011. The tax was phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006 – 2010, the District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out.

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. Tangible personal property taxes paid 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.

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, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2016

NOTE 5 - PROPERTY TAXES (continued)

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

	<u>2015 Second- Half Collections</u>		<u>2016 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$163,696,300	97.76%	\$164,152,910	97.63%
Public Utility – Personal	<u>3,754,990</u>	<u>2.24</u>	<u>3,969,200</u>	<u>2.37</u>
Total Assessed Value	<u><u>\$167,451,290</u></u>	<u><u>100.00%</u></u>	<u><u>\$168,122,110</u></u>	<u><u>100.00%</u></u>
Tax rate per \$1,000 of assessed valuation	\$30.20		\$30.20	

NOTE 6 - INCOME TAX

The District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. The first .50 percent tax was effective on January 1, 1983. An additional .75 percent tax became effective January 1, 2011. Both are 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 2016 were \$1,913,497.

NOTE 7 – 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.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2016

NOTE 7 – RISK MANAGEMENT (continued)

B. Workers' Compensation

For fiscal year 2016, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). 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.

NOTE 8 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2016

NOTE 8 – DEFINED BENEFIT PENSION PLANS (continued)

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

Plan Description – School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund.) For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare was 14 percent. None of the employer contributions were allocated to the Health Care Fund.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2016

NOTE 8 – DEFINED BENEFIT PENSION PLANS (continued)

The District's contractually required contribution to SERS for pension for fiscal year 2016 was \$237,026.

Plan Description - State Teachers Retirement System

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing, multiple-employer public employee retirement system administered by STRS Ohio. 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 includes financial statements, required supplementary information, and detailed information about STRS Ohio's fiduciary net position. That report can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are made by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2016

NOTE 8 – DEFINED BENEFIT PENSION PLANS (continued)

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy – Employer and employee contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased to 13 percent July 1, 2015, and will be increased to 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was used to fund pension obligations.

The District’s contractually required contribution to STRS for fiscal year 2016 was \$713,865.

Net Pension Liability

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,124,973	\$13,435,098	\$16,560,071
Proportion of the Net Pension Liability	.0547655%	.04861259%	

Actuarial Assumptions

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

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

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2016

NOTE 8 – DEFINED BENEFIT PENSION PLANS (continued)

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

Actuarial Assumptions - SERS

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

Inflation	3.25 %
Salary increases	4.00 % to 22.00 % including inflation
Investment rate of return	7.75 %, net of investment expenses
Cost-of-living adjustments	3.00 %

Actuarial Cost Method Entry Age Normal

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10-Yr Expected Real Rate of Return</u>
Cash	1.0%	0.00%
U.S. Stocks	22.5%	5.00%
Non-U.S. Stocks	22.5%	5.50%
Fixed Income	19.0%	1.50%
Private Equity	10.0%	10.00%
Real Estate	10.0%	5.00%
Multi-Asset Strategy	15.0%	7.50%
Total	100.0%	

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2016

NOTE 8 – DEFINED BENEFIT PENSION PLANS (continued)

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District’s proportionate share of the net pension liability	\$4,333,214	\$3,124,973	\$2,107,534

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

Actuarial Assumptions – STRS

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

Inflation	2.75%
Salary increases	12.25 % at age 20 to 2.75% at age 70
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	2% simple applied as follows: for members retiring before August 1, 2013, 2% per year; for members retiring August 1, 2013, or later, 2% cost-of- living adjustment paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 – Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above.

Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2016

NOTE 8 – DEFINED BENEFIT PENSION PLANS (continued)

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012. The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	10-Yr Expected Real Rate of Return
Domestic Equity	31%	8.00%
International Equity	26%	7.85%
Alternatives	14%	8.00%
Fixed Income	18%	3.75%
Real Estate	10%	6.75%
Liquidity Reserves	1%	3.00%
Total	100%	

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District’s Proportionate Share of Net Pension Liability	\$18,662,365	\$13,435,098	\$9,014,665

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2016

NOTE 9 – 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 Part B 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.

A. State Teachers Retirement System

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. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2016 the STRS Ohio Board did not allocate any employer contributions to the Health Care Stabilization Fund.

