



Dave Yost • Auditor of State

ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

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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, 2015, 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 opinion.

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, 2015, 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 Matters

Our audit was conducted to opine on the financial statements taken as a whole.

Other Information

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2016 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

April 14, 2016

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

This discussion and analysis of the Anna Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015, within the limitations of the District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Key highlights for fiscal year 2015 are as follows:

- Net position of governmental activities increased \$1,136,936, about 19 percent.
- The District's receipts are primarily property and income taxes and unrestricted intergovernmental receipts and contributions, which accounted for about 84 percent of the total cash received during fiscal year 2015 of \$13,537,119. Program specific receipts in the form of charges for services and sales, and operating grants and contributions and capital grants and contributions accounted for \$2,032,706 or 15 percent of total revenues for fiscal year 2015. The other 1 percent of receipts was made up of investment earnings and miscellaneous receipts.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Reporting the District as a Whole

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

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

Reporting the District's Most Significant Funds

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

The District as a Whole

Table 1 provides a summary of the District's net position for fiscal years 2015 and 2014 on a cash basis:

Table 1		
	2015	2014
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$7,044,080	\$5,907,144
Total Assets	\$7,044,080	\$5,907,144
Net Position:		
Restricted for:		
Debt Service	\$1,316,030	\$1,226,823
Capital Outlay	56,978	239,569
Other Purposes	326,343	258,690
Unrestricted	5,344,729	4,182,062
Total Position	\$7,044,080	\$5,907,144

As mentioned previously, net position of governmental activities increased \$1,136,936 or 19 percent during fiscal year 2015. Unrestricted net position increased largely because of an increase in unrestricted grants and entitlements (state foundation), and an increase in property tax receipts, along with stable expenditures.

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Table 2 reflects the changes in net position in fiscal year 2015, along with a comparative analysis of the changes in net position for fiscal year 2014.

	2015	2014
Program Receipts:		
Charges for Services and Sales	\$1,533,917	\$1,399,695
Operating Grants, Contributions, and Interest	498,789	548,347
Capital Grants and Contributions		11,650
Total Program Receipts	2,032,706	1,959,692
General Receipts:		
Property Taxes	3,219,968	2,923,848
Income Taxes	1,888,129	1,913,696
Payment in Lieu of Taxes	500	500
Grants and Entitlements Not Restricted to Specific Programs	6,210,325	5,711,749
Interest	63,667	41,751
Rentals, Contributions, and Donations	60,176	57,052
Miscellaneous	61,648	132,932
Total General Receipts	11,504,413	10,781,528
Total Receipts	13,537,119	12,741,220
Disbursements:		
Instruction:		
Regular	5,587,566	5,192,066
Special	1,168,736	1,084,826
Vocational	435,338	421,328
Other	67,372	38,163
Support Services:		
Pupils	254,038	365,754
Instructional Staff	321,529	367,849
Board of Education	37,332	37,219
Administration	830,005	777,330
Fiscal	348,473	353,249
Business	82,573	81,880
Operation and Maintenance of Plant	1,021,280	979,866
Pupil Transportation	499,778	616,183
Central	244,877	55,439
Operation of Non-Instructional Services	434,037	482,647
Extracurricular Activities	590,160	586,982
Capital Outlay	80,539	554,092
Debt Service:		
Principal Retirement	280,000	270,000
Interest and Fiscal Charges	116,550	127,550
Total Disbursements	12,400,183	12,392,423
Increase (Decrease) in Net Position	1,136,936	348,797
Net Position, July 1	5,907,144	5,558,347
Net Position, June 30	\$7,044,080	\$5,907,144

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Unrestricted intergovernmental grants and contributions accounted for about 46 percent of the total cash received in fiscal year 2015. Unrestricted grants and entitlements increased in fiscal year 2015 due primarily to an increase in foundation revenue as the result of a new state budget funding formula. Property and income taxes accounted for 38 percent of the District's receipts in fiscal year 2015. Property taxes increased due to a change in the CAUV values of farmland in the District. Program specific revenues in the form of charges for services and operating and capital grants, contributions, and interest accounted for \$2,032,706 or 15 percent of total receipts in fiscal year 2015. The remaining 1 percent of receipts in fiscal year 2015 was made up of investment earnings and miscellaneous receipts.

Instruction accounted for approximately 59 percent of total cash disbursements for fiscal year 2015, with regular instruction comprising 45 percent of total disbursements. Support services accounted for 15 percent of disbursements during fiscal year 2015. Operation and maintenance of plant and pupil transportation comprised 12 percent of disbursements.

