

ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY
Audited Financial Statements—
Modified Cash Basis

For the Fiscal Year Ended June 30, 2011



Dave Yost • Auditor of State

Board of Education
Anna Local School District
#1 McRill Way
P. O. Box 169
Anna, Ohio 45302

We have reviewed the *Independent Auditor's Report* of the Anna Local School District, Shelby County, prepared by Rea & Associates, Inc., for the audit period July 1, 2010 to June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 13, 2012

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Anna Local School District
Shelby County
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December 27, 2011

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anna Local School District (the "District"), Shelby County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified 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, 2011, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Hea & Associates, Inc.

Anna Local School District
Shelby County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

This discussion and analysis of the Anna Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal years ended June 30, 2011, within the limitations of the District's modified 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 2011 are as follows:

Net assets of governmental activities decreased \$225,480, or 4 percent.

The District's receipts are primarily property and income taxes and intergovernmental receipts and contributions, which accounted for about 82 percent of the total cash received during fiscal year 2011 of \$11,525,027. Program specific receipts in the form of charges for services and sales, and operating grants and contributions and capital grants and contributions accounted for \$1,898,131 or 16 percent of total revenues for fiscal year 2011. The other 2 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 modified cash basis of accounting.

Report Components

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

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

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

Basis of Accounting

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

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

Reporting the District as a Whole

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

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

Reporting the District's Most Significant Funds

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

Anna Local School District
Shelby County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal years 2011 and 2010 on a modified cash basis:

	Table 1	
	2011	2010
Assets		
Equity in Pooled Cash, Cash		
Equivalents and Investments	\$5,751,704	\$5,977,184
Total Assets	\$5,751,704	\$5,977,184
Net Assets		
Restricted for:		
Debt Service	\$2,424,485	\$2,258,299
Capital Outlay	398,621	284,489
Other Purposes	271,941	274,823
Unrestricted	2,656,657	3,159,573
Total Net Assets	\$5,751,704	\$5,977,184

As mentioned previously, net assets of governmental activities decreased \$225,480 or 4 percent during fiscal year 2011. The primary reason for the decrease in cash balances was General Fund disbursements exceeding receipts.

Table 2 reflects the changes in net assets in fiscal year 2011, along with a comparative analysis of the changes in net assets for fiscal year 2010.

Anna Local School District
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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

Table 2

	<u>2011</u>	<u>2010</u>
Program Receipts:		
Charges for Services and Sales	\$ 1,311,053	\$ 1,171,511
Operating Grants and Contributions	552,978	507,311
Capital Grants and Contributions	34,100	43,784
Total Program Receipts	<u>1,898,131</u>	<u>1,722,606</u>
General Receipts:		
Property Taxes	2,700,905	2,692,159
Income Taxes	688,932	566,589
Payment in Lieu of Taxes	3,000	5,636
Grants and Entitlements Not Restricted to Specific Programs	6,072,414	5,964,251
Interest	87,142	160,415
Miscellaneous	74,503	58,666
Total General Receipts	<u>9,626,896</u>	<u>9,447,716</u>
Total Receipts	<u>11,525,027</u>	<u>11,170,322</u>
Disbursements:		
Instruction:		
Regular	5,064,487	4,993,335
Special	1,002,628	1,005,704
Vocational	417,771	423,376
Other	25,167	52,494
Support Services:		
Pupils	466,884	462,844
Instructional Staff	329,260	399,451
Board of Education	62,309	60,220
Administration	766,499	800,872
Fiscal	402,888	351,850
Business	81,152	81,257
Operation and Maintenance of Plant	1,023,208	923,630
Pupil Transportation	557,839	532,064
Central	3,183	2,272
Operation of Non-Instructional Services	428,269	436,218
Extracurricular Activities	609,690	579,846
Capital Outlay	111,543	99,767
Debt Service:		
Principal Retirement	240,000	235,000
Interest and Fiscal Charges	157,730	166,399
Total Disbursements	<u>11,750,507</u>	<u>11,606,599</u>
Decrease in Net Assets	(225,480)	(436,277)
Net Assets, July 1	<u>5,977,184</u>	<u>6,413,461</u>
Net Assets, June 30	<u>\$ 5,751,704</u>	<u>\$ 5,977,184</u>

Anna Local School District
Shelby County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

Unrestricted intergovernmental grants and contributions accounted for about 53 percent of the total cash received in fiscal year 2011. Property and income taxes accounted for 29 percent of the District's receipts in fiscal year 2011. Income tax receipts increased due to an increase in the income tax rate past by the voters in August 2010 and effective January 1, 2011. Program specific revenues in the form of charges for services and operating and capital grants and contributions accounted for \$1,898,131 or 16 percent of total receipts in fiscal year 2011. Charges for sales and services increased in fiscal year 2011 due to an increase in special education tuition students. The remaining 2 percent of receipts in fiscal year 2011 was made up of investment earnings and miscellaneous receipts.

