



**Auditor of State  
Betty Montgomery**



**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying financial statements of Anna Local School District, Shelby County, (the District), as of and for the years ended June 30, 2004 and June 30, 2003. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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.

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects the combined fund cash balances of Anna Local School District, as of June 30, 2004 and June 30, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the years then ended on the basis of accounting described in Note 2.

As described in Note 3, during the year ended June 30, 2003, the District changed its method of accounting for financial reporting.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2005, 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.

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This report is intended solely for the information and use of the finance/audit committee, management, the Board of Education, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 15, 2005

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Expendable Trust
<b>Cash Receipts</b>						
Taxes	\$5,394,669		\$999,440	\$281,084		\$6,675,193
Tuition	89,718					89,718
Intergovernmental	2,322,228	\$278,478	56,570	15,762		2,673,038
Interest	66,916					66,916
Extracurricular Activities		166,124			\$11,789	177,913
Classroom Materials & Fees	14,465					14,465
Miscellaneous	51,706					51,706
<b>Total Cash Receipts</b>	<b>7,939,702</b>	<b>444,602</b>	<b>1,056,010</b>	<b>296,846</b>	<b>11,789</b>	<b>9,748,949</b>
<b>Cash Disbursements</b>						
Current:						
Instruction:						
Regular	3,692,353	16,117		80,797		3,789,267
Special	363,575	201,471				565,046
Vocational	254,591	6,733				261,324
Adult/Continuing	787					787
Other	56,117					56,117
Support Services:						
Pupils	471,124	25,207		37,679		534,010
Instruction	289,134	44,457				333,591
Board of Education	57,396					57,396
Administration	675,718	784				676,502
Fiscal	285,543	1,219	22,192	6,291		315,245
Business	58,673	6,000				64,673
Operation and Maintenance	799,487			1,952		801,439
Transportation	465,984			103,371		569,355
Central Services					9,297	9,297
Noninstructional Services						
Extracurricular Activities	255,590	120,086				375,676
Capital Outlay	3,200			148,231	3,922	155,353
Debt Service:			874,005			874,005
<b>Total Cash Disbursements</b>	<b>7,729,272</b>	<b>422,074</b>	<b>896,197</b>	<b>378,321</b>	<b>13,219</b>	<b>9,439,083</b>
Cash Receipts Over (Under)						
Cash Disbursements	210,430	22,528	159,813	(81,475)	(1,430)	309,866
<b>Other Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	3,246					3,246
Advances-In	189,382			375,000		564,382
Refund of Prior Year Expenditures	221	23				244
Transfers-Out	(25,000)					(25,000)
Advances-Out	(392,000)	(4,382)		(150,000)		(546,382)
<b>Total Other Sources (Uses)</b>	<b>(224,151)</b>	<b>(4,359)</b>		<b>225,000</b>		<b>(3,510)</b>
Cash Receipts and Other Sources Over (Under) Cash Disbursements and Other Uses	(13,721)	18,169	159,813	143,525	(1,430)	306,356
Fund Cash Balances at Beginning of Year						
Restated - See Note 3	1,920,676	179,139	1,294,925	308,678	37,857	3,741,275
<b>Fund Cash Balances at End of Year</b>	<b>\$1,906,955</b>	<b>\$197,308</b>	<b>\$1,454,738</b>	<b>\$452,203</b>	<b>\$36,427</b>	<b>\$4,047,631</b>

*The notes to the financial statements are an integral part of this statement.*

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Proprietary Fund Type</u>		<u>Fiduciary Funds</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
<b>Operating Cash Receipts</b>				
Food Services	\$299,902			\$299,902
Extracurricular Activities		\$15,946	\$287,981	303,927
Classroom Materials & Fees	46,363			46,363
<b>Total Operating Cash Receipts</b>	<b>346,265</b>	<b>15,946</b>	<b>287,981</b>	<b>650,192</b>
<b>Operating Cash Disbursements</b>				
Salaries	144,598			144,598
Fringe Benefits	62,295			62,295
Purchased Services	3,945		124,669	128,614
Materials and Supplies	197,618		156,992	354,610
Other Objects		16,507		16,507
<b>Total Operating Cash Disbursements</b>	<b>408,456</b>	<b>16,507</b>	<b>281,661</b>	<b>706,624</b>
Operating Cash Receipts Over(Under) Operating Cash Disbursements	(62,191)	(561)	6,320	(56,432)
<b>Non-Operating Receipts</b>				
Interest	128			128
Federal and State Subsidies	43,869			43,869
<b>Total Non-Operating Receipts</b>	<b>43,997</b>			<b>43,997</b>
Operating and Nonoperating Cash Receipts Over(Under) Operating Cash Disbursements Before Transfers and Advances	(18,194)	(561)	6,320	(12,435)
Transfers-In	25,000			25,000
Advances-In	10,000		7,000	17,000
Advances-Out	(25,000)		(10,000)	(35,000)
<b>Net Receipts Over/(Under) Disbursements</b>	<b>(8,194)</b>	<b>(561)</b>	<b>3,320</b>	<b>(5,435)</b>
Fund Cash Balance at Beginning of Year	166,556	2,204	73,085	241,845
<b>Fund Cash Balance at End of Year</b>	<b>\$158,362</b>	<b>\$1,643</b>	<b>\$76,405</b>	<b>\$236,410</b>

*The notes to the financial statements are an integral part of this statement.*



**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<b>Fund Types/Fund</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable/ (Unfavorable)</b>
<b>Governmental:</b>			
General Fund	\$7,768,810	\$7,943,169	\$174,359
Special Revenue Funds	293,121	444,625	151,504
Debt Service Fund	992,717	1,056,010	63,293
Capital Project Funds	754,220	296,846	(457,374)
<b>Proprietary:</b>			
Enterprise Funds	444,092	415,262	(28,830)
Internal Service Fund	15,946	15,946	
<b>Fiduciary:</b>			
Expendable Trust Fund	11,768	11,789	21
Agency Fund	231,854	287,981	56,127
Total (Memorandum Only)	<u>\$10,512,528</u>	<u>\$10,471,628</u>	<u>(\$40,900)</u>

*The notes to the financial statements are an integral part of this statement.*

ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY

**COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Fund Types/Fund	Prior Year Carryover Appropriations	2004 Appropriations	Total	Actual 2004 Disbursements	Encumbrances Outstanding At 6/30/04	Total	Variance Favorable/ (Unfavorable)
<b>Governmental:</b>							
General Fund	\$186,025	\$9,683,473	\$9,869,498	\$7,754,272	\$88,486	\$7,842,758	\$2,026,740
Special Revenue Funds	4,287	446,391	450,678	422,074	9,365	431,439	19,239
Debt Service Funds		2,287,643	2,287,643	896,197		896,197	1,391,446
Capital Project Funds	233,258	679,639	912,897	378,321	384,550	762,871	150,026
<b>Proprietary:</b>							
Enterprise Funds	9,122	576,525	585,647	408,456	11,212	419,668	165,979
Internal Service Funds		18,151	18,151	16,507	1,517	18,024	127
<b>Fiduciary:</b>							
Expendable Trust Fund		58,995	58,995	13,219	27,363	40,582	18,413
Agency Fund	492	294,447	294,939	281,661	4,114	285,775	9,164
Total (Memorandum Only)	<u>\$433,184</u>	<u>\$14,045,264</u>	<u>\$14,478,448</u>	<u>\$10,170,707</u>	<u>\$526,607</u>	<u>\$10,697,314</u>	<u>\$3,781,134</u>

*The notes to the financial statements are an integral part of this statement.*

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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

The District serves an area of approximately 70 square miles. It is located in Shelby County, and includes all of the Villages of Anna and Kettlersville and all or part of Van Buren, Dinsmore, Franklin, Turtle Creek, Salem and McLean Townships. It is staffed by 56 non-certified employees, 78 certified full-time teaching personnel, and four administrative employees who provide services to 1,224 students and other community members. The District currently operates two instructional buildings and one vocational agriculture building.

**Reporting Entity:**

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

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

The District participates in five jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Notes 12 and 13 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
- Shelby County Local Professional Development Consortium

**Insurance Purchasing Pools:**

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

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

As required by Ohio Administrative Code Section 117-2-03 (B), the District prepared and filed its annual financial report in accordance with generally accepted accounting principles. However, the District chooses to prepare (for audit purposes) its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**B. Fund Accounting**

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