



**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**REGULAR AUDIT**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2000 - 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

## REPORT OF INDEPENDENT ACCOUNTANTS

Anna Local School District  
Shelby County  
One McRill Way  
Anna, Ohio 45302

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Anna Local School District, Shelby County, (the District) as of and for the years ended June 30, 2000 and 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

Because of inadequacies in the District's accounting records, we were unable to satisfy ourselves about the amount of recorded ala carte revenue, in the Food Service Fund, Proprietary Fund Type, which represents 32 percent of revenue in fiscal year 2000 and 26 percent of revenue in fiscal year 1999, of the reported sales revenue of the Proprietary Fund Type.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had ala carte sales revenue, in the Proprietary Fund Type, been susceptible to satisfactory audit tests, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Anna Local School District, Shelby County, as of June 30, 2000 and 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Jim Petro**  
Auditor of State

January 5, 2001

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**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF JUNE 30, 2000**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Assets and Other Debits</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,748,837	\$161,078	\$610,496	\$1,889,159
Cash and Cash Equivalents With Fiscal Agents	0	9,859	1,750	0
Investments	0	0	0	22,968
Receivables:				
Property and Other Taxes	4,238,779	0	1,201,243	0
Income Taxes	146,261	0	0	0
Accounts	4,019	5,216	0	8,470
Intergovernmental	1,700	3,010	0	3,000
Accrued Interest	1,408	0	0	0
Interfund	85,522	0	0	0
Inventory of Supplies and Materials	0	0	0	0
Inventory Held for Resale	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	103,561	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
<b>Total Assets and Other Debits</b>	<b><u>\$6,330,087</u></b>	<b><u>\$179,163</u></b>	<b><u>\$1,813,489</u></b>	<b><u>\$1,923,597</u></b>
<b>Liabilities, Fund Equity and Other Credits</b>				
<b>Liabilities:</b>				
Accounts Payable	\$53,928	\$18,546	\$0	\$0
Contracts Payable	0	0	0	406,173
Retainage Payable	0	0	0	118,951
Accrued Wages and Benefits Payable	460,101	6,217	0	0
Intergovernmental Payable	107,939	768	0	94
Interfund Payable	0	12,904	0	72,618
Due to Students	0	0	0	0
Deferred Revenue	4,183,376	0	1,181,640	0
Compensated Absences Payable	7,016	0	0	0
Special Termination Benefit Payable	0	0	0	0
Matured Interest Payable	0	0	1,750	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b><u>4,812,360</u></b>	<b><u>38,435</u></b>	<b><u>1,183,390</u></b>	<b><u>597,836</u></b>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	84,722	2,316	0	1,628,739
Reserved for Property Taxes	58,527	0	19,603	0
Reserved for Textbooks/Instructional Materials	1,014	0	0	0
Reserved for Budget Stabilization	44,841	0	0	0
Reserved for School Bus Purchases	57,706	0	0	0
Unreserved:				
Designated for Budget Stabilization	71,122	0	0	0
Undesignated (Deficit)	1,199,795	138,412	610,496	(302,978)
<b>Total Fund Equity and Other Credits</b>	<b><u>1,517,727</u></b>	<b><u>140,728</u></b>	<b><u>630,099</u></b>	<b><u>1,325,761</u></b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b><u>\$6,330,087</u></b>	<b><u>\$179,163</u></b>	<b><u>\$1,813,489</u></b>	<b><u>\$1,923,597</u></b>

See Accompanying Notes to the General Purpose Financial Statements



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$104,991	\$47,367	\$0	\$0	\$4,561,928
0	0	0	0	11,609
0	0	0	0	22,968
0	0	0	0	5,440,022
0	0	0	0	146,261
0	0	0	0	17,705
0	0	0	0	7,710
0	0	0	0	1,408
0	0	0	0	85,522
1,033	0	0	0	1,033
8,228	0	0	0	8,228
0	0	0	0	103,561
46,253	0	13,609,712	0	13,655,965
0	0	0	630,099	630,099
0	0	0	8,982,988	8,982,988
<u>\$160,505</u>	<u>\$47,367</u>	<u>\$13,609,712</u>	<u>\$9,613,087</u>	<u>\$33,677,007</u>
\$9,131	\$0	\$0	\$0	\$81,605
0	0	0	0	406,173
0	0	0	0	118,951
19,119	0	0	0	485,437
13,858	0	0	59,957	182,616
0	0	0	0	85,522
0	47,367	0	0	47,367
5,472	0	0	0	5,370,488
13,811	0	0	403,130	423,957
0	0	0	15,000	15,000
0	0	0	0	1,750
0	0	0	9,135,000	9,135,000
<u>61,391</u>	<u>47,367</u>	<u>0</u>	<u>9,613,087</u>	<u>16,353,866</u>
0	0	13,609,712	0	13,609,712
99,114	0	0	0	99,114
0	0	0	0	1,715,777
0	0	0	0	78,130
0	0	0	0	1,014
0	0	0	0	44,841
0	0	0	0	57,706
0	0	0	0	71,122
0	0	0	0	1,645,725
<u>99,114</u>	<u>0</u>	<u>13,609,712</u>	<u>0</u>	<u>17,323,141</u>
<u>\$160,505</u>	<u>\$47,367</u>	<u>\$13,609,712</u>	<u>\$9,613,087</u>	<u>\$33,677,007</u>

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
<b>Revenues:</b>					
Property and Other Taxes	\$3,570,643	\$0	\$1,063,125	\$1,356	\$4,635,124
Income Taxes	431,013	0	0	0	431,013
Intergovernmental	1,463,927	166,990	48,686	5,640	1,685,243
Interest	149,084	0	0	202,516	351,600
Tuition and Fees	107,709	0	0	0	107,709
Rent	4,920	0	0	0	4,920
Extracurricular Activities	32,865	155,096	0	2,500	190,461
Gifts and Donations	11,605	0	0	22,968	34,573
Miscellaneous	16,154	0	0	106,331	122,485
<b>Total Revenues</b>	<u>5,787,920</u>	<u>322,086</u>	<u>1,111,811</u>	<u>341,311</u>	<u>7,563,128</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	3,012,817	25,137	0	35,256	3,073,210
Special	247,595	94,092	0	0	341,687
Vocational	271,355	3,821	0	890	276,066
Adult/Continuing	527	0	0	0	527
Support Services:					
Pupils	298,877	41,703	0	0	340,580
Instructional Staff	227,059	9,765	0	0	236,824
Board of Education	50,593	0	0	0	50,593
Administration	588,428	1,857	0	0	590,285
Fiscal	202,010	0	20,410	0	222,420
Business	43,441	0	0	0	43,441
Operation and Maintenance of Plant	520,706	0	0	0	520,706
Pupil Transportation	410,131	0	0	0	410,131
Central	5,951	0	0	0	5,951
Operation of Non-Instructional Services	0	53	0	0	53
Extracurricular Activities	191,202	110,497	0	0	301,699
Capital Outlay	11,350	23,443	0	4,899,159	4,933,952
Intergovernmental	0	4,236	0	0	4,236
Debt Service:					
Principal Retirement	0	0	315,000	0	315,000
Interest and Fiscal Charges	0	0	473,820	0	473,820
<b>Total Expenditures</b>	<u>6,082,042</u>	<u>314,604</u>	<u>809,230</u>	<u>4,935,305</u>	<u>12,141,181</u>
Excess of Revenues Over (Under) Expenditures	(294,122)	7,482	302,581	(4,593,994)	(4,578,053)
Fund Balances at Beginning of Year	<u>1,811,849</u>	<u>133,246</u>	<u>327,518</u>	<u>5,919,755</u>	<u>8,192,368</u>
<b>Fund Balances at End of Year</b>	<u>\$1,517,727</u>	<u>\$140,728</u>	<u>\$630,099</u>	<u>\$1,325,761</u>	<u>\$3,614,315</u>

*See Accompanying Notes to the General Purpose Financial Statements*

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ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favoable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property and Other Taxes	\$3,346,739	\$3,581,688	\$234,949	\$0	\$0	\$0
Income Taxes	377,546	407,964	30,418	0	0	0
Intergovernmental	1,355,795	1,465,027	109,232	93,062	112,298	19,236
Interest	168,947	182,559	13,612	0	0	0
Tuition and Fees	99,833	107,876	8,043	0	0	0
Rent	4,553	4,920	367	0	0	0
Extracurricular Activities	30,194	32,627	2,433	142,430	150,393	7,963
Gifts and Donations	10,740	11,605	865	0	0	0
Miscellaneous	13,952	15,076	1,124	0	0	0
<b>Total Revenues</b>	<b>5,408,299</b>	<b>5,809,342</b>	<b>401,043</b>	<b>235,492</b>	<b>262,691</b>	<b>27,199</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	3,824,084	3,088,264	735,820	143,689	22,993	120,696
Special	341,725	275,971	65,754	56,582	56,582	0
Vocational	331,595	267,790	63,805	3,800	3,800	0
Adult/Continuing	676	546	130	0	0	0
Other	37,937	30,637	7,300	0	0	0
Support Services:						
Pupils	378,090	305,339	72,751	39,241	39,241	0
Instructional Staff	288,414	232,918	55,496	1,568	990	578
Board of Education	62,673	50,614	12,059	0	0	0
Administration	706,457	570,522	135,935	1,857	1,857	0
Fiscal	246,792	199,305	47,487	0	0	0
Business	53,364	43,096	10,268	0	0	0
Operation and Maintenance of Plant	700,598	565,791	134,807	0	0	0
Pupil Transportation	502,940	406,166	96,774	0	0	0
Central	7,179	5,798	1,381	0	0	0
Extracurricular Activities	232,150	187,480	44,670	115,040	104,570	10,470
Capital Outlay	15,316	12,369	2,947	25,790	23,443	2,347
Intergovernmental	0	0	0	5,387	4,236	1,151
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>7,729,990</b>	<b>6,242,606</b>	<b>1,487,384</b>	<b>392,954</b>	<b>257,712</b>	<b>135,242</b>
Excess of Revenues Over (Under) Expenditures	(2,321,691)	(433,264)	1,888,427	(157,462)	4,979	162,441
<b>Other Financing Sources (Uses):</b>						
Refund of Prior Year Expenditures	40,746	44,029	3,283	33	35	2
Advances In	136,952	150,000	13,048	12,904	12,904	0
Advances Out	(111,855)	(85,522)	26,333	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>65,843</b>	<b>108,507</b>	<b>42,664</b>	<b>12,937</b>	<b>12,939</b>	<b>2</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,255,848)	(324,757)	1,931,091	(144,525)	17,918	162,443
Fund Balances at Beginning of Year	1,919,345	1,919,345	0	118,098	118,098	0
Prior Year Encumbrances Appropriated	200,483	200,483	0	11,730	11,730	0
<b>Fund Balances (Deficit) at End of Year</b>	<b>(\$136,020)</b>	<b>\$1,795,071</b>	<b>\$1,931,091</b>	<b>(\$14,697)</b>	<b>\$147,746</b>	<b>\$162,443</b>