Instruction accounted for approximately 55 percent of total cash disbursements for fiscal year 2011, with regular instruction comprising 43 percent of total disbursements. Support services accounted for 18 percent of disbursements during fiscal year 2011. Operation and maintenance of plant and pupil transportation comprised 13 percent of disbursements.

If you look at the statement of activities on page 11, 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

	2011		2010	
	Total Cost	Net Cost	Total Cost	Net Cost
Instruction:				
Regular	\$5,064,487	\$4,476,288	\$4,993,336	\$4,425,064
Special	1,002,628	659,450	1,005,704	675,450
Vocational	417,771	356,719	423,376	359,748
Other	25,167	25,167	52,494	52,494
Support Services:				
Pupils	466,884	466,884	462,844	428,849
Instructional Staff	329,260	255,650	399,451	399,151
Board of Education	62,309	62,309	60,220	60,220
Administration	766,499	766,122	800,872	798,372
Fiscal	402,888	378,455	351,850	351,850
Business	81,152	71,979	81,257	74,184
Operation and Maintenance of Plant	1,023,208	1,023,208	923,630	923,630
Pupil Transportation	557,839	557,839	532,064	532,064
Central	3,183	3,183	2,272	2,272
Operation of Non-Instructional Services	428,269	(49,418)	436,218	(1,972)
Extracurricular Activities	609,690	323,368	579,846	301,452
Capital Outlay	111,543	77,443	99,767	99,767
Debt Service:				
Principal Retirement	240,000	240,000	235,000	235,000
Interest and Fiscal Charges	157,730	157,730	166,399	166,399
Total	\$11,750,507	\$9,852,376	\$11,606,600	\$9,883,994

Anna Local School District
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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

Charges for services and sales, and operating grants and contributions and capital grants and contributions of about 16 percent of total cash receipts were received and used to fund the expenses of the District during fiscal year 2011. The remaining 84 percent of cash receipts were from property and income taxes, unrestricted state entitlements, investment earnings and miscellaneous receipts. The District relies on these receipts to furnish the services it provides to students.

The District's Funds

All funds of the District are governmental funds. Total funds cash receipts were \$11,503,802 and total fund disbursements were \$11,750,507 for fiscal year 2011. The greatest change within the funds for fiscal year 2011 occurred in the General Fund which had a decrease of \$550,430 in fund balance due to the continuation of expenses being higher than revenues from decreased state support and the elimination of the tangible personal property tax. The Bond Retirement Fund had an increase of \$166,186 in fund balance due to timing of receipts as compared to debt service payments.

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 2011, the District amended its General Fund budget once. The original and final budget basis revenues were \$8,813,595. The original budget basis expenditures were \$9,774,522 and the final budget basis expenditures were \$9,819,519.

During fiscal year 2011, the District budgeted \$2,497,522 and received \$2,493,962 in property taxes and budgeted \$4,997,840 and received \$5,095,689 in intergovernmental revenues in the General Fund.

Capital Assets

The District tracks its capital assets on the state EIS system. At June 30, 2011, the book value of the capital assets was \$10,680,251.

Debt Administration

At June 30, 2010, the District had one debt issue outstanding in the amount of \$3,995,000. 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 2011, \$240,000 of the bonds was retired. The balance of the bonds outstanding at June 30, 2011 was \$3,755,000. For more information on the District's debt see note 11 of the notes to the financial statements.

Anna Local School District
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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

Current Issues

The Anna Local School District continues to benefit from taxpayer and community support as evidenced by the renewal in 2009 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. 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 last eight 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 four-year negotiated agreement with the Anna Local Teachers Association started July 1, 2011, and includes four years with no base increases, four years with no step increases, and significant health insurance concessions.

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.

School facilities are adequate and appropriately sized.

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. Increased enrollment along with fewer teachers, fewer administrators, and a smaller classified staff may lead to new tensions, although the inherent tension between all constituent groups is currently well managed.