If you look at the statement of activities on page 10, you will see that the first column lists the major activities of the District. The next column identifies the costs of providing these services. The next three columns of the statement entitled program cash receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for the service or grants and contributions received by the District that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3. That is, it identifies the cost of these services supported by property taxes, unrestricted state entitlements and investment earnings.

Table 3

	2015		2014	
	Total Cost	Net Cost	Total Cost	Net Cost
Instruction:				
Regular	\$5,587,566	\$4,802,001	\$5,192,066	\$4,394,931
Special	1,168,736	826,066	1,084,826	763,758
Vocational	435,338	345,607	421,328	352,636
Other	67,372	67,372	38,163	38,163
Support Services:				
Pupils	254,038	209,496	365,754	326,279
Instructional Staff	321,529	320,290	367,849	339,031
Board of Education	37,332	37,332	37,219	37,219
Administration	830,005	830,005	777,330	777,330
Fiscal	348,473	348,473	353,249	353,249
Business	82,573	77,173	81,880	76,480
Operation and Maintenance of Plant	1,021,280	1,021,280	979,866	979,866
Pupil Transportation	499,778	499,778	616,183	616,183
Central	244,877	241,134	55,439	52,025
Operation of Non-Instructional Services	434,037	(110,120)	482,647	(7,937)
Extracurricular Activities	590,160	374,501	586,982	381,876
Capital Outlay	80,539	80,539	554,092	554,092
Debt Service:				
Principal Retirement	280,000	280,000	270,000	270,000
Interest and Fiscal Charges	116,550	116,550	127,550	127,550
Total	\$12,400,183	\$10,367,477	\$12,392,423	\$10,432,731

Charges for services and sales, operating grants, contributions, and interest, and capital grants and contributions accounted for about 15 percent of total cash receipts and were used to fund the expenses of the District during fiscal year 2015. The remaining 85 percent of cash receipts were from property and income taxes, unrestricted state entitlements, investment earnings and miscellaneous receipts. The District relies on these receipts to furnish the services it provides to students.

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

The District's Funds

All funds of the District are governmental funds. Total funds cash receipts were \$13,537,119 and total fund disbursements were \$12,400,183 for fiscal year 2015. The greatest change within the funds for fiscal year 2015 occurred in the General Fund which had an increase in fund balance of \$1,160,167 due to the increase in state foundation and the increase in property taxes due to a change in the CAUV values of the farmland in the District. The Bond Retirement Fund had an increase in fund balance of \$89,207 due to receipts exceeding the required principal and interest payments for fiscal year 2015.

General Fund Budgeting Highlights

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

During the course of fiscal year 2015, the District amended its General Fund budget once. The original budget basis revenues (including other financing sources) were \$10,938,150 and final budget basis revenues were \$10,938,150. The original budget basis expenditures were \$10,470,089 and the final budget basis expenditures were \$10,770,060.

During fiscal year 2015, the District budgeted \$2,786,093 and received \$2,986,666 in property taxes and budgeted \$5,668,361 and received \$5,775,938 in intergovernmental revenues in the General Fund.

Capital Assets

The District tracks its capital assets on the state EIS system.

Debt Administration

At June 30, 2014, the District had one debt issue outstanding in the amount of \$2,975,000. The bonds were issued in 2007 for the purpose of advance refunding a portion of the 1998 high school building improvement bonds. During fiscal year 2015, \$280,000 of the bonds was retired. The balance of the bonds outstanding at June 30, 2015 was \$2,695,000. For more information on the District's debt see note 11 of the notes to the financial statements.

Current Issues

The Anna Local School District continues to benefit from taxpayer and community support as evidenced by the renewal in 2014 of the 4 mill 5 year operating levy first passed in 2000 and a 1.5 mill 5 year permanent improvement levy passed in 2001 and renewed in 2006 and 2011. It is on the ballot to be renewed November 2015. An additional .75 percent traditional income tax for a continuing time period was passed in August 2010. These last three levies were passed on the first attempt. Residents of the District continue to enjoy tax rates that are among the lowest in the area while the District maintains its excellent school report card history-achieving the excellent rating for the past eleven years.

Energetic and motivated volunteer organizations provide significant benefits to District staff, students, and facilities. The District enjoys respectful relations between staff and administration. The entire District staff and administration is considered highly professional, competent, and hard-working. A two-year negotiated agreement with the Anna Local Teachers Association started July 1, 2014, and includes flat dollar salary adjustments in both years.