B. School Employees Retirement System

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 2016 was \$104.90 for most participants, but could be as high as \$335.70 per month, depending on income; 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 2016, the actuarially required allocation was .74 percent. For the District, the amount contributed to fund Medicare for the fiscal years ended June 30, 2016, 2015, and 2014 was \$12,529, \$11,844, and \$12,375, respectively.

ORC 3309.37 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, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The 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 105(e). 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 year ended June 30, 2016, none of the employer's share of contributions was allocated to the Health Care Fund.

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.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2016

NOTE 9 – POSTEMPLOYMENT BENEFITS (continued)

In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2016, the minimum pay was established at \$23,000. 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 2016, 2015, and 2014 fiscal years equaled \$25,553, \$39,060, and \$25,595, respectively. For fiscal year 2015 and 2014, 100 percent has been contributed. For fiscal year 2016, the surcharge has not yet been paid.

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. The financial reports of SERS' Health care and Medicare B Plans are included in its stand-alone report. That report may be obtained by visiting the SERS website at ohsers.org under Employers/Audit Resource.

NOTE 10 – OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements, board policy, State laws and individual negotiated contracts. 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. For classified employees, sick leave may be accumulated up to a maximum of 216 days and is paid out at a rate of 25 percent of accrued, but unused sick leave upon retirement with five years of service, or upon separation with twenty years of service at the District. Upon retirement, payment to the Treasurer and Superintendent is made for 35 percent of accrued, but unused sick leave credit. For teachers, sick leave may be accumulated without limit and is paid out upon retirement at a rate of 14 percent of accrued, but unused sick leave.

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.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2016

NOTE 11 – LONG-TERM OBLIGATIONS

The changes in the District’s long-term obligations during fiscal year 2016 were as follows:

	Principal Outstanding 6/30/15	Additions	Reductions	Principal Outstanding 6/30/16
General Obligations:				
2007 Bond Issue				
Advance Refunding Bonds 3.65 – 5.00%	\$2,695,000	\$0	\$290,000	\$2,405,000
Total General Obligations	<u>\$2,695,000</u>	<u>\$0</u>	<u>\$290,000</u>	<u>\$2,405,000</u>

As of June 30, 2016, the 2007 Bond Issue had \$305,000 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 had interest rates ranging from 3.65 to 5.0 percent. The term bonds have a 5.1 percent interest rate with a final maturity on December 1, 2022.

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 were 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, were 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 redeemed was \$235,000. The remaining principal amount of these term bonds, \$240,000, was 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 position.

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.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2016

NOTE 11 – LONG-TERM OBLIGATIONS (continued)

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

The District’s overall legal debt margin was \$14,143,415 at June 30, 2016, and the unvoted debt margin was \$168,122 at June 30, 2016. Principal and interest requirements to retire general obligation debt outstanding at June 30, 2016, are as follows:

Fiscal year	2007 Bond Issue		
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$305,000	\$93,250	\$398,250
2018	315,000	79,275	394,275
2019	330,000	64,800	394,800
2020	340,000	51,400	391,400
2021	355,000	37,500	392,500
2022 – 2023	<u>760,000</u>	<u>30,800</u>	<u>790,800</u>
Total	<u>\$2,405,000</u>	<u>\$357,025</u>	<u>\$2,762,025</u>

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Computer Organization

The District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is a council of governments within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. 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 Districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member Districts within each county. During fiscal year 2016, the District paid \$63,628 to WOCO for various services. Financial information can be obtained from the WOCO Fiscal Officer, 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.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2016

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS (continued)

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 2016, the District paid \$761 to SOEPC. 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. The District did not make any payments to the Anna Education Foundation from the General Fund during fiscal year 2016. Information on this organization can be obtained from David Richard, who serves as Treasurer, at Post Office Box 475, Anna, Ohio 45302.

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 2016, the District paid \$8,655 to SOITA. 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.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2016

NOTE 13 - 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.

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.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2016

NOTE 14 - 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. 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 2016 set-aside amounts for capital improvements.