Contacting the District's Financial Management

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

Anna Local School District
Shelby County
Statement of Net Assets - Modified Cash Basis
June 30, 2011

	Governmental Activities
Assets	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 5,751,704
<i>Total Assets</i>	\$ 5,751,704
 Net Assets	
Restricted for:	
Debt Service	\$ 2,424,485
Capital Outlay	398,621
Other Purposes	271,941
Unrestricted	2,656,657
<i>Total Net Assets</i>	\$ 5,751,704

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2011

	Program Cash Receipts				Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Receipts and Changes in Net Assets
Instruction:					
Regular	\$ 5,064,487	\$ 568,559	\$ 19,640	\$ 0	\$ (4,476,288)
Special	1,002,628	38,036	305,142	0	(659,450)
Vocational	417,771	5,020	56,032	0	(356,719)
Other	25,167	0	0	0	(25,167)
Support Services:					
Pupil	466,884	0	0	0	(466,884)
Instructional Staff	329,260	0	73,610	0	(255,650)
Board of Education	62,309	0	0	0	(62,309)
Administration	766,499	0	377	0	(766,122)
Fiscal	402,888	19,433	5,000	0	(378,455)
Business	81,152	0	9,173	0	(71,979)
Operation and Maintenance of Plant	1,023,208	0	0	0	(1,023,208)
Pupil Transportation	557,839	0	0	0	(557,839)
Central	3,183	0	0	0	(3,183)
Operation of Non-Instructional Services	428,269	393,683	84,004	0	49,418
Extracurricular Activities	609,690	286,322	0	0	(323,368)
Capital Outlay	111,543	0	0	34,100	(77,443)
Debt Service:					
Principal Retirement	240,000	0	0	0	(240,000)
Interest and Fiscal Charges	157,730	0	0	0	(157,730)
Total Governmental Activities	\$ 11,750,507	\$ 1,311,053	\$ 552,978	\$ 34,100	(9,852,376)
General Receipts					
Property Taxes Levied for:					
General Purposes					2,493,962
Debt Service					57,359
Capital Outlay					149,584
Income Taxes Levied for General Purposes					
688,932					
Grants and Entitlements Not Restricted					
to Specific Programs					
6,072,414					
Interest					87,142
Payment in Lieu of Taxes					3,000
Rentals					47,800
Contributions and Donations					21,335
Miscellaneous					5,368
Total General Receipts					9,626,896
Change in Net Assets					(225,480)
<i>Net Assets Beginning of Year</i>					<u>5,977,184</u>
<i>Net Assets End of Year</i>					<u>\$ 5,751,704</u>

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2011

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 2,642,586	\$ 2,424,485	\$ 613,680	\$ 5,680,751
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalents	70,953	0	0	70,953
<i>Total Assets</i>	<u>\$ 2,713,539</u>	<u>\$ 2,424,485</u>	<u>\$ 613,680</u>	<u>\$ 5,751,704</u>
Fund Balances				
Restricted	\$ 70,953	\$ 2,424,485	\$ 599,609	\$ 3,095,047
Committed	0	0	17,500	17,500
Assigned	114,551	0	0	114,551
Unassigned	2,528,035	0	(3,429)	2,524,606
<i>Total Fund Balances</i>	<u>\$ 2,713,539</u>	<u>\$ 2,424,485</u>	<u>\$ 613,680</u>	<u>\$ 5,751,704</u>

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$ 2,493,962	\$ 57,359	\$ 149,584	\$ 2,700,905
Income Tax	688,932	0	0	688,932
Intergovernmental	5,095,689	512,545	1,013,953	6,622,187
Interest	87,142	0	0	87,142
Tuition and Fees	576,006	0	0	576,006
Extracurricular Activities	56,922	0	213,499	270,421
Customer Sales and Services	0	0	390,252	390,252
Rentals	47,800	0	0	47,800
Gifts and Donations	24,540	0	34,100	58,640
Payment in Lieu of Taxes	3,000	0	0	3,000
Miscellaneous	55,086	0	3,431	58,517
<i>Total Receipts</i>	<u>9,129,079</u>	<u>569,904</u>	<u>1,804,819</u>	<u>11,503,802</u>
Disbursements				
Current:				
Instruction:				
Regular	4,973,074	0	91,413	5,064,487
Special	701,370	0	301,258	1,002,628
Vocational	409,771	0	8,000	417,771
Other	25,167	0	0	25,167
Support Services:				
Pupil	464,233	0	2,651	466,884
Instructional Staff	262,879	0	66,381	329,260
Board of Education	62,309	0	0	62,309
Administration	766,122	0	377	766,499
Fiscal	363,261	6,417	33,210	402,888
Business	71,979	0	9,173	81,152
Operation and Maintenance of Plant	692,164	0	331,044	1,023,208
Pupil Transportation	548,324	0	9,515	557,839
Central	3,183	0	0	3,183
Operation of Non-Instructional Services	0	0	428,269	428,269
Extracurricular Activities	389,498	0	220,192	609,690
Capital Outlay	0	0	111,543	111,543
Debt Service:				
Principal Retirement	0	240,000	0	240,000
Interest and Fiscal Charges	0	157,730	0	157,730
<i>Total Disbursements</i>	<u>9,733,334</u>	<u>404,147</u>	<u>1,613,026</u>	<u>11,750,507</u>
<i>Excess of Receipts (Under) Over Disbursements</i>	(604,255)	165,757	191,793	(246,705)
Other Financing Sources (Uses)				
Sale of Capital Assets	1,792	0	0	1,792
Refund of Prior Year Expenditures	17,933	429	1,071	19,433
Advances In	73,700	0	39,600	113,300
Advances Out	(39,600)	0	(73,700)	(113,300)
<i>Total Other Financing Sources (Uses)</i>	<u>53,825</u>	<u>429</u>	<u>(33,029)</u>	<u>21,225</u>
<i>Net Change in Fund Balances</i>	(550,430)	166,186	158,764	(225,480)
<i>Fund Balances Beginning of Year - Restated (Note 3)</i>	<u>3,263,969</u>	<u>2,258,299</u>	<u>454,916</u>	<u>5,977,184</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,713,539</u>	<u>\$ 2,424,485</u>	<u>\$ 613,680</u>	<u>\$ 5,751,704</u>