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

District administrators are always concerned with state funding formulas, the resources available to the state, and the proportions allocated to education. Anna Schools have been especially and uniquely impacted by the elimination of tangible personal property tax as the state's hold harmless process did not function as originally presented in HB 66 and there is no offsetting hold harmless arrangement for the capital improvement fund. State money to the school remains capped.

Although School facilities are functionally adequate and appropriately sized and have been improved with the replacement of the elementary roof, elementary parking lot, and updates to the controls systems in the high school, they are currently being evaluated by the Ohio Schools Facilities Commission. A local community schools planning committee is recommending a total renovation of the middle school/high school, with system updates at the elementary building.

The administration of the Anna Local School District continues to try to balance staff, student, and community interests within the restrictions of changing law and resources available. Changing demographics, changes to retirement systems, the perception of never-ending state requirements, and Board turnover may lead to new tensions, although those between all constituent groups remain well managed.

Contacting the District's Financial Management

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

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2015**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$7,044,080
Total Assets	<u>7,044,080</u>
Net Position:	
Restricted for:	
Debt Service	1,316,030
Capital Outlay	56,978
Other Purposes	326,343
Unrestricted	5,344,729
Total Net Position	<u>\$7,044,080</u>

See accompanying notes to the basic financial statements.

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Program Cash Receipts</u>			Net (Disbursements) Receipts and Changes in Net Position
	Cash	Charges	Operating	
	<u>Disbursements</u>	<u>for Services and Sales</u>	<u>Grants, Contributions, and Interest</u>	<u>Governmental Activities</u>
Instruction:				
Regular	\$5,587,566	\$783,511	\$2,054	(\$4,802,001)
Special	1,168,736	36,334	306,336	(826,066)
Vocational	435,338		89,731	(345,607)
Other	67,372			(67,372)
Support Services:				
Pupil	254,038	44,542		(209,496)
Instructional Staff	321,529	1,239		(320,290)
Board of Education	37,332			(37,332)
Administration	830,005			(830,005)
Fiscal	348,473			(348,473)
Business	82,573		5,400	(77,173)
Operation and Maintenance of Plant	1,021,280			(1,021,280)
Pupil Transportation	499,778			(499,778)
Central	244,877	3,743		(241,134)
Operation of Non-Instructional Services	434,037	448,889	95,268	110,120
Extracurricular Activities	590,160	215,659		(374,501)
Capital Outlay	80,539			(80,539)
Debt Service:				
Principal Retirement	280,000			(280,000)
Interest and Fiscal Charges	116,550			(116,550)
Total Governmental Activities	<u>\$12,400,183</u>	<u>\$1,533,917</u>	<u>\$498,789</u>	<u>(10,367,477)</u>
General Receipts:				
Property Taxes Levied for:				
General Purposes				2,986,666
Debt Service				70,707
Capital Outlay				162,595
Income Taxes Levied for General Purposes				1,888,129
Grants and Entitlements Not Restricted to Specific Programs				6,210,325
Interest				63,667
Payment in Lieu of Taxes				500
Rentals				47,780
Contributions and Donations				12,396
Miscellaneous				61,648
Total General Receipts				<u>11,504,413</u>
Change in Net Position				1,136,936
Net Position Beginning of Year				<u>5,907,144</u>
Net Position End of Year				<u><u>\$7,044,080</u></u>

See accompanying notes to the basic financial statements.

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$5,317,229	\$1,316,030	\$339,868	\$6,973,127
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalents	70,953			70,953
Total Assets	<u>5,388,182</u>	<u>1,316,030</u>	<u>339,868</u>	<u>7,044,080</u>
Fund Balances:				
Restricted	70,953	1,316,030	312,368	1,699,351
Committed			27,500	27,500
Assigned	61,030			61,030
Unassigned	5,256,199			5,256,199
Total Fund Balances	<u>\$5,388,182</u>	<u>\$1,316,030</u>	<u>\$339,868</u>	<u>\$7,044,080</u>

See accompanying notes to the basic financial statements.