	Capital Improvements
Set Aside Restricted Balance June 30, 2015	\$ 0
Current Year Set Aside Requirement	210,679
Current Year Offsets	(238,605)
Prior Year Offsets from Bond Proceeds	0
Total	(27,926)
Balance Carried Forward to Fiscal Year 2016	\$ 0
Set Aside Restricted Balance June 30, 2016	\$ 0

The District had current year offsets and qualifying disbursements during the fiscal year that reduced the capital improvements set-aside below zero. These extra amounts may not be used to reduce the set-aside requirements in future fiscal years.

NOTE 15 – FUND BALANCE

Fund balance of the governmental funds is classified as non-spendable, restricted, committed, assigned, and/or unassigned based on the constraints imposed on the use of the resources.

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2016 were as follows:

Fund Balance	General	Bond Retirement	Other Governmental Funds	Total
Restricted for:				
Bus Purchases	\$70,953	\$0	\$0	\$70,953
Capital Improvement	0	0	60,681	60,681
Debt Retirement	0	1,417,425	0	1,417,425
Textbooks	0	0	29,354	29,354
Educational Management				
Information Systems	0	0	60,361	60,361
Incentive Awards	0	0	18,322	18,322
Food Service Operations	0	0	153,954	153,954
Athletics	0	0	67,050	67,050
Total Restricted	70,953	1,417,425	389,722	1,878,100

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2016

NOTE 15 – FUND BALANCE (continued)

Committed to:				
Track Resurfacing	0	0	30,000	30,000
Total Committed	0	0	30,000	30,000
Assigned for:				
Unpaid Obligations	16,195	0	0	16,195
Staff Flower Fund	10,899	0	0	10,899
Staff Awards	1,836	0	0	1,836
Student Awards/Speakers	41,736	0	0	41,736
Total Assigned	70,666	0	0	70,666
Unassigned	7,306,585	0	0	7,306,585
Total Fund Balance	\$7,448,204	\$1,417,425	\$419,722	\$9,285,351

NOTE 16 – BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide meaningful comparison of actual results with the budget. The differences between the budget basis and cash basis are:

- (1) outstanding year-end encumbrances are treated as expenditures (budget) rather than as an assignment of fund balance (cash), and,
- (2) some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the:

General Fund	
Net Change in Fund Balance	
Cash Basis	\$ 2,060,022
Adjustment for Encumbrances	(16,195)
Unrecorded Cash	(188,223)
Funds Budgeted Elsewhere**	(64,590)
Budget Basis	<u>\$ 1,791,014</u>

**As part of GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes uniform school supplies fund, principal funds, and student award funds.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2016

NOTE 17 – CONTINGENCIES

A. Federal and State Grants

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, 2016.

B. State Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school-year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. This resulted in a liability to the District.

NOTE 18 – SUBSEQUENT EVENTS

On August 18, 2016, the School District issued \$11,164,000 in general obligation bonds for the purpose of funding the local share of renovation and reconstruction cost of the middle/high school and the elementary school facilities. The School District is partnering with the Ohio School Facilities Commission to fund this project. The bonds carry an average coupon rate of 3.675% and will reach final maturity on December 1, 2034.

NOTE 19 – COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B) requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2016, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements rather than GAAP. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required annual financial report.

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Dave Yost • Auditor of State

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

Anna Local School District
Shelby County
P.O. Box 169
Anna, Ohio 45302

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Anna Local School District, Shelby County, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 16, 2017, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

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District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

August 16, 2017

ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2016

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

FINDING NUMBER 2016-001

Noncompliance – Failure to File GAAP

Ohio Rev. Code § 117.38 provides, in part, that each public office, other than a state agency, shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03(B) further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Admin. Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the District prepared its financial statements for fiscal year 2016 in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, deferred inflows/outflows, fund equities and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District did not file financial statements in accordance with GAAP for fiscal year 2016.

The District should prepare its annual financial statements in accordance with GAAP to include assets, liabilities, deferred inflows/outflows, equity and the disclosures required to accurately and completely present the District's financial condition.

Official's Response:

The District has decided not to file financial statements according to generally accepted accounting principles due to the expense of the reports and the time required of the treasurer to compile the data for the reports. The Board also feels the District does not have a real need for the GAAP reports. When the District secured the financing for the OFCC project the GAAP reports did not play a factor in the funding.

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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
SEPTEMBER 19, 2017**