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$ 2,497,522	\$ 2,497,522	\$ 2,493,962	\$ (3,560)
Income Tax	720,011	720,011	688,932	(31,079)
Intergovernmental	4,997,840	4,997,840	5,095,689	97,849
Interest	90,000	90,000	87,142	(2,858)
Tuition and Fees	275,000	275,000	521,307	246,307
Rentals	46,000	46,000	47,800	1,800
Gifts and Donations	12,000	12,000	24,540	12,540
Payment in Lieu of Taxes Revenue	3,000	3,000	3,000	0
Miscellaneous	65,000	65,000	55,086	(9,914)
Total Receipts	<u>8,706,373</u>	<u>8,706,373</u>	<u>9,017,458</u>	<u>311,085</u>
Disbursements				
Current:				
Instruction:				
Regular	4,970,814	4,993,698	4,967,741	25,957
Special	702,125	705,357	701,691	3,666
Vocational	410,425	412,314	410,171	2,143
Other	36,650	36,818	36,627	191
Support Services:				
Pupil	430,339	432,320	430,073	2,247
Instructional Staff	265,143	266,364	264,979	1,385
Board of Education	62,348	62,635	62,309	326
Administration	768,147	771,683	767,672	4,011
Fiscal	363,486	365,159	363,261	1,898
Business	72,024	72,355	71,979	376
Operation and Maintenance of Plant	730,309	733,672	729,858	3,814
Pupil Transportation	552,900	555,445	552,558	2,887
Extracurricular Activities	370,188	371,892	369,959	1,933
Total Disbursements	<u>9,734,898</u>	<u>9,779,712</u>	<u>9,728,878</u>	<u>50,834</u>
Excess of Receipts (Under) Over Disbursements	<u>(1,028,525)</u>	<u>(1,073,339)</u>	<u>(711,420)</u>	<u>361,919</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	1,511	1,511	1,792	281
Advances In	87,700	87,700	73,700	(14,000)
Advances Out	(39,624)	(39,807)	(39,600)	207
Refund of Prior Year Expenditures	18,011	18,011	17,933	(78)
Total Other Financing Sources (Uses)	<u>67,598</u>	<u>67,415</u>	<u>53,825</u>	<u>(13,590)</u>
Net Change in Fund Balance	(960,927)	(1,005,924)	(657,595)	348,329
Fund Balance Beginning of Year	2,844,479	2,844,479	2,844,479	0
Prior Year Encumbrances Appropriated	<u>107,072</u>	<u>107,072</u>	<u>107,072</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 1,990,624</u>	<u>\$ 1,945,627</u>	<u>\$ 2,293,956</u>	<u>\$ 348,329</u>

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
June 30, 2011

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 93,987</u>
Net Assets	
Unrestricted	<u>\$ 93,987</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, 2011

NOTE 1 –DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District serves an area of approximately 70 square miles. It is located in Shelby County, and includes all of the Villages of Anna and Kettlersville and all or part of Van Buren, Dinsmore, Franklin, Turtle Creek, Salem and McLean Townships. It is staffed by 48 non-certified employees, 66 certified full-time teaching personnel, and six administrative employees who provide services to 1,293 students and other community members. The District currently operates two instructional buildings and one vocational agriculture building.

Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable, or for which the District is not financially accountable but the nature and significance of the District's relationship with the separate organization is such that it is required to be presented as a component unit. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Organizations for which the District is not financially accountable are component units of the District if (1) economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District or its constituents, (2) the District is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the organization and (3) the economic resources received or held by the organization are significant to the District. Anna Local School District has no component units.

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Total assets, receipts or disbursements of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, receipts or disbursements of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

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

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

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

The other governmental funds of the District are used to account for grants and other resources to which the District is bound to observe constraints imposed upon the use of the resources.

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

B. Basis of Presentation

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

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

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The statement of net assets 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 modified-cash basis or draws from the District's general receipts.

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

C. Cash, Cash Equivalents and Investments

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

The District values investments and cash equivalents at cost.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipted into the General Fund during fiscal year 2011 was \$87,142 including \$48,716 assigned from other District funds.

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

D. Inventory and Prepaid Items

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

E. Capital Assets

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

F. Compensated Absences

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

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Fund Balance

Fund balance 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 fund balance is available.

Fund balance is reported as committed when the Board of Education of the District has placed constraints on the use of resources by resolution.

Fund balance is reported as assigned when the Treasurer has encumbered or otherwise set aside resources not already committed to be used for a specific purpose.

Unassigned fund balance represents resources not restricted, committed or assigned to a specific purpose.

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.

H. Net Assets

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

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

I. Interfund Activity

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

J. Budgetary Data

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

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 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.

K. Long-Term Debt

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

L. Intergovernmental Receipts

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

M. Receipts, Disbursements, and Expenses

Program Receipts

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

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

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE

For the year ended June 30, 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*” and GASB Statement No. 59, “*Financial Instruments Omnibus*.”

GASB Statement No. 54 provides clearer fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. It establishes a hierarchy of fund balance classifications based on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The fund balance of the general fund was restated \$22,045, from \$3,241,924 to \$3,263,969 at July 1, 2010 and the fund balance of the other governmental funds was restated \$22,045 at July 1, 2010, from \$476,961 to \$454,916.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the District. Implementation of this GASB Statement did not affect the presentation of the financial statements of the District.

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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;

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

2. Bonds, notes debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2011

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

A. Deposits

At June 30, 2011, the carrying amount of the District’s deposits was \$707,118 and the bank balance was \$753,215. Of the bank balance, the entire balance was covered by federal depository insurance. 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, 2011, 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	\$ 600,000	\$ 0	\$ 600,000	\$ 0
Federal Home Loan Bank	1,449,625	0	0	1,449,625
Federal National Mortgage Association	3,039,508	0	1,800,000	1,239,508
STAR Ohio	49,440	49,440	0	0
Total	<u>\$5,138,573</u>	<u>\$ 49,440</u>	<u>\$2,400,000</u>	<u>\$2,689,133</u>

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

Concentration of Credit Risk: The District places no limit on the amount it may invest in any one issuer. At June 30, 2011, 12% of the District’s investments were in the Federal Farm Credit Bank, 28% were in the Federal Home Loan Bank, and 59% 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 AAAM by Standard & Poor’s at June 30, 2011. The District’s investment in STAR Ohio was rated AAA by Standard & Poor’s at June 30, 2011.

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.

Anna Local School District
Shelby County

Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2011

NOTE 5 - PROPERTY TAXES

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 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 2011 were levied after October 1, 2010, on the value as of December 31, 2010. 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 will be eliminated by calendar year 2011. The tax is 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 will be phased out.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State Statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Shelby County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 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, 2011 was \$158,887 in the General Fund, \$3,778 in the Bond Retirement Debt Service Fund, and \$9,504 in the Capital Improvement Capital Projects Fund.

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2011

NOTE 5 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2011 taxes were collected are:

	<u>2010 Second- Half Collections</u>		<u>2011 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$125,331,790	97.57%	\$127,186,520	97.62%
Public Utility – Personal	3,025,790	2.36	3,106,670	2.38
Tangible Personal Property	<u>95,270</u>	<u>.07</u>	<u>0</u>	<u>0</u>
Total Assessed Value	<u><u>\$128,452,850</u></u>	<u><u>100.00%</u></u>	<u><u>\$130,293,190</u></u>	<u><u>100.00%</u></u>
Tax rate per \$1,000 of assessed valuation	\$30.20		\$30.20	

NOTE 6 - INCOME TAX

The District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1983, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts credited to the General Fund for fiscal year 2011 were \$688,932.