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$892,291	\$1,066,091	\$173,800	\$1,356	\$1,356	\$0
0	0	0	0	0	0
42,119	48,686	6,567	890	2,640	1,750
0	0	0	306,776	189,823	(116,953)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	2,500	2,500
0	0	0	0	0	0
0	0	0	118,561	97,861	(20,700)
934,410	1,114,777	180,367	427,583	294,180	(133,403)
0	0	0	44,497	35,346	9,151
0	0	0	0	0	0
0	0	0	890	890	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
31,258	20,410	10,848	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	6,612,182	6,657,666	(45,484)
0	0	0	0	0	0
482,432	315,000	167,432	0	0	0
725,669	473,820	251,849	0	0	0
1,239,359	809,230	430,129	6,657,569	6,693,902	(36,333)
(304,949)	305,547	610,496	(6,229,986)	(6,399,722)	(169,736)
0	0	0	0	0	0
0	0	0	32,000	72,618	40,618
0	0	0	(150,067)	(150,000)	67
0	0	0	(118,067)	(77,382)	40,685
(304,949)	305,547	610,496	(6,348,053)	(6,477,104)	(129,051)
304,949	304,949	0	136,828	136,828	0
0	0	0	6,413,587	6,413,587	0
\$0	\$610,496	\$610,496	\$202,362	\$73,311	(\$129,051)

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

<b>Operating Revenues:</b>	
Sales	<u>\$296,407</u>
Total Operating Revenues	<u>296,407</u>
<b>Operating Expenses:</b>	
Salaries	113,299
Fringe Benefits	33,197
Purchased Services	3,734
Supplies and Materials	2,951
Cost of Sales	188,726
Depreciation	<u>12,126</u>
Total Operating Expenses	<u>354,033</u>
Operating Loss	<u>(57,626)</u>
<b>Non-Operating Revenues:</b>	
Interest	2,157
Federal Donated Commodities	22,090
Federal and State Subsidies	<u>37,075</u>
Total Non-Operating Revenues	<u>61,322</u>
Net Income	3,696
Fund Equity at Beginning of Year	<u>95,418</u>
<b>Fund Equity at End of Year</b>	<u><u>\$99,114</u></u>

*See Accompanying Notes to the General Purpose Financial Statements*

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**Increase (Decrease) in Cash and Cash Equivalents:**

Cash Flows from Operating Activities:	
Cash Received from Customers	\$296,553
Cash Payments for Employee Services and Benefits	(160,452)
Cash Payments to Suppliers for Goods and Services	(172,206)
Net Cash Used For Operating Activities	<u>(36,105)</u>

**Cash Flows from Noncapital Financing Activities:**

Federal and State Subsidies Received	<u>41,687</u>
Net Cash Provided By Noncapital Financing Activities	<u>41,687</u>

**Cash Flows from Capital and Related Financing Activities:**

Acquisition of Capital Assets	<u>(5,440)</u>
Net Cash Used For Capital and Related Financing Activities	<u>(5,440)</u>

**Cash Flows from Investing Activities:**

Interest	<u>2,157</u>
Net Cash Provided By Investing Activities	<u>2,157</u>

Net Increase in Cash and Cash Equivalents 2,299

Cash and Cash Equivalents Beginning of Year 102,692

Cash and Cash Equivalents End of Year \$104,991

**Reconciliation of Operating Loss to Net**

**Cash Used For Operating Activities:**

Operating Loss (\$57,626)

**Adjustments to Reconcile Operating Loss to**

**Net Cash Used For Operating Activities:**

Depreciation	12,126
Donated Commodities Received	22,090
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	145
Increase in Inventory of Supplies and Materials	(205)
Decrease in Inventory Held for Resale	45
Increase in Accounts Payable	1,283
Increase in Accrued Wages and Benefits Payable	1,036
Decrease in Intergovernmental Payable	(15,125)
Increase in Compensated Absences Payable	126
Net Cash Used For Operating Activities	<u><u>(\$36,105)</u></u>

*See Accompanying Notes to the General Purpose Financial Statements*

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Sales	\$292,885	\$296,553	\$3,668
Interest	2,156	2,157	1
Federal and State Subsidies	41,659	41,687	28
Total Revenues	<u>336,700</u>	<u>340,397</u>	<u>3,697</u>
<b>Expenses:</b>			
Salaries	107,726	107,583	143
Fringe Benefits	52,939	52,869	70
Purchased Services	3,578	3,573	5
Supplies and Materials	245,077	182,031	63,046
Capital Outlay	8,894	8,882	12
Total Expenses	<u>418,214</u>	<u>354,938</u>	<u>63,276</u>
Excess of Revenues Under Expenses	(81,514)	(14,541)	66,973
Fund Equity at Beginning of Year	84,477	84,477	0
Prior Year Encumbrances Appropriated	18,206	18,206	0
<b>Fund Equity at End of Year</b>	<u>\$21,169</u>	<u>\$88,142</u>	<u>\$66,973</u>

*See Accompanying Notes to the General Purpose Financial Statements*



**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Anna Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The School 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 45 non-certificated employees, 68 certificated full-time teaching personnel, and 4 administrative employees who provide services to 1,156 students and other community members. The School District currently operates two instructional buildings and one vocational agriculture building.

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes for the organization. The School District has no component units.

The School District is associated with four jointly governed organizations and two insurance purchasing pools. These organizations are discussed in Notes 17 and 18 to the general purpose financial statements. These organizations are:

**Jointly Governed Organizations:**

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

**Insurance Purchasing Pools:**

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

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

**1. Governmental Fund Types**

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

**General Fund**

The General Fund is the operating fund of the School 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 School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds**

The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Fund**

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis Of Presentation - Fund Accounting (Continued)**

**1. Governmental Fund Types**

**Capital Projects Funds**

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**2. Proprietary Fund Type**

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

**Enterprise Funds**

The enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**3. Fiduciary Fund Type**

The fiduciary fund is used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's fiduciary fund is an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**4. Account Groups**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group**

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

**General Long-Term Obligations Account Group**

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District does not have any contributed capital. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, taxpayer-assessed income taxes, interest, interfund, tuition, grants and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Accounts receivable, in some instances, are recorded as deferred revenue because they do not meet the availability criteria. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The Title III, Title VI-B and Preschool Special Revenue Funds activity that is administered by a fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the fund, function, and object level of expenditures for the General Fund and at the fund level for all other funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**1. Tax Budget:**

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

**2. Estimated Resources:**

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure.

On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Data (Continued)**

**3. Appropriations:**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level for expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation or the fund, function, object appropriations in the General Fund must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, one supplemental appropriation was legally enacted; however, it was not significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including the supplemental appropriation. The financial statements are presented at more detail than the legal level of control. The Treasurer allocates the Board's appropriations to the function/object level. Formal budgetary integration is employed as a management control device during the year for all funds other than the Title III, Title VI-B and Preschool Special Revenue Funds and the agency fund, consistent with statutory provisions.

**4. Encumbrances:**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**5. Lapsing of Appropriations:**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet. The balance of various grants administered by the fiscal agent is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents" and represents deposits of the Shelby County Educational Service Center. The School District had utilized a financial institution to service a bonded debt now defeased. The balance in this account, which represents an unclaimed interest payment, is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents" and is considered a deposit.

During fiscal year 2000, investments consisted of a Federal National Mortgage Association Medium Term Note, a Federal Farm Credit Bank Medium Term Note, Federal Home Loan Bank Bonds and a Debenture, a Federal Home Loan Mortgage Corporation Bond and Debentures, HMT Technical Corporation stock and STAR Ohio.

Investments are reported at fair value which is based on quoted market prices.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2000. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2000 amounted to \$149,084 which includes \$2,221 assigned from other School District funds. The Building Capital Projects Fund and the Food Service Enterprise Fund received interest of \$202,516 and \$2,157, respectively.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

**E. Inventory**

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, non-food supplies, and purchased food and are expensed when used.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent unexpended revenues restricted for the purchase of buses and amounts required by statute to be set-aside by the School District for the purchase of textbooks/instructional materials and the creation of a reserve for budget stabilization. See Note 21, for additional information on the set-asides.

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund.

All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred fifty dollars. The School District does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the General Fixed Assets Account Group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of ten years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**H. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

**Entitlements**

**General Fund**

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Allocation



**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Intergovernmental Revenues (Continued)**

**Non-Reimbursable Grants**

**Special Revenue Funds**

- Education Management Information Systems
- Title III
- Preschool Grant
- Title I
- Title VI
- Title VI-B
- Teacher Development
- Library Automation Systems
- Continuous Improvement
- Young Farmers
- Class Size Reduction
- Incentive Award
- School Net Professional Development

**Capital Projects Funds**

- School Net Plus
- Interactive Video Distance Learning
- Vocational Equipment

**Reimbursable Grants**

**General Fund**

- Driver Education

**Special Revenue Funds**

- Telecom (E-rate) Grant

**Proprietary Funds**

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 23 percent of governmental fund operating revenue during the 2000 fiscal year.