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR EDED JUNE 30, 2015**

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts:				
Property Taxes	\$2,986,666	\$70,707	\$162,595	\$3,219,968
Income Tax	1,888,129			1,888,129
Intergovernmental	5,775,938	416,657	487,605	6,680,200
Interest	63,667		108	63,775
Tuition and Fees	799,781			799,781
Extracurricular Activities	63,497		179,605	243,102
Customer Sales and Services			441,582	441,582
Rentals	47,780			47,780
Gifts and Donations	12,396		16,202	28,598
Payment in Lieu of Taxes	500			500
Miscellaneous	105,357		8,807	114,164
Total Receipts	11,743,711	487,364	1,296,504	13,527,579
Disbursements:				
Current:				
Instruction:				
Regular	5,427,494		160,072	5,587,566
Special	877,987		290,749	1,168,736
Vocational	421,248		14,090	435,338
Other	67,372			67,372
Support Services:				
Pupil	254,038			254,038
Instructional Staff	321,529			321,529
Board of Education	37,332			37,332
Administration	819,655		10,350	830,005
Fiscal	322,064	1,607	24,802	348,473
Business	77,173		5,400	82,573
Operation and Maintenance of Plant	943,553		77,727	1,021,280
Pupil Transportation	474,750		25,028	499,778
Central	143,650		101,227	244,877
Operation of Non-Instructional Services			434,037	434,037
Extracurricular Activities	391,664		198,496	590,160
Capital Outlay	4,500		76,039	80,539
Debt Service:				
Principal Retirement		280,000		280,000
Interest and Fiscal Charges		116,550		116,550
Total Disbursements	10,584,009	398,157	1,418,017	12,400,183
Excess of Receipts Over (Under) Disbursements	1,159,702	89,207	(121,513)	1,127,396
Other Financing Sources (Uses):				
Sale of Capital Assets	465			465
Insurance Recoveries			9,075	9,075
Total Other Financing Sources (Uses)	465		9,075	9,540
Net Change in Fund Balances	1,160,167	89,207	(112,438)	1,136,936
Fund Balances Beginning of Year	4,228,015	1,226,823	452,306	5,907,144
Fund Balances End of Year	\$5,388,182	\$1,316,030	\$339,868	\$7,044,080

See accompanying notes to the basic financial statements.

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET (BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property Taxes	\$2,786,093	\$2,786,093	\$2,986,666	\$200,573
Income Tax	1,941,223	1,941,223	1,888,129	(53,094)
Intergovernmental	5,668,361	5,668,361	5,775,938	107,577
Interest	54,704	54,704	63,667	8,963
Tuition and Fees	395,540	395,540	743,034	347,494
Rentals	45,778	45,778	47,780	2,002
Gifts and Donations	5,942	5,942	12,396	6,454
Payment in Lieu of Taxes Revenue	1,000	1,000	500	(500)
Miscellaneous	38,509	38,509	105,357	66,848
Total Receipts	<u>10,937,150</u>	<u>10,937,150</u>	<u>11,623,467</u>	<u>686,317</u>
Disbursements:				
Current:				
Instruction:				
Regular	5,374,800	5,528,789	5,368,824	159,965
Special	879,778	904,984	878,700	26,284
Vocational	422,108	434,201	421,248	12,953
Other	67,510	69,444	67,372	2,072
Support Services:				
Pupil	202,280	208,075	201,868	6,207
Instructional Staff	322,185	331,416	321,529	9,887
Board of Education	37,408	38,480	37,332	1,148
Administration	991,342	1,014,874	819,655	195,219
Fiscal	152,706	161,952	322,064	(160,112)
Business	77,330	79,546	77,173	2,373
Operation and Maintenance of Plant	945,478	972,566	948,152	24,414
Pupil Transportation	475,719	489,348	474,870	14,478
Central	140,577	144,605	140,416	4,189
Extracurricular Activities	376,359	387,142	375,593	11,549
Capital Outlay	4,509	4,638	15,000	(10,362)
Total Disbursements	<u>10,470,089</u>	<u>10,770,060</u>	<u>10,469,796</u>	<u>300,264</u>
Excess of Receipts Over Disbursements	<u>467,061</u>	<u>167,090</u>	<u>1,153,671</u>	<u>986,581</u>
Other Financing Sources :				
Proceeds from Sale of Assets	1,000	1,000	465	(535)
Net Change in Fund Balance	468,061	168,090	1,154,136	986,046
Fund Balance Beginning of Year	3,717,873	3,717,873	3,717,873	
Prior Year Encumbrances Appropriated	<u>107,614</u>	<u>107,614</u>	<u>107,614</u>	
Fund Balance End of Year	<u>\$4,293,548</u>	<u>\$3,993,577</u>	<u>\$4,979,623</u>	<u>\$986,046</u>

See accompanying notes to the basic financial statements.

ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$101,036</u>
Net Position:	
Unrestricted	<u>\$101,036</u>

See accompanying notes to the basic financial statements.

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 50 non-certified employees, 67 certified full-time teaching personnel, and eight administrative employees who provide services to 1,260 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

Insurance Purchasing Pools:

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

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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:

- 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
- 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.

1. Governmental Fund Types

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange 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.

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fiduciary Fund Type

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

B. Basis of Presentation

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

1. 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.

2. 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. Non-major 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 and cash equivalents" on the financial statements.

The District values investments and cash equivalents at cost.

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest received into the General Fund during fiscal year 2015 was \$63,667 including \$15,958 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 2015, 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.

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:

Non-spendable - The non-spendable 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.

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

N. Program Receipts

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

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

3. CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended June 30, 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." This statement replaces the requirements of Statement No. 27, "Accounting for Pensions by State and Local Government Employers" and Statement No. 50, "Pension Disclosures." The implementation of GASB Statement No. 68 had no impact on fund balance on a cash basis as previously reported at June 30, 2014.

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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:

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);

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage and the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

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

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

A. Deposits

At June 30, 2015, the carrying amount of the District's deposits was \$1,266,398 and the bank balance was \$1,297,911. Of the bank balance, \$1,019,734 was exposed to custodial credit risk as discussed below, while \$278,177 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, 2015, 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	\$1,335,978		\$772,164	\$563,814
Federal Home Loan Bank	2,099,677			2,099,677
Federal Home Loan Mortgage Corporation	500,000			500,000
Federal National Mortgage Association	1,943,063		1,149,352	793,711
Total	\$5,878,718	\$0	\$1,921,516	\$3,957,202

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.

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk: The District places no limit on the amount it may invest in any one issuer. At June 30, 2015, 23% of the District's investments were in the Federal Farm Credit Bank, 36% were in the Federal Home Loan Bank, 8% were in the Federal Home Loan Mortgage Corporation, and 33% 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, 2015.

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.

5. PROPERTY TAXES

Tangible personal property tax revenues received in calendar year 2015 (other than public utility property) represent the collection of calendar year 2014 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 2015 were levied after October 1, 2014, on the value as of December 31, 2014. 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.

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

5. PROPERTY TAXES (Continued)

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, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The amount available as an advance at June 30, 2015 was \$179,269 in the General Fund, \$4,451 in the Bond Retirement Debt Service Fund, and \$8,741 in the Capital Improvement Capital Projects Fund.

The assessed values upon which fiscal year 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$139,344,040	97.38%	\$163,696,300	97.76%
Public Utility – Personal	3,756,260	2.62	3,754,990	2.24
Total Assessed Value	<u>\$143,100,300</u>	<u>100.00%</u>	<u>\$167,451,290</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$30.20		\$30.20	

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 2015 were \$1,888,129.

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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

7. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2015, 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.

8. DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

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

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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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.

B. 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, 2015, the allocation to pension, death benefits, and Medicare was 13.18 percent. The remaining .82 percent of the 14 percent employer contribution was allocated to the Health Care Fund.

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

The District's contractually required contribution to SERS for fiscal year 2015 was \$256,758. Of this amount, \$6,750 was payable at June 30, 2015.

C. 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 will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are 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
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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 one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 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 fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS for fiscal year 2015 was \$706,534. Of this amount \$122,912 was payable at June 30, 2015.

D. Pension Liabilities

The net pension liability was measured as of June 30, 2014, 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.

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$2,835,899	\$12,033,008	\$14,868,907
Proportion of the Net Pension Liability	.056035%	.04947079%	

E. 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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.

F. Actuarial Assumptions - SERS

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, 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%
Hedge Funds	15.0%	7.50%
Total	100.0%	

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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 School 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	\$4,045,986	\$2,835,899	\$1,818,112

G. Actuarial Assumptions – STRS

The total pension liability in the June 30, 2014, 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.

Actuarial assumptions used in the June 30, 2014, 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:

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10-Yr Expected Real Rate of Return</u>
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, 2014. 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, 2014. 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, 2014.

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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Net Pension Liability	\$17,226,563	\$12,033,008	\$7,641,008

9. POST-EMPLOYMENT 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.

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

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, 2015 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 2014 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 2015, the actuarially required allocation was .74 percent. For the District, the amount contributed to fund Medicare for the fiscal years ended June 30, 2015, 2014, and 2013 was \$11,844, \$12,375, and \$10,984, 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, 2015, the health care allocation was .82 percent of covered payroll.

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

In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2015, the minimum pay was established at \$20,450. 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 2015, 2014, and 2013 fiscal years equaled \$39,060, \$25,595, and \$22,967, respectively.

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

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 www.ohsers.org under Employers/Audit Resource.

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.

11. LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2015 were as follows:

	Principal Outstanding 6/30/14	Additions	Reductions	Principal Outstanding 6/30/15
General Obligations:				
2007 Bond Issue				
Advance Refunding Bonds				
3.65 – 5.00%	\$2,975,000	\$0	\$280,000	\$2,695,000
Total General Obligations	\$2,975,000	\$0	\$280,000	\$2,695,000

As of June 30, 2015, the 2007 Bond Issue had \$290,000 due within one year.

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

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.

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

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

The District's overall legal debt margin was \$13,691,646 at June 30, 2015, and the un-voted debt margin was \$167,451 at June 30, 2015. Principal and interest requirements to retire general obligation debt outstanding at June 30, 2015, are as follows:

Fiscal year Ending June 30,	2007 Bond Issue		Total
	Principal	Interest	
2016	\$290,000	\$105,150	\$395,150
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 – 2023	1,115,000	68,300	1,183,300
Total	<u>\$2,695,000</u>	<u>\$462,175</u>	<u>\$3,157,175</u>

**ANNA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Computer Organization

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

The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Payments to WOCO are made from the General Fund. The District paid WOCO \$54,015 for services provided during fiscal year 2015. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

B. Southwestern Ohio Educational Purchasing Council

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2015, the District paid \$791 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 2015. 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.

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 2015, the District paid \$3,810 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.

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

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

**ANNA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

13. INSURANCE PURCHASING POOLS (Continued)

C. Ohio School Insurance Program

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

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 2015 set-aside amounts for capital improvements.

	Capital Improvements
Set Aside Restricted Balance June 30, 2014	
Current Year Set Aside Requirement	\$211,554
Current Year Offsets	(233,302)
Prior Year Offsets from Bond Proceeds	
Total	(21,748)
Balance Carried Forward to Fiscal Year 2015	\$0
Set Aside Restricted Balance June 30, 2015	\$0

The District had current year offsets 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.

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, 2015 were as follows:

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

15. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for:				
Bus Purchases	\$70,953			\$70,953
Capital Improvement			\$56,978	56,978
Debt Retirement		\$1,316,030		1,316,030
Textbooks			29,354	29,354
Educational Management				
Information Systems			60,361	60,361
Teacher Development			4,177	4,177
Incentive Awards			18,322	18,322
Food Service Operations			86,731	86,731
Athletics			56,445	56,445
Total Restricted	<u>70,953</u>	<u>1,316,030</u>	<u>312,368</u>	<u>1,699,351</u>
Committed to:				
Track Resurfacing			27,500	27,500
Total Committed			<u>27,500</u>	<u>27,500</u>
Assigned for:				
Unpaid Obligations	21,026			21,026
Staff Flower Fund	7,735			7,735
Student Awards	13,225			13,225
Staff Awards	485			485
Tickets	2,706			2,706
Student Awards/Speakers	15,828			15,828
Tree Donations	25			25
Total Assigned	<u>61,030</u>			<u>61,030</u>
Unassigned	<u>5,256,199</u>			<u>5,256,199</u>
Total Fund Balance	<u>\$5,388,182</u>	<u>\$1,316,030</u>	<u>\$ 339,868</u>	<u>\$7,044,080</u>

16. BUDGETARY BASIS OF ACCOUNTING

While the School 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 (Budgetary 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:

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

16. BUDGETARY BASIS OF ACCOUNTING (Continued)

General Fund	
Net Change in Fund Balance	
Cash Basis	\$1,160,167
Adjustment for Encumbrances	(21,026)
Funds Budgeted Elsewhere**	14,995
Budget Basis	\$1,154,136

**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.

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, 2015.

B. State Foundation

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 District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015, Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

18. SUBSEQUENT EVENT

On March 15, 2016, the voters in the District approved a combination income tax and real estate tax levy to renovate their MS/HS and upgrade their elementary. Approximately half of the \$20,000,000 project will be paid by local taxpayers with the other half paid by the state through their OSFC program. The District's share of the debt will be repaid over 18 years.

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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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 14, 2016, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 "Y" and "O".

Dave Yost
Auditor of State
Columbus, Ohio

April 14, 2016



Dave Yost • Auditor of State

ANNA LOCAL SCHOOL DISTRICT

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 12, 2016**