NOTE 7 – RISK MANAGEMENT

A. Property and Liability

The District has obtained commercial insurance for the following risks:

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

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

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2011

NOTE 7 – RISK MANAGEMENT (continued)

B. Workers' Compensation

For fiscal year 2011, District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund."

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald and Company provides administrative, cost control, and actuarial services to the GRP.

NOTE 8 – PENSION PLANS

A. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, 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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

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

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2011

NOTE 8 – PENSION PLANS (continued)

For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2011, 2010, and 2009 were \$636,856, \$616,120, and \$600,148, respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$12,000 made by the District and \$8,571, respectively made by the plan members.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting the SERS Ohio website at www.ohsers.org under Employers/Audit Resources.

For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute at an actuarially determined rate of 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$170,135, \$177,026, and \$122,246, respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. For the fiscal year ended June 30, 2011, all five members of the Board of Education members have elected Social Security. The Governing Board's liability is 6.2 percent of wages.

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2011

NOTE 9 – POSTEMPLOYMENT BENEFITS

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

A. State Teachers Retirement System

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2011 the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund.

For the District, this amount equaled \$48,989 for fiscal year 2011, \$47,394 for fiscal year 2010, and \$46,165 for fiscal year 2009.

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 2011 \$94.50; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76 percent. The District's required contributions for the fiscal years ended June 30, 2011, 2010, and 2009 were \$10,951, \$11,081, and \$10,793, respectively. 83 percent has been contributed for fiscal year 2011, and 100 percent has been contributed for fiscal years 2010 and 2009.

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, 2011, the health care allocation was 1.43 percent of covered payroll, respectively.

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2011

NOTE 9 – POSTEMPLOYMENT BENEFITS (continued)

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 2011, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2011, 2010, and 2009 fiscal years equaled \$42,610, \$27,290, and \$76,529, respectively.

The SERS Retirement Board establishes rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health care and Medicare B Plans are included in its stand-alone report. That report may be obtained by visiting the SERS website at ohsers.org under Employers/Audit Resource.

NOTE 10 – OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. For classified employees, sick leave may be accumulated up to a maximum of 216 days and is paid out at a rate of 25 percent of accrued, but unused sick leave upon retirement with five years of service, or upon separation with twenty years of service at the District. Upon retirement, payment to the Treasurer and Superintendent is made for 35 percent of accrued, but unused sick leave credit. For teachers, sick leave may be accumulated without limit and is paid out upon retirement at a rate of 14 percent of accrued, but unused sick leave.

B. Insurance Benefits

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

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2011

NOTE 11 – LONG-TERM OBLIGATIONS

The changes in the District’s long-term obligations during fiscal year 2011 were as follows:

	Principal Outstanding 6/30/10	Additions	Reductions	Principal Outstanding 6/30/11
General Obligations:				
2007 Bond Issue				
Advance Refunding Bonds 3.65 – 5.00%	\$ 3,995,000	\$ 0	\$ 240,000	\$ 3,755,000
Total General Obligations	<u>\$ 3,995,000</u>	<u>\$ 0</u>	<u>\$ 240,000</u>	<u>\$ 3,755,000</u>

As of June 30, 2011, the 2007 Bond Issue had \$250,000 due within one year.

School Building Construction and Improvement Refunding General Obligation Bonds – On March 1, 1998, the District issued bonds in the amount of \$9,740,000. The bonds were issued for the purpose of the defeasance of a 1992 School Improvement outstanding bond issue and for the purpose of reconstructing, renovating and expanding the high school building. The bond issue included \$5,935,000 in serial bonds and \$3,805,000 in term bonds. The serial bonds were issued for a twenty-three year period with final maturity on December 1, 2014. These bonds have interest rates ranging from 3.65 to 5.0 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 are term bonds maturing on December 1, 2010 and \$725,000 are term bonds maturing on December 1, 2021.

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

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2011

NOTE 11 – LONG-TERM OBLIGATIONS (continued)

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

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

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

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

The District's overall legal debt margin was \$10,395,872 at June 30, 2011, and the unvoted debt margin was \$130,293 at June 30, 2011. Principal and interest requirements to retire general obligation debt outstanding at June 30, 2011, are as follows:

Fiscal year	2007 Bond Issue		
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 250,000	\$ 148,350	\$ 398,350
2013	260,000	138,150	398,150
2014	270,000	127,550	397,550
2015	280,000	116,550	396,550
2016	290,000	105,150	395,150
2017 – 2021	1,645,000	326,225	1,971,225
2022 - 2023	760,000	30,800	790,800
Total	<u>\$3,755,000</u>	<u>\$ 992,775</u>	<u>\$4,747,775</u>

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2011

NOTE 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 \$53,912 for services provided during fiscal year 2011. 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 2011, the District paid \$800 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 2011. Information on this organization can be obtained from David Richard, who serves as Treasurer, at Post Office Box 475, Anna, Ohio 45302.