**I. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "interfund receivables" and "interfund payables."

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Compensated Absences (Continued)**

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after eight years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the General Long-Term Obligations Account Group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**K. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and pension contributions that will be paid from governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid with current available financial resources. General obligation bonds and the Early Retirement Incentive are reported as a liability of the General Long-Term Obligations Account Group until due. Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**L. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**M. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, textbooks/instructional materials, budget stabilization, and school bus purchases. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. Estimates**

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

**O. Fund Designation**

Fund balance designations may be established to indicate tentative planned expenditures of financial resources. The designations reflect the School District's intentions and are subject to change. Designations are reported as part of unreserved fund balance. Designations represent amounts set-aside for budget stabilization which exceed the statutory required amount. The amount designated for budget stabilization at June 30, 2000 was \$71,122.

**P. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

The following funds had deficit fund balances at June 30, 2000:

Title I Special Revenue Fund	\$4,812
Title VI Special Revenue Fund	3,903
Continuous Improvement Special Revenue Fund	2,144
Young Farmers Special Revenue Fund	21
Class Size Reduction Special Revenue Fund	4,419
School Net Plus Capital Projects Fund	21,201
Athletic Complex Capital Projects Fund	16,979

The deficits were created by the application of generally accepted accounting principles. The General Fund provides transfers, or advances to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**B. Compliance**

The Athletic Complex Capital Projects Fund had expenditures in excess of appropriations for capital outlay in the amount of \$48,417.

The General Fund and the School Net Professional Development Special Revenue Fund had appropriations in excess of estimated revenues and available balances for fiscal year ended June 30, 2000, in the amount of \$136,020, and \$32,000, respectively.

All obligations were not certified by the fiscal officer that funds were available for the obligation, and Ohio Revised Code "412" certifications were not attached to the appropriation measures.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Budgetary Basis) and Actual - Proprietary Fund Type, are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
  2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
  3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
  4. The School District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets (budget basis). However, the activities of the fiscal agent are included in the special revenue funds for GAAP reporting purposes (GAAP basis).
1. Advances are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
  2. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

**Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types**

	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
GAAP Basis	(\$294,122)	\$7,482	\$302,581	(\$4,593,994)
Revenue Accruals	68,052	(3,561)	2,966	(24,163)
Expenditure Accruals	(38,210)	17,694	0	123,222
Excess of Revenues (Over)				
Expenditures for Nonbudgeted Funds	0	(3,269)	0	0
Unrecorded Cash	(2,601)	0	0	(22,968)
Advances	64,478	12,904	0	(77,382)
Encumbrances	(122,354)	(13,332)	0	(1,881,819)
Budget Basis	<u>(\$324,757)</u>	<u>\$17,918</u>	<u>\$305,547</u>	<u>(\$6,477,104)</u>

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING (Continued)**

**Net Income/Excess of Revenues Under Expenses  
Proprietary Fund Type**

	<b>Enterprise</b>
GAAP Basis	\$3,696
Revenue Accruals	4,766
Expense Accruals	(13,017)
Inventory of Supplies and Materials	205
Inventory Held for Resale	(37)
Acquisition of Capital Assets	(5,431)
Depreciation Expense	12,126
Encumbrances	(16,849)
Budget Basis	(\$14,541)

**5. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School 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 School 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, 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 are permitted to 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  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

2. Bonds, notes, debentures, or any other obligations or security 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State 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, corporate 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 obligation, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School 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 "cash and cash equivalents with fiscal agent" of \$9,859 shown in the special revenue funds is maintained with the Shelby County Educational Service Center. Disclosures regarding this amount can be obtained from their annual report.

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

**Deposits:** At fiscal year end, the carrying amount of the School District's deposits was \$141,734 and the bank balance was \$180,974. Of the bank balance, \$101,750 was covered by federal depository insurance; and, \$79,224, was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

**Investments:** The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 2	Fair Value
Federal National Mortgage Association MTN	\$0	\$241,175	\$241,175
Federal Farm Credit Bank MTN	0	290,460	290,460
Federal Home Loan Bank Bonds	1,704,298	483,750	2,188,048
Federal Home Loan Bank Debenture	980,312	0	980,312
Federal Home Loan Mortgage Corporation Bond	0	477,600	477,600
Federal Home Loan Mortgage Corporation Debentures	0	339,275	339,275
Stock	22,968	0	22,968
	<u>\$2,707,578</u>	<u>\$1,832,260</u>	4,539,838
STAR Ohio			8,635
Totals			<u>\$4,548,473</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$4,677,098	\$22,968
Cash and Cash Equivalents With Fiscal Agents	(9,859)	0
Investments:		
Federal National Mortgage Association MTN	(241,175)	241,175
Federal Farm Credit Bank MTN	(290,460)	290,460
Federal Home Loan Bank Bonds	(2,188,048)	2,188,048
Federal Home Loan Bank Debenture	(980,312)	980,312
Federal Home Loan Mortgage Corporation Bond	(477,600)	477,600
Federal Home Loan Mortgage Corporation	(339,275)	339,275
STAR Ohio	(8,635)	8,635
GASB Statement 3	<u>\$141,734</u>	<u>\$4,548,473</u>

**ANNA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) is for calendar 2000 taxes.

For the year 2000, real property taxes are levied after April 1, 2000, on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000, and are collected in 2001 with real property taxes.

For the year 2000, tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later 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 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.

The assessed values upon which fiscal year 2000 taxes were collected are:

	<b>1999 Second- Half Collections</b>		<b>2000 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$53,312,270	38.57%	\$54,535,880	34.38%
Public Utility	5,796,620	4.19	5,681,160	3.58
Tangible Personal Property	79,123,867	57.24	98,400,360	62.04
Total Assessed Value	<u>\$138,232,75</u>	<u>100.00%</u>	<u>\$158,617,40</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$30.90		\$30.90	

The School District receives property taxes from Shelby County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.



**ANNA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**6. PROPERTY TAXES (Continued)**

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$58,527 in the General Fund and \$19,603 in the Bond Retirement Debt Service Fund.

**7. INCOME TAX**

The School District levies a voted tax of one-half 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 School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue of \$431,013 was credited to the General Fund during fiscal year 2000.

**8. RECEIVABLES**

Receivables at June 30, 2000, consisted of both property and income taxes, accounts (student fees), accrued interest, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<b>Amounts</b>
General Fund	
Drivers' Education Reimbursement	\$1,700
Special Revenue Fund	
Title I	3,010
Capital Projects Fund	
School Net Plus	3,000
Total Intergovernmental Receivables	<u>\$7,710</u>

**9. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$163,147
Less: Accumulated Depreciation	(116,894)
Net Fixed Assets	<u>\$46,253</u>

**ANNA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**9. FIXED ASSETS (Continued)**

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Balance at 6/30/99	Additions	Deletions	Balance at 6/30/00
Land and Improvements	\$801,578	\$0	\$0	\$801,578
Buildings and Improvements	4,933,449	239,653	0	5,173,102
Improvements Other Than	157,605	0	0	157,605
Furniture, Fixtures and	1,384,584	118,369	30,422	1,472,531
Vehicles	572,237	58,594	0	630,831
Construction in Progress	1,274,636	4,339,082	239,653	5,374,065
Total General Fixed Assets	<u>\$9,124,089</u>	<u>\$4,755,698</u>	<u>\$270,075</u>	<u>\$13,609,712</u>

**10. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Nationwide Insurance for general liability and automobile insurance. Property coverage was provided by Auto Owners Insurance is as follows:

	<b>Building</b>	<b>Contents</b>
Middle High School	\$7,755,000	\$1,005,000
Agriculture Building	310,000	75,000
Grange	62,000	50,000
Greenhouse	27,000	1,000
Elementary	6,260,000	650,000
Storage Barn	10,900	1,000
Concession	63,000	20,000
Antenna	3,000	0
Shelter House	6,500	0
Track	116,000	0
Bleachers	11,000	0
Basketball Court lights, polls, fence	31,000	0
Storage - 304 E North	45,000	2,000
Storage - 200 Walnut	11,000	5,100

Builders Risk Under Construction coverage is \$6,400,000.

General liability coverage is \$2,000,000 per occurrence and \$5,000,000 in aggregate, with a \$2,000,000 umbrella. Automobile liability coverage is \$2,000,000 and carries a \$250 collision deductible.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reductions in insurance coverage from last year.

**ANNA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**10. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School 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.

**11. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion 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 School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$37,079, \$61,275, and \$72,020, respectively; 38 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$23,046 representing the unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**ANNA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments and death and survivor benefits and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$191,669, \$160,999, and \$355,333, respectively; 84 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$31,434 representing the unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**12. POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$255,559 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**12. POSTEMPLOYMENT BENEFITS (Continued)**

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent over fiscal year 1999.

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 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$65,886.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999, (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**13. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days for all personnel. Upon retirement, or upon separation from service after twenty years, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 47 days for all employees.

Upon retirement, payment to the Treasurer and Superintendent is made for 35 percent of accrued, but unused sick leave credit to a maximum of 70 days.

**ANNA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**13. OTHER EMPLOYEE BENEFITS (Continued)**

**B. Special Termination Benefits**

The School District's Board of Education approved a retirement incentive program. Upon initial eligibility for STRS retirement benefits, the following options were available to bargaining unit members for the time period July 1, 1994 to June 30, 1997. An eligible employee could choose one of the following options:

1. The Board will pay the cost incurred of purchasing one additional year of service, and \$7,500 to be paid within six months of retirement, or
2. The Board will pay a one-time lump sum of \$18,000, at the teacher's discretion but within six months of official retirement, or
3. The Board will make four annual payments of \$5,000, beginning January 5, the year after retirement and for each of the next three years.

At June 30, 2000, the School District had a liability for three employees that had elected option 3 during the period the incentive was offered. The liability has been recorded as a special termination benefit liability in the General Long-Term Obligations Account Group.

**14. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	<b>Amount Outstanding 6/30/99</b>	<b>Additions</b>	<b>Deductions</b>	<b>Amount Outstanding 6/30/00</b>
1998 School Building Construction and Improvement Bonds-3.65%-5.1%	\$9,450,000	\$0	\$315,000	\$9,135,000
Intergovernmental Payable	42,670	59,957	42,670	59,957
Special Termination Benefit Payable	30,000		15,000	15,000
Compensated Absences Payable	396,491	6,639	0	403,130
<b>Total General Long-Term Obligations</b>	<b>\$9,919,161</b>	<b>\$66,596</b>	<b>\$372,670</b>	<b>\$9,613,087</b>

In fiscal year 1998, the School District defeased general obligation bonds by placing enough money in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust assets and the liability for the defeased bonds are not included in the School District's financial statements. At June 30, 2000, the principal outstanding is \$2,270,000.

The School Building Construction and Improvement Refunding Bonds will be paid from the Bond Retirement Debt Service Fund. Intergovernmental payable and compensated absences will be paid from the fund from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period.

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**14. LONG-TERM OBLIGATIONS (Continued)**

The School District's overall legal debt margin was \$5,735,978 with an unvoted debt margin of \$158,617 at June 30, 2000.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2000, are as follows:

<b>Fiscal year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2001	\$335,000	\$461,303	\$796,303
2002	350,000	447,770	797,770
2003	420,000	432,160	852,160
2004	460,000	414,005	874,005
2005	500,000	386,585	886,585
2006-2010	1,590,000	1,577,086	3,167,086
2010-2015	1,675,000	1,191,069	2,866,069
2016-2020	2,185,000	700,158	2,885,158
2021-2023	<u>1,620,000</u>	<u>126,480</u>	<u>1,746,480</u>
Total	<u><u>\$9,135,000</u></u>	<u><u>\$5,736,616</u></u>	<u><u>\$14,871,616</u></u>

**15. INTERFUND ACTIVITY**

Interfund balances at June 30, 2000, consist of the following individual fund receivables and payables:

<u>Fund Type/Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	<u>\$85,522</u>	<u>\$0</u>
<u>Special Revenue Funds:</u>		
Title I	0	3,010
Title VI	0	3,904
Class Size Reduction	<u>0</u>	<u>5,990</u>
Total Special Revenue Funds	<u>0</u>	<u>12,904</u>
<u>Capital Projects Funds:</u>		
Athletic Complex	0	48,417
School Net Plus	<u>0</u>	<u>24,201</u>
Total Capital Projects Funds	<u>0</u>	<u>72,618</u>
Total All Funds	<u><u>\$85,522</u></u>	<u><u>\$85,522</u></u>

**ANNA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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**16. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of Food Service and Uniform School Supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Anna Local School District as of and for the fiscal year ended June 30, 2000.

	<b>Food Service</b>	<b>Uniform School Supplies</b>	<b>Total Enterprise Funds</b>
Operating Revenues	\$253,056	\$43,351	\$296,407
Depreciation Expense	12,126	0	12,126
Operating Income (Loss)	(74,737)	17,111	(57,626)
Interest	2,157	0	2,157
Federal Donated Commodities	22,090	0	22,090
Federal and State Subsidies	37,075	0	37,075
Net Income (Loss)	(13,415)	17,111	3,696
Fixed Asset Additions	5,431	0	5,431
Fixed Asset Deletions	3,350	0	3,350
Net Working Capital (Deficit)	(7,376)	74,048	66,672
Total Assets	77,840	82,665	160,505
Long-Term Compensated Absences	13,811	0	13,811
Total Equity	25,066	74,048	99,114
Encumbrances Outstanding at June 30, 2000	540	16,309	16,849

**17. JOINTLY GOVERNED ORGANIZATIONS**

**Western Ohio Computer Organization** - The School 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. The School District paid WOCO \$14,306 for services provided during the year. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.



**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**17. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**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. No financial contributions occurred with this entity during fiscal year 2000. Information can be obtained from Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**Anna 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 Anna Local School 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 Anna Local School District. No financial contributions occurred with this entity during fiscal year 2000. Information on this organization be obtained from David Richard, who serves as Treasurer, at Post Office Box 475, Anna, Ohio 45302.

**Southwestern Ohio Instructional Technology Association** - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. 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. All superintendents except those from the educational service centers vote on the representatives after the nominating committee nominates individuals to run. One at-large non-public representative is elected by the non-public school SOITA members as the State-assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All members are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets are distributed to the federal government, or to a state or local government, for a public purpose. During fiscal year 2000, the School District paid \$4,643 to SOITA from the General Fund. Information can be obtained from Steve Strouse, who serves as Director, at 105 East Sixth Street, Franklin, Ohio 45005.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**18. INSURANCE PURCHASING POOLS**

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

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

Each school district pays monthly premiums to the provider, Anthem Blue Cross/Blue Shield 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. In fiscal year 2000, Anna Local School District contributed \$465,675. 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.

**19. SIGNIFICANT CONTRACTUAL COMMITMENTS**

As of June 30, 2000, the School District had contractual purchase commitments, obligated as encumbrances or contracts payable against the general and capital project funds, as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Prenger Implement	3-Com Superstack	\$16,305
Wagner Paving	Parking Lot Paving	6,952
Fanning/Howey Associates.	High School Addition	52,591
Beem Construction	High School Addition	952,610
Central Fire	High School Addition	64,592
Slagle Mechanical	High School Addition	75,235
Regal Plumbing and Heating	High School Addition	128,005
Wells Brothers, Inc.	High School Addition	252,591
CTL Engineering, Inc.	High School Addition	5,047
Sidney Electric	High School Addition	83,000
Beem Construction	Locker Room Renovation	31,972
Slagle Mechanical	Locker Room Renovation	<u>20,717</u>
Total Contractual Commitments		<u>\$1,689,617</u>

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**20. SCHOOL FUNDING COURT DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$1,288,128 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001. As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**21. SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization. The following cash basis information describes the change in the year-end set aside amounts for textbooks/instructional materials, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<b>Textbooks/ Instructional Materials</b>	<b>Capital Acquisition</b>	<b>Budget Stabilization</b>
Set-aside Reserve Balance as of June 30, 1999	\$0	\$0	\$29,744
Current Year Set-aside Requirement	134,523	134,523	44,841
Current Year Offsets	0	(1,032,762)	(29,744)
Qualifying Disbursements	<u>(133,509)</u>	<u>0</u>	<u>0</u>
Total	<u>\$1,014</u>	<u>(898,239)</u>	<u>\$44,841</u>
Set-aside Reserve Balances	<u>\$1,014</u>	<u>(\$898,239)</u>	<u>\$44,841</u>

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**21. SET-ASIDE CALCULATIONS (Continued)**

The School District had offsets during the fiscal year that reduced the capital improvements set-aside below zero. This extra amount may be used to reduce the set-aside requirement in future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$45,855.

**22. CONTINGENCIES**

The School District received 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 is 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 School District at June 30, 2000.

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**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF JUNE 30, 1999**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Assets and Other Debits</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,015,968	\$129,828	\$304,947	\$6,471,751
Cash and Cash Equivalents With Fiscal Agents	0	6,590	1,750	0
Receivables:				
Property Taxes	3,366,450	0	988,294	0
Income Taxes	123,212	0	0	0
Accounts	43,019	4,630	0	0
Intergovernmental	2,800	0	0	0
Accrued Interest	1,376	0	0	0
Interfund	150,000	0	0	0
Inventory of Supplies and Materials	0	0	0	0
Inventory Held for Resale	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	69,741	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Debt	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0	0
<b>Total Assets and Other Debits</b>	<b><u>\$5,772,566</u></b>	<b><u>\$141,048</u></b>	<b><u>\$1,294,991</u></b>	<b><u>\$6,471,751</u></b>
<b>Liabilities, Fund Equity and Other Credits</b>				
<b>Liabilities:</b>				
Accounts Payable	\$118,073	\$1,612	\$0	\$99
Contracts Payable	0	0	0	373,958
Retainage Payable	0	0	0	27,939
Accrued Wages and Benefits Payable	425,523	4,875	0	0
Intergovernmental Payable	110,974	1,315	0	0
Interfund Payable	0	0	0	150,000
Due to Students	0	0	0	0
Deferred Revenue	3,297,130	0	965,723	0
Compensated Absences Payable	9,017	0	0	0
Matured Interest Payable	0	0	1,750	0
Early Retirement Incentive	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b><u>3,960,717</u></b>	<b><u>7,802</u></b>	<b><u>967,473</u></b>	<b><u>551,996</u></b>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	185,435	10,162	0	6,011,751
Reserved for Property Taxes	69,572	0	22,571	0
Reserved for Budget Stabilization	29,744	0	0	0
Reserved for School Bus Purchases	39,997	0	0	0
Designated for Budget Stabilization	41,378	0	0	0
Unreserved, Undesignated (Deficit)	1,445,723	123,084	304,947	(91,996)
<b>Total Fund Equity and Other Credits</b>	<b><u>1,811,849</u></b>	<b><u>133,246</u></b>	<b><u>327,518</u></b>	<b><u>5,919,755</u></b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b><u>\$5,772,566</u></b>	<b><u>\$141,048</u></b>	<b><u>\$1,294,991</u></b>	<b><u>\$6,471,751</u></b>

See Accompanying Notes to the General Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust And Agency			
\$102,692	\$52,232	\$0	\$0	\$9,077,418
0	0	0	0	8,340
0	0	0	0	4,354,744
0	0	0	0	123,212
145	0	0	0	47,794
4,612	0	0	0	7,412
0	0	0	0	1,376
0	0	0	0	150,000
828	0	0	0	828
11,664	0	0	0	11,664
0	0	0	0	69,741
52,948	0	9,124,089	0	9,177,037
0	0	0	327,518	327,518
0	0	0	9,591,643	9,591,643
<u>\$172,889</u>	<u>\$52,232</u>	<u>\$9,124,089</u>	<u>\$9,919,161</u>	<u>\$32,948,727</u>
\$7,848	\$0	\$0	\$0	\$127,632
0	0	0	0	373,958
0	0	0	0	27,939
18,083	0	0	0	448,481
28,984	0	0	42,670	183,943
0	0	0	0	150,000
0	52,232	0	0	52,232
8,871	0	0	0	4,271,724
13,685	0	0	396,491	419,193
0	0	0	0	1,750
0	0	0	30,000	30,000
0	0	0	9,450,000	9,450,000
<u>77,471</u>	<u>52,232</u>	<u></u>	<u>9,919,161</u>	<u>15,536,852</u>
0	0	9,124,089	0	9,124,089
95,418	0	0	0	95,418
0	0	0	0	6,207,348
0	0	0	0	92,143
0	0	0	0	29,744
0	0	0	0	39,997
0	0	0	0	41,378
0	0	0	0	1,781,758
<u>95,418</u>	<u>0</u>	<u>9,124,089</u>	<u>0</u>	<u>17,411,875</u>
<u>\$172,889</u>	<u>\$52,232</u>	<u>\$9,124,089</u>	<u>\$9,919,161</u>	<u>\$32,948,727</u>

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
Property Taxes	\$3,006,232	\$0	\$887,414	\$0	\$0	\$3,893,646
Income Taxes	391,309	0	0	0	0	391,309
Intergovernmental	2,045,383	174,394	45,238	96,194	0	2,361,209
Interest	135,848	0	0	255,640	0	391,488
Tuition and Fees	14,616	0	0	0	0	14,616
Rent	7,675	0	0	0	0	7,675
Charges for Services	48,351	0	0	0	0	48,351
Extracurricular Activities	15,539	127,437	0	2,500	0	145,476
Miscellaneous	35,362	10,237	0	1,200	0	46,799
<b>Total Revenues</b>	<b>5,700,315</b>	<b>312,068</b>	<b>932,652</b>	<b>355,534</b>	<b>0</b>	<b>7,300,569</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	3,044,793	0	0	80,324	0	3,125,117
Special	358,096	114,723	0	0	0	472,819
Vocational	242,428	1,800	0	937	0	245,165
Adult/Continuing	1,776	0	0	0	0	1,776
Support Services:						
Pupils	263,105	16,026	0	0	0	279,131
Instructional Staff	238,083	22,168	0	1,000	0	261,251
Board of Education	72,561	0	0	0	0	72,561
Administration	551,262	0	0	0	0	551,262
Fiscal	203,678	414	18,020	0	0	222,112
Business	44,181	0	0	0	0	44,181
Operation and Maintenance of Plant	453,965	0	0	0	0	453,965
Pupil Transportation	415,276	0	0	0	0	415,276
Central	5,493	0	0	0	0	5,493
Extracurricular Activities	160,697	104,361	0	0	0	265,058
Capital Outlay	61,828	0	0	1,290,953	0	1,352,781
Intergovernmental	0	4,159	0	0	0	4,159
Debt Service:						
Principal Retirement	15,000	5,000	290,000	0	0	310,000
Interest and Fiscal Charges	0	0	485,097	0	0	485,097
<b>Total Expenditures</b>	<b>6,132,222</b>	<b>268,651</b>	<b>793,117</b>	<b>1,373,214</b>	<b>0</b>	<b>8,567,204</b>
Excess of Revenues Over (Under) Expenditures	(431,907)	43,417	139,535	(1,017,680)	0	(1,266,635)
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	0	0	0	0	320	320
Operating Transfers Out	(320)	0	0	0	0	(320)
<b>Total Other Financing Sources (Uses)</b>	<b>(320)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>320</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(432,227)	43,417	139,535	(1,017,680)	320	(1,266,635)
Fund Balances (Deficit) at Beginning of Year	2,244,076	89,829	187,983	6,937,435	(320)	9,459,003
<b>Fund Balances at End of Year</b>	<b>\$1,811,849</b>	<b>\$133,246</b>	<b>\$327,518</b>	<b>\$5,919,755</b>	<b>\$0</b>	<b>\$8,192,368</b>

See Accompanying Notes to the General Purpose Financial Statements



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**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$2,666,924	\$2,991,550	\$324,626	\$0	\$0	\$0
Income Taxes	339,539	380,869	41,330	0	0	0
Intergovernmental	1,820,934	2,042,583	221,649	115,139	133,932	18,793
Interest	142,956	160,357	17,401	0	0	0
Tuition and Fees	12,512	14,035	1,523	0	0	0
Rent	6,842	7,675	833	0	0	0
Charges for Services	43,104	48,351	5,247	0	0	0
Extracurricular Activities	13,853	15,539	1,686	144,229	126,924	(17,305)
Miscellaneous	30,114	33,780	3,666	0	6,120	6,120
<b>Total Revenues</b>	<b>5,076,778</b>	<b>5,694,739</b>	<b>617,961</b>	<b>259,368</b>	<b>266,976</b>	<b>7,608</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	3,788,998	3,139,200	649,798	14,720	0	14,720
Special	317,692	263,209	54,483	84,216	84,216	0
Vocational	300,291	248,793	51,498	1,800	1,800	0
Adult/Continuing	2,139	1,772	367	0	0	0
Other	49,993	41,419	8,574	0	0	0
Support Services:						
Pupils	317,850	263,341	54,509	18,096	13,596	4,500
Instructional Staff	287,856	238,490	49,366	20,263	19,685	578
Board of Education	87,579	72,560	15,019	0	0	0
Administration	675,338	559,521	115,817	57,682	0	57,682
Fiscal	246,301	204,062	42,239	0	0	0
Business	52,662	43,630	9,032	0	0	0
Operation and Maintenance of Plant	561,442	465,157	96,285	0	0	0
Pupil Transportation	594,927	492,901	102,026	0	0	0
Central	6,894	5,712	1,182	0	0	0
Extracurricular Activities	198,011	164,053	33,958	121,789	116,639	5,150
Capital Outlay	91,116	75,490	15,626	0	0	0
Intergovernmental	0	0	0	5,387	4,159	1,228
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>7,579,089</b>	<b>6,279,310</b>	<b>1,299,779</b>	<b>323,953</b>	<b>240,095</b>	<b>83,858</b>
Excess of Revenues Over (Under) Expenditures	(2,502,311)	(584,571)	1,917,740	(64,585)	26,881	91,466
<b>Other Financing Sources (Uses):</b>						
Refund of Prior Year Expenditures	2,699	3,027	328	0	0	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	(386)	(320)	66	0	0	0
Advances In	22,666	25,425	2,759	0	0	0
Advances Out	(181,049)	(150,000)	31,049	(26,104)	(25,000)	1,104
<b>Total Other Financing Sources (Uses)</b>	<b>(156,070)</b>	<b>(121,868)</b>	<b>34,202</b>	<b>(26,104)</b>	<b>(25,000)</b>	<b>1,104</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,658,381)	(706,439)	1,951,942	(90,689)	1,881	92,570
Fund Balances at Beginning of Year	2,360,160	2,360,160	0	75,958	75,958	0
Prior Year Encumbrances Appropriated	265,624	265,624	0	40,259	40,259	0
<b>Fund Balances (Deficit) at End of Year</b>	<b>(\$32,597)</b>	<b>\$1,919,345</b>	<b>\$1,951,942</b>	<b>\$25,528</b>	<b>\$118,098</b>	<b>\$92,570</b>

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$805,175	\$883,209	\$78,034	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0	0	0
41,241	45,238	3,997	96,194	96,194	0	0	0	0
0	0	0	312,496	316,116	3,620	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	2,500	2,500	0	0	0
0	0	0	1,186	1,200	14	0	0	0
<u>846,416</u>	<u>928,447</u>	<u>82,031</u>	<u>409,876</u>	<u>416,010</u>	<u>6,134</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	94,009	81,760	12,249	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	937	937	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	1,247	1,000	247	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
23,085	18,020	5,065	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	7,411,522	7,302,544	108,978	0	0	0
0	0	0	0	0	0	0	0	0
371,508	290,000	81,508	0	0	0	0	0	0
621,440	485,097	136,343	0	0	0	0	0	0
<u>1,016,033</u>	<u>793,117</u>	<u>222,916</u>	<u>7,507,715</u>	<u>7,386,241</u>	<u>121,474</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(169,617)</u>	<u>135,330</u>	<u>304,947</u>	<u>(7,097,839)</u>	<u>(6,970,231)</u>	<u>127,608</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	320	320
0	0	0	0	0	0	0	0	0
0	0	0	148,282	150,000	1,718	0	0	0
0	0	0	0	0	0	0	(425)	(425)
<u>0</u>	<u>0</u>	<u>0</u>	<u>148,282</u>	<u>150,000</u>	<u>1,718</u>	<u>0</u>	<u>(105)</u>	<u>(105)</u>
(169,617)	135,330	304,947	(6,949,557)	(6,820,231)	129,326	0	(105)	(105)
169,617	169,617	0	6,389,954	6,389,954	0	105	105	0
0	0	0	567,105	567,105	0	0	0	0
<u>\$0</u>	<u>\$304,947</u>	<u>\$304,947</u>	<u>\$7,502</u>	<u>\$136,828</u>	<u>\$129,326</u>	<u>\$105</u>	<u>\$0</u>	<u>(\$105)</u>

ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

<b>Operating Revenues:</b>	
Sales	\$280,249
Charges for Services	8,311
Total Operating Revenues	<u>288,560</u>
<b>Operating Expenses:</b>	
Salaries and Wages	107,435
Fringe Benefits	67,642
Purchased Services	3,851
Supplies and Materials	8,339
Cost of Sales	155,942
Depreciation	11,701
Total Operating Expenses	<u>354,910</u>
Operating Loss	<u>(66,350)</u>
<b>Non-Operating Revenues:</b>	
Interest	675
Federal Donated Commodities	22,618
Federal and State Subsidies	36,486
Total Non-Operating Revenues	<u>59,779</u>
Net Loss	(6,571)
Fund Equity at Beginning of Year	<u>101,989</u>
<b>Fund Equity at End of Year</b>	<u><u>\$95,418</u></u>

*See Accompanying Notes to the General Purpose Financial Statements*

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

<b>Increase (Decrease) in Cash and Cash Equivalents:</b>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$288,415
Cash Payments for Employee Services and Benefits	(150,000)
Cash Payments to Suppliers for Goods and Services	(138,225)
Net Cash Provided by Operating Activities	<u>190</u>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Federal and State Subsidies Received	<u>31,874</u>
Net Cash Provided by Noncapital Financing Activities	<u>31,874</u>
<b>Cash Flows from Investing Activities:</b>	
Interest	<u>675</u>
Net Cash Provided by Investing Activities	<u>675</u>
Net Increase in Cash and Cash Equivalents	32,739
Cash and Cash Equivalents Beginning of Year	<u>69,953</u>
<b>Cash and Cash Equivalents End of Year</b>	<u><u>\$102,692</u></u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</b>	
Operating Loss	(\$66,350)
<b>Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:</b>	
Depreciation	11,701
Donated Commodities Received	22,618
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(145)
Decrease in Inventory of Supplies and Materials	2,425
Decrease in Inventory Held for Resale	44
Increase in Accounts Payable	4,821
Increase in Accrued Wages and Benefits Payable	3,722
Increase in Intergovernmental Payable	18,533
Increase in Compensated Absences Payable	2,821
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$190</u></u>

*See Accompanying Notes to the General Purpose Financial Statements*

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Sales	\$264,569	\$280,104	\$15,535
Charges for Services	8,224	8,311	87
Interest	668	675	7
Federal and State Subsidies	31,539	31,874	335
Total Revenues	<u>305,000</u>	<u>320,964</u>	<u>15,964</u>
<b>Expenses:</b>			
Salaries and Wages	116,169	103,222	12,947
Fringe Benefits	52,646	46,778	5,868
Purchased Services	5,535	4,918	617
Supplies and Materials	198,306	149,472	48,834
Capital Outlay	2,297	2,041	256
Total Expenses	<u>374,953</u>	<u>306,431</u>	<u>68,522</u>
Excess of Revenues Over (Under) Expenses	(69,953)	14,533	84,486
Fund Equity at Beginning of Year	55,648	55,648	0
Prior Year Encumbrances Appropriated	14,305	14,305	0
Fund Equity at End of Year	<u>\$0</u>	<u>\$84,486</u>	<u>\$84,486</u>

*See Accompanying Notes to the General Purpose Financial Statements*

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Anna Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The School 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 49 non-certificated employees and 68 certificated full-time teaching personnel who provide services to 1,125 students and other community members. The School District currently operates 2 instructional buildings and 1 vocational agriculture building.

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District is associated with four jointly governed organizations and two insurance purchasing pools. These organizations are discussed in Notes 17 and 18 to the general purpose financial statements. These organizations are:

**Jointly Governed Organizations:**

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

**Insurance Purchasing Pools:**

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

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Anna Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

**1. Governmental Fund Types**

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and the trust fund) are accounted for through governmental funds. The following are the School District's governmental fund types:

**General Fund**

The General Fund is the operating fund of the School 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 School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditure for specified purposes.



**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis Of Presentation - Fund Accounting (Continued)**

**1. Governmental Fund Types (Continued)**

**Debt Service Fund**

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**Capital Projects Funds**

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or the trust fund).

**2. Proprietary Fund Type**

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

**Enterprise Funds**

Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**3. Fiduciary Fund Types**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's fiduciary funds include expendable trust and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**4. Account Groups**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group**

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis Of Presentation - Fund Accounting (Continued)**

**4. Account Groups (Continued)**

**General Long-Term Obligations Account Group**

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District does not have any contributed capital. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, taxpayer-assessed income taxes, interest, interfund, tuition, grants and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus and Basis of Accounting (Continued)**

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The Title III, Title VI-B and Preschool Special Revenue Funds grant activity that is administered by a fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the fund, function, and object level of expenditures for the General Fund and at the fund level for all other funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**1. Tax Budget:**

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

**2. Estimated Resources:**

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Data (Continued)**

**2. Estimated Resources:**

On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

**3. Appropriations:**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation, or alter fund, function, or object appropriations within the General Fund must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, one supplemental appropriation was legally enacted; however, it was not significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including the supplemental appropriation. Formal budgetary integration is employed as a management control device during the year for all funds other than the agency fund, consistent with statutory provisions.

**4. Encumbrances:**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**5. Lapsing of Appropriations:**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents" and represents deposits. In addition, the balance of the Title III, Title VI-B and Preschool grants administered by the fiscal agent is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents."

During fiscal year 1999, investments consisted of Federal National Mortgage Association Medium Term Notes, Federal Farm Credit Bank Medium Term Note, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Bonds and Debentures and STAR Ohio.

Investments are reported at fair value which is based on quoted market prices.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 1999 amounted to \$135,848 which includes negative \$81,278 assigned from other School District funds. The Anna Board of Education resolution allows interest to also be recorded in the Building Capital Projects Fund and the Food Service Enterprise Fund. Interest in these funds amounted to \$255,640, and \$675, respectively.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**E. Inventory**

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, non-food supplies, and purchased food and are expensed when used.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Restricted Assets**

Restricted assets in the General Fund are cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent resources restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 21 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred fifty dollars. The School District does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of ten years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**H. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. The School District currently participates in several State and Federal programs, categorized as follows:

**Entitlements**

**General Fund**

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Allocation

**Non-Reimbursable Grants**

**Special Revenue Funds**

- Education Management Information Systems
- Title III
- Preschool Grant
- Title I
- Title VI
- Title VI-B

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Intergovernmental Revenues (Continued)**

**Non-Reimbursable Grants (Continued)**

**Special Revenue Funds (Continued)**

- Teacher Development
- Textbook Subsidy
- Library Automation Systems
- Continuous Improvement
- Young Farmers

**Capital Projects Funds**

- School Net Plus
- Interactive Video Distance Learning
- Vocational Equipment

**Reimbursable Grants**

**General Fund**

- Driver Education

**Proprietary Funds**

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 32 percent of governmental fund revenue during the 1999 fiscal year.

**I. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "interfund receivables" and "interfund payables."

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after eight years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the General Long-Term Obligations Account Group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and the incentive and pension contributions that will be paid from governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid with current available financial resources. General obligation bonds and the early retirement incentive are reported as a liability of the General Long-Term Obligations Account Group until due.

Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**L. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**M. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, budget stabilization, and school bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

**N. Estimates**

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

**O. Fund Designation**

Fund balance designations may be established to indicate tentative planned expenditures of financial resources. The designations reflect the School District's intentions and are subject to change. Designations are reported as part of unreserved fund balance. Designations represent amounts set aside for budget stabilization which exceed the statutory required amount. The amount designated for budget stabilization at June 30, 1999 was \$41,378.



**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**P. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**3. COMPLIANCE AND ACCOUNTABILITY**

**A. Compliance**

The General Fund had appropriations in excess of estimated revenues and available balances for fiscal year ended June 30, 1999, in the amount of \$32,597.

**B. Accountability**

The Chapter I Special Revenue Fund had a deficit fund balance at June 30, 1999 in the amount of \$6,182, which was created by the application of generally accepted accounting principles. The General Fund provides transfers, or advances, to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

All obligations were not certified by the fiscal officer that funds were available for the obligation, and Ohio Revised Code "412" certifications were not attached to the appropriation measures.

**4. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental and Similar Fiduciary Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Budgetary Basis) and Actual - Proprietary Fund Type, are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING (Continued)**

4. The School District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets. However, the activities of the fiscal agent that pertain to Anna Local School District are included in the special revenue funds for GAAP reporting purposes.
5. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

**Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types and Similar Fiduciary Fund**

	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Expendable Trust</b>
GAAP Basis	(\$432,227)	\$43,417	\$139,535	(\$1,017,680)	\$320
Revenue Accruals	(2,549)	(4,630)	(4,205)	60,476	0
Expenditure Accruals	53,395	2,512	0	400,560	0
Excess of Revenues (Over) Expenditures for Nonbudgeted Funds	0	(2,688)	0	0	0
Advances In	25,425	0	0	150,000	0
Advances Out	(150,000)	(25,000)	0	0	(425)
Encumbrances	(200,483)	(11,730)	0	(6,413,587)	0
Budget Basis	<u>(\$706,439)</u>	<u>\$1,881</u>	<u>\$135,330</u>	<u>(\$6,820,231)</u>	<u>(\$105)</u>

**Net Loss/Excess of Revenues Over Expenses  
Proprietary Fund Type**

	<b><u>Enterprise</u></b>
GAAP Basis	(\$6,571)
Revenue Accrual	(4,757)
Expense Accrual	34,835
Inventory Held for Resale	(44)
Inventory of Supplies and Materials	(2,425)
Depreciation Expense	11,701
Encumbrances	<u>(18,206)</u>
Budget Basis	<u><u>\$14,533</u></u>

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**5. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School 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 School 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, 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 are permitted to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes debentures, or any other obligations or security 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligation, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School 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 classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

The "Cash and Cash Equivalents With Fiscal Agent" of \$6,590 shown in the special revenue funds is maintained with the Shelby County Educational Service Center. Disclosures regarding this amount can be obtained from their annual report.

**Deposits:** At fiscal year end, the carrying amount of the School District's deposits was \$220,879 and the bank balance was \$303,098. Of the bank balance:

- A. \$101,750 was covered by federal depository insurance; and
- B. \$201,348 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments:** The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Category 1</u>	<u>Category 2</u>	<u>Fair Value</u>
Federal National Mortgage Association MTNs	\$399,920	\$491,775	\$891,695
Federal Farm Credit Bank MTN	249,878	295,260	545,138
Federal Home Loan Bank Bonds	2,913,704	2,024,825	4,938,529
Federal Home Loan Mortgage Corporation Bonds	0	491,500	491,500
Federal Home Loan Mortgage Corporation Debentures	983,125	344,490	1,327,615
	<u>\$4,546,627</u>	<u>\$3,647,850</u>	8,194,477
STAR Ohio			733,553
Totals			<u>\$8,928,030</u>

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<b>Cash and Cash Equivalents/Deposits</b>	<b>Investments</b>
GASB Statement 9	\$9,155,499	\$0
Cash and Cash Equivalents With Fiscal Agents	(6,590)	0
Investments:		
Federal National Mortgage Association MTNs	(891,695)	891,695
Federal Farm Credit Bank MTN	(545,138)	545,138
Federal Home Loan Bank Bonds	(4,938,529)	4,938,529
Federal Home Loan Mortgage Corporation Bonds	(491,500)	491,500
Federal Home Loan Mortgage Corporation Debentures	(1,327,615)	1,327,615
STAR Ohio	(733,553)	733,553
GASB Statement 3	\$220,879	\$8,928,030

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999, and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**6. PROPERTY TAXES (Continued)**

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later 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 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.

The assessed values upon which fiscal year 1999 taxes were collected are:

	<b>1998 Second- Half Collections</b>		<b>1999 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$52,057,930	41.63%	\$53,312,270	38.57%
Public Utility	5,779,410	4.62	5,796,620	4.19
Tangible Personal Property	67,209,315	53.75	79,123,867	57.24
Total Assessed Value	<u>\$125,046,655</u>	<u>100.00%</u>	<u>\$138,232,757</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$29.20		\$30.90	

The millage increased due to a voted levy which combined an existing levy with a new levy for a net increase of 1.7 mills for school construction and improvement.

The School District receives property taxes from Shelby County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$69,572 in the General Fund and \$22,571 in the Bond Retirement Debt Service Fund.

**7. INCOME TAX**

The School District levies a voted tax of one-half 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 School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

**8. RECEIVABLES**

Receivables at June 30, 1999, consisted of both property and income taxes, accounts (student fees), interest, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**8. RECEIVABLES (Continued)**

A summary of the principal items of intergovernmental receivables follows:

	<b>Amounts</b>
General Fund	
Drivers Education Reimbursement	\$900
Foundation Adjustment	1,900
Total General Fund	2,800
Food Service Enterprise Fund	
Federal and State Lunch Reimbursement	4,612
Total Intergovernmental Receivable	\$7,412

**9. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$161,066
Less Accumulated Depreciation	(108,118)
Net Fixed Assets	\$52,948

A summary of the changes in general fixed assets during fiscal year 1999 follows:

<b>Asset Category</b>	<b>Balance at 6/30/98</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at 6/30/99</b>
Land and Improvements	\$801,578	\$0	\$0	\$801,578
Buildings and Improvements	4,943,439	0	9,990	4,933,449
Improvements Other Than	157,605	0	0	157,605
Furniture, Fixtures and Equipment	1,293,681	133,324	42,421	1,384,584
Vehicles	534,017	56,675	18,455	572,237
Construction in Progress	186,161	1,088,475	0	1,274,636
Total General Fixed Assets	\$7,916,481	\$1,278,474	\$70,866	\$9,124,089

**10. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance for general liability and automobile insurance.

**ANNA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**10. RISK MANAGEMENT (Continued)**

Property coverage was provided by Auto Owners Insurance is as follows:

	<u><b>Building</b></u>	<u><b>Contents</b></u>
Middle High School	\$7,300,000	\$1,005,000
Agriculture Building	300,000	75,000
Grange	60,000	50,000
Greenhouse	26,000	1,000
Elementary	6,045,000	650,000
Storage Barn	10,500	1,000
Concession	61,000	20,000
Antenna	2,750	0
Shelter House	6,250	0
Track	10,000	0
Basketball Court lights, polls, fence	30,000	0

General liability coverage is \$1,000,000 per occurrence and \$5,000,000 in aggregate. Automobile liability coverage is \$2,000,000 and carries a \$250 collision deductible.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reductions in insurance coverage from last year.

**B. Workers' Compensation**

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School 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.

**11. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School 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.



**ANNA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

**A. School Employees Retirement System (Continued)**

SERS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion to fund pension obligations. For fiscal year 1998, 9.02 percent was 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 School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$61,275, \$72,020, and \$81,629, respectively; 51 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$30,143 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments and death and survivor benefits and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$160,999, \$355,333, and \$321,589, respectively; 81 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$30,499 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**12. POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$214,665 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$58,551.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998, (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**ANNA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**13. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days for all personnel. Upon retirement or twenty years of service with Anna Local School District, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 47 days. The Treasurer and the Superintendent may accrue sick leave up to a maximum of 200 days. Upon retirement, payment to the Treasurer and Superintendent is made for 35 percent of accrued, but unused sick leave credit to a maximum of 45 days.

**B. Early Retirement Incentive**

The School District's Board of Education approved an Early Retirement Incentive program. Upon initial eligibility for STRS retirement benefits, the following options were available to bargaining unit members for the time period July 1, 1994 to June 30, 1997. An eligible employee could choose one of the following options:

1. The Board will pay the cost incurred of purchasing one additional year of service, and \$7,500 to be paid within six months of retirement, or
2. The Board will pay a one-time lump sum of \$18,000, at the teacher's discretion but within six months of official retirement, or
3. The Board will make four annual payments of \$5,000, beginning January 5, the year after retirement and for each of the next three years.

At June 30, 1999, the School District had a liability for three employees that had elected option three during the period the incentive was offered. The liability has been recorded as an early retirement incentive liability in the General Long-Term Obligations Account Group. These expenditures are reflected as principal expenditures in the General Fund.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**14. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	<b>Amount Outstanding 6/30/98</b>	<b>Additions</b>	<b>Deductions</b>	<b>Amount Outstanding 6/30/99</b>
1998 School Building Construction and Improvement Bonds-3.65 to 5.1%	\$9,740,000	\$0	\$290,000	\$9,450,000
Intergovernmental Payable	44,239	42,670	44,239	42,670
Compensated Absences	406,237	0	9,746	396,491
Early Retirement Incentive	50,000	0	20,000	30,000
<b>Total General Long-Term Obligations</b>	<b>\$10,240,476</b>	<b>\$42,670</b>	<b>\$363,985</b>	<b>\$9,919,161</b>

In fiscal year 1998, the School District defeased general obligation bonds by placing enough money in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust assets and the liability for the defeased bonds are not included in the School District's financial statements. At June 30, 1999, the principal outstanding is \$2,580,000.

The School Building Construction and Improvement Refunding Bonds will be paid from the Bond Retirement Debt Service Fund. Intergovernmental payable, compensated absences, and the early retirement incentive will be paid from the fund from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period.

The School District's overall legal debt margin was \$3,318,466 with an unvoted debt margin of \$138,233 at June 30, 1999. Principal and interest requirements to retire general obligation debt outstanding at June 30, 1999, are as follows:

<b>Fiscal year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2000	\$315,000	\$473,820	\$788,820
2001	335,000	461,303	796,303
2002	350,000	447,770	797,770
2003	420,000	432,160	852,160
2004	460,000	414,005	874,005
2005-2009	1,805,000	1,675,755	3,480,755
2010-2014	1,590,000	1,276,917	2,866,917
2015-2019	2,070,000	807,237	2,877,237
2020-2022	2,105,000	221,468	2,326,468
<b>Total</b>	<b>\$9,450,000</b>	<b>\$6,210,435</b>	<b>\$15,660,435</b>

**15. INTERFUND ACTIVITY**

At June 30, 1999, a receivable existed in the General Fund and a payable existed in the Building Capital Projects Fund in the amount of \$150,000 as a result of an interfund transaction.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**16. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Anna Local School District as of and for the fiscal year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$245,360	\$43,191	\$288,560
Depreciation Expense	11,701	0	11,701
Operating Income (Loss)	(80,307)	13,957	(66,350)
Interest	675	0	675
Donated Commodities	22,618	0	22,618
Federal and State Subsidies	36,486	0	36,486
Net Income (Loss)	(20,528)	13,957	(6,571)
Net Working Capital	19,115	56,936	76,051
Total Assets	108,418	64,471	172,889
Long-Term Intergovernmental Payable	19,896	0	19,896
Long-Term Compensated Absences Payable	13,685	0	13,685
Total Equity	38,482	56,936	95,418
Encumbrances Outstanding at June 30, 1999	2,015	16,191	18,206

**17. JOINTLY GOVERNED ORGANIZATIONS**

**Western Ohio Computer Organization** - The School 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. The School District paid WOCO \$16,696 for services provided during the year. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

**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. No financial contributions occurred with this entity during fiscal year 1999. Information can be obtained from Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**17. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**Anna 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 Anna Local School 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. The seven of the nine trustees must be residents of the Anna Local School District. No financial contributions occurred with this entity during fiscal year 1999. Information on this organization be obtained from David Richard, who serves as Treasurer, at Post Office Box 475, Anna, Ohio 45302.

**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.

All superintendents except those from the educational service centers vote on the representatives after the nominating committee nominates individuals to run. One at-large non-public representative is elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area. All members are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets are distributed to the federal government, or to a state or local government, for a public purpose. During fiscal year 1999, the School District paid \$953 to SOITA from the General Fund. Information can be obtained from Steve Strouse, who serves as Director, at 105 East Sixth Street, Franklin, Ohio 45005.

**18. INSURANCE PURCHASING POOLS**

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

**Shelby County Schools Consortium** - The Shelby County Schools Consortium is a group purchasing pool among seven local school districts and the Shelby County Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts together to provide health/surgical, dental and term-life benefits to its participants at a lower rate than if individual districts acted independently. Each school district pays monthly premiums to the provider, Anthem Blue Cross/Blue Shield 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. In fiscal year 1999, Anna Local School District contributed \$393,474. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, at 131 North Ludlow Street, Dayton, Ohio 45402.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**19. SIGNIFICANT CONTRACTUAL COMMITMENTS**

As of June 30, 1999, the School District had contractual purchase commitments, obligated as encumbrances or contracts payable against the general and capital project funds, as follows:

<b>Company</b>	<b>Project</b>	<b>Amount Remaining on Contract</b>
Toshiba	Computer Memory Upgrades	\$41,860
Cardinal Bus Sales	Bluebird Bus	57,098
Winners Nursery, Inc.	Irrigation System for Football Field	8,700
Wells Brothers, Inc.	Installation of Well Pump	11,900
Wagner Paving, Inc.	Parking Lot Paving	47,735
Fanning/Howey Associates	High School Addition	474,000
Beem Construction	High School Addition	3,581,000
Farnham Equipment	High School Addition	195,000
Central Fire	High School Addition	187,217
Slagle Mechanical Contractors	High School Addition	364,017
Regal Plumbing and Heating	High School Addition	986,639
Wells Brothers, Inc.	High School Addition	1,125,000
CTL Engineering, Inc.	High School Addition	33,000
Sidney Electric	High School Addition	<u>83,000</u>
Total Contractual Commitments		<u>\$7,196,166</u>

**20. SCHOOL FUNDING COURT DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$1,716,339 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this date, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**21. SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization. The School District also receives grant monies designated for school bus purchases. The balance of the grant is shown as a reserve for bus purchases.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<b>Textbooks</b>	<b>Capital Acquisition</b>	<b>Budget Stabilization</b>	<b>Totals</b>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$29,744	\$29,744
Current Year Set-aside Requirement	82,757	82,757	0	165,514
Current Year Offsets	(14,634)	0	0	(14,634)
Qualifying Disbursements	<u>(414,640)</u>	<u>(82,757)</u>	<u>0</u>	<u>(497,397)</u>
Total	<u>(346,517)</u>	<u>0</u>	<u>29,744</u>	<u>(316,773)</u>
Cash Balance Carried Forward to FY1999	<u>\$0</u>	<u>\$0</u>	<u>\$29,744</u>	<u>\$29,744</u>
Amount restricted for School Bus Purchases				<u>39,997</u>
Total Restricted Assets				<u>\$69,741</u>

Although the School District had offsets and qualifying disbursements for textbooks and instructional materials during the year that reduced the set-aside amount to below zero, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

**22. CONTINGENCIES**

The School District received 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 is 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 School District at June 30, 1999.





STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Anna Local School District  
Shelby County  
One McRill Way  
Anna, Ohio 45302

To the Board of Education:

We have audited the financial statements of Anna Local School District as of and for the years ended June 30, 2000 and 1999, and have issued our report thereon dated January 5, 2001, which was qualified due to insufficient evidential matter regarding ala carte sales revenue in the Proprietary Fund Type. Except as noted in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Anna Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-10375-001 through 2000-10375-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 5, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Anna Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2000-10375-002 and 2000-10375-004.

**Internal Control Over Financial Reporting  
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider 2000-10375-004 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 5, 2001.

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

**Jim Petro**  
Auditor of State

January 5, 2001

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999**

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

<b>Finding Number</b>	<b>2000-10375-001</b>	<b>Noncompliance</b>
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Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing authority shall make any contract or give any order involving the expenditure of money unless there is attached thereto, a certificate of the fiscal officer that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

In addition, Ohio Admin. Code, Section 117-2-16, requires the use and designates the form of purchase orders for use in schools. In part, this section provides that: a) all purchase orders shall be numbered consecutively and shall be prepared by the purchasing authority; b) Two copies should be forwarded to the treasurer who shall complete and sign the certificate and forward a copy to the vendor. The treasurer's copy shall be used as the source entry for posting to the appropriation ledger. The third copy should remain with the purchasing agent and shall serve as a receiving report and be returned to the treasurer once the goods or services are received and verified. The third copy of the purchase order shall be attached to the voucher along with the invoice; c) Each executed purchase order shall provide the date, price, amount, accounting information, and other required information in the column or spaces provided on the prescribed form; and d) the purchase order form and the purchase order requisition shall be substantially in the required form.

The use of purchase orders is required in order to implement the following exception to this basic requirement provided by Ohio Rev. Code Section 5705.41(D):

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that the certification is being completed, sufficient funds were available or were in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of the warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Test results revealed that 24 of the sixty transactions, or 40%, lacked evidence of the fiscal officer's certification. In addition, there was no evidence of subsequent certification as permitted by the "then and now" exception. Additionally, purchase orders were not used for these transactions and consequently encumbrances were not recorded until payment of the obligation. This practice inhibits the treasurer's ability to properly certify obligations as required, as the accounting/budgetary system does not provide accurate information regarding unencumbered appropriations.

Prior certification should be obtained and evidenced for all expenditures. Purchase orders should be used as a certification vehicle, source of encumbrance postings, and in evidence for all expenditures. This would provide for a reliable system of encumbering and allow the treasurer to track the amount of outstanding encumbrances and available unencumbered balance, thus allowing for accurate certifications. Management should review the requirements and exceptions (i.e. Then and Now Certificate, etc), which are provided by statute and refer to the *Ohio Compliance Supplement*. Also, subsequent to the June 30, 2000 fiscal year, the Ohio Admin. Code Section stated above has been repealed. The District should refer to the revised Ohio Administrative Code for guidance.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2000-10375-002</b>	<b>Noncompliance/Reportable Condition</b>
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Ohio Rev. Code Section 5705.36 allows all local governments to request increased amended certificates of estimated resources and allows school districts, municipalities, and counties to request amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. In addition, Ohio Admin. Code Section 117-2-12 (B) states that each district shall post to each receipts account the estimated amounts of money anticipated to be received into the account as specified by the budget commission in its official estimate of balances and receipts set forth in the certificate of estimated resources.

At the end of each fiscal year, the "SETBAL" function was used to make budgeted and actual revenues match without filing the appropriate form with the County Budget Commission and without obtaining proper approval from the Board of Education. The lack of estimated receipts posted to the system makes it difficult to compare actual to estimated revenues throughout the year, in order to determine if an amended certificate would have been necessary, during either fiscal year. However, the Official Certificate of Estimated Resources was amended once, in late June, for each fiscal year.

Without properly recording approved estimated resources, a review of the estimated revenue amounts versus actual revenue, per the accounting/ budgetary system, cannot be used to monitor District revenue, nor can the system be used to monitor expenditures and appropriations relative to updated estimates of revenues.

Administration should develop and implement procedures for monitoring budget vs actual revenue figures. This could be performed by posting the budgeted revenue amounts, approved by the County Budget Commission on the Official Certificate of Estimated Resources, to the accounting system and review the monthly Revenue Account Summary (REVSUM) reports generated to evaluate whether collections are in line with anticipated revenues and to determine if amendments are necessary. Management should review the requirements which are provided by statute, and refer to the *Ohio Compliance Supplement*. Also, subsequent to the June 30, 2000 fiscal year, the Ohio Admin. Code Section stated above has been repealed. The District should refer to the revised Ohio Administrative Code for guidance.

<b>Finding Number</b>	<b>2000-10375-003</b>	<b>Noncompliance</b>
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Ohio Rev. Code Section 5705.412, states no school district is to: adopt any appropriation, make any contract, give any order to expend money or increase salary schedules during any school year without attaching a "412" certificate. This certificate is to be signed by the treasurer, board president, and the superintendent. The certificate provides that the school district has in effect for the remainder of the fiscal year and the succeeding fiscal year the authorization to levy taxes which, when combined with estimated revenue from all other sources available at the time of certification, are sufficient to provide the operating revenues necessary to enable the district to operate an adequate educational program for all days in the current and succeeding fiscal year.

There were no "412" certificates attached to the appropriation measure.

Ohio Rev. Code Section 5705.412 certificates should be executed and attached to appropriation measures (except certain temporary measures); negotiated agreements (e.g. professional association ["union"] contracts); contracts for benefits (e.g., major health insurance contracts), increased salary or wage schedules and (significant) construction and other contracts. Ohio Rev. Code Section 5705.412, was revised by SB 77 effective June 30, 2000, and the District should refer to the *Ohio Compliance Supplement* for guidance on the issuance of "412 certificates" subsequent to that date.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999  
(Continued)**

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

<b>Finding Number</b>	<b>2000-10375-004</b>	<b>Material Weakness</b>
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**Food Service - Documentation of Ala Carte Revenues**

Review of the daily cafeteria reports used to prepare the School Lunch and Milk Program Daily Worksheet (CN7) lacked accompanying reconciliations of ala carte beginning inventory plus purchases to sales and ending inventory to provide evidence that ala carte sales revenue was recorded in its entirety.

The lack of sufficient records and documents (evidential matter), to support the ala carte revenues could result in the manipulation of collections with the inability of school personnel to detect discrepancies or errors during the normal course of operation.

Management has installed a debit card system and implemented procedures which should provide documentation to support ala carte collections, in subsequent years. However, reconciliations should be performed between the ala carte items inventory, ala carte items sold, and the respective receipts collected by the high school cafeteria to support the accuracy of the collections. Documentation should be maintained on ala carte items sold, and collections should be reconciled to inventory usage.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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 6, 2001**