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2011

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS (continued)

D. Southwestern Ohio Instructional Technology Association

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

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

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2011, the District paid \$1,506 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.

NOTE 13 - INSURANCE PURCHASING POOLS

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

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Shelby County Schools Consortium

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

**Anna Local School District
Shelby County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2011*

NOTE 13 - INSURANCE PURCHASING POOLS (continued)

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

C. Ohio School Insurance Program

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

NOTE 14 – INTERFUND ADVANCES

General fund advances are made to move temporarily unrestricted balances to support programs and projects accounted for in other funds. Restricted monies are used to reimburse the General Fund for advancing monies to other funds or paying expenditures of other funds due to timing differences in the receiving of grant and property tax monies. When the monies are finally received, those funds reimburse the General Fund for the initial advance. During fiscal year 2011, the General Fund advanced \$39,600 to nonmajor funds and received \$73,700 from nonmajor funds as reimbursement for prior advances.

NOTE 15 – CONTINGENCIES

The District receives financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2011

NOTE 16 - SET-ASIDE CALCULATIONS

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

The following information describes the change in the fiscal year-end 2011 set-aside amounts for capital improvements and textbooks/instructional materials.

	Textbook Reserve	Capital Improvements	Totals
Set Aside Restricted Balance June 30, 2010	\$ 0	\$ 0	\$ 0
Current Year Set Aside Requirement	197,759	197,759	395,518
Current Year Qualifying Disbursements	(168,287)	0	(168,287)
Excess Qualified Disbursements from Prior Year	(29,472)	0	(29,472)
Current Year Offsets	0	(197,759)	(197,759)
Prior Year Offsets from Bond Proceeds	0	0	0
Total	\$ 0	\$ 0	\$ 0
Balance Carried Forward to Fiscal Year 2012	\$ 0	\$ 0	\$ 0
Set Aside Restricted Balance June 30, 2011	\$ 0	\$ 0	\$ 0

The District had offsets and qualifying disbursements during the fiscal years that reduced the capital improvements and textbooks/instructional materials set-asides below zero. These extra amounts may be used to reduce the set-aside requirements in future fiscal years. Effective July 1, 2011, textbook set-aside laws have been repealed.

NOTE 17 - SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2011, the District had significant contractual purchase commitments as follows:

Vendor	Project	Contract Amount	Amount Expended	Balance at 6/30/11
Cardinal Bus Sales	School bus	\$ 81,471	\$ 0	\$ 81,471
Beem Construction	Lintel on Northside	18,963	5,435	13,528

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2011

NOTE 18 – 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, 2011 were as follows:

<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	\$ 0	\$ 0	\$ 70,953
Capital Improvement	0	0	398,621	398,621
Debt Retirement	0	2,424,485	0	2,424,485
Textbooks	0	0	29,354	29,354
Special Education	0	0	679	679
Educational Management				
Information Systems	0	0	66,145	66,145
Class Size Reduction	0	0	7,229	7,229
Teacher Development	0	0	4,177	4,177
Incentive Awards	0	0	18,322	18,322
Food Service Operations	0	0	30,215	30,215
Athletics	0	0	43,702	43,702
Race to the Top	0	0	1,165	1,165
Total Restricted	<u>70,953</u>	<u>2,424,485</u>	<u>599,609</u>	<u>3,095,047</u>
Committed to:				
Track Resurfacing	0	0	17,500	17,500
Total Committed	<u>0</u>	<u>0</u>	<u>17,500</u>	<u>17,500</u>
Assigned for:				
Unpaid Obligations	65,875	0	0	65,875
Staff Flower Fund	7,660	0	0	7,660
Student Awards	13,225	0	0	13,225
Staff Awards	956	0	0	956
Tickets	1,527	0	0	1,527
Student Awards/Speakers	24,577	0	0	24,577
Tree Donations	731	0	0	731
Total Assigned	<u>114,551</u>	<u>0</u>	<u>0</u>	<u>114,551</u>
Unassigned	<u>2,528,038</u>	<u>0</u>	<u>(3,429)</u>	<u>2,524,606</u>
Total Fund Balance	<u>\$2,731,539</u>	<u>\$2,424,485</u>	<u>\$ 613,680</u>	<u>\$5,751,704</u>

Anna Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2011

NOTE 19 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

General Fund	
Net Change in Fund Balance	
Modified Cash Basis	\$ (550,430)
Adjustment for Encumbrances	(65,875)
Funds Budgeted Elsewhere**	(41,290)
Budget Basis	<u>\$ (657,595)</u>

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

NOTE 20 – RESTATEMENT OF BUDGETARY BASIS FUND BALANCE

The budgetary basis fund balance of the General Fund was restated \$290,397 at July 1, 2010, from \$3,134,876 to \$2,844,479. The restatement was a result of presenting only the legally adopted budget for the General Fund for fiscal year 2011. In the past, the budgetary basis presentation included all funds that were included with the General Fund on a modified cash basis.

December 27, 2011

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information prepared on the modified cash basis of accounting of Anna Local School District (the "District") as of and for the year ended June 30, 2011, and have issued our report thereon dated December 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

Anna Local School District
Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on
an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards
December 27, 2011

We noted certain matters that we reported to management of the District in a separate letter dated December 27, 2011.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Hea & Associates, Inc.

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of Anna Local School District (the "District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Anna Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Anna Local School District
Independent Auditor's Report on Compliance with
Requirements That Could Have a Direct and Material
Effect on Each Major Program and Internal Control
Over Compliance in Accordance with OMB Circular A-133
December 27, 2011

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Hea & Associates, Inc.

Anna Local School District
Shelby County
Schedule of Expenditures of Federal Awards - Cash Basis
For the Fiscal Year Ended June 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Transactions
U. S. Department of Education (Passed Through Ohio Department of Education)					
Title I Grants to Local Education Agencies	84.010	2011	\$ 29,430	\$ 29,430	\$ 0
Title II-A Improving Teacher Quality	84.367	2011	34,611	27,382	0
Title II-D Education Technology State Grants	84.318	2011	98	98	0
ARRA - State Fiscal Stabilization Fund – Education State Grants	84.394	2011	336,156	336,156	0
ARRA - State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants	84.395	2011	17,500	16,335	0
<i>Special Education Cluster (IDEA-B):</i>					
IDEA-B Special Education Grants to States	84.027	2011	190,433	190,433	0
ARRA - IDEA-B Special Education Grants to States	84.391	2011	126,073	125,394	0
Total Special Education Cluster (IDEA-B)			<u>316,506</u>	<u>315,827</u>	<u>0</u>
Total U. S. Department of Education			<u>734,301</u>	<u>725,228</u>	<u>0</u>
U. S. Department of Agriculture (Passed Through Ohio Department of Education)					
<i>National School Lunch Program:</i>					
Commodity School Lunch Program	10.555	2011	27,898	0	27,898
National School Lunch Program	10.555	2011	82,548	82,548	0
Total National School Lunch Program			<u>110,446</u>	<u>82,548</u>	<u>27,898</u>
Total U. S. Department of Agriculture			<u>110,446</u>	<u>82,548</u>	<u>27,898</u>
Total Federal Assistance			<u>\$ 844,747</u>	<u>\$ 807,776</u>	<u>\$ 27,898</u>

Anna Local School District
Shelby County
Notes to Schedule of Expenditures of Federal Awards – Cash Basis
For the Fiscal Year Ended June 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of Anna Local School District (the “District”) and is presented on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, “*Audits of States, Local Governments and Non-Profit Organizations.*” Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

NOTE B – NATIONAL SCHOOL LUNCH PROGRAM

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the United States Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

Anna Local School District
Shelby County
Schedule of Findings and Questioned Costs
OMB Circular A-1, Section .505
For the Fiscal Year Ended June 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	No
Noncompliance material to financial statements noted?	No
Federal Awards	
Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Identification of major programs:	ARRA - State Fiscal Stabilization Fund – Education State Grants CFDA #84.394
	Special Education Cluster CFDA # 84.027 & 84.391
Dollar threshold used to distinguish between Type A and type B programs:	Type A: \$300,000 Type B: All Others
Auditee qualified as low-risk auditee?	No

Anna Local School District
Shelby County
Schedule of Findings and Questioned Costs
OMB Circular A-1, Section .505
For the Fiscal Year Ended June 30, 2011

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

None noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.

Anna Local School District
Shelby County
Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2010-01	Financial statements required significant audit adjustments.	Yes	
2010-02	Failure to file the required final expenditure report (FER) within ninety day period after fiscal year end.	Yes	

December 27, 2011

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

Independent Accountant's Report on Applying Agreed-Upon Procedure

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Anna Local School District (the "District") has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on April 11, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Rea & Associates, Inc.



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
MARCH 27, 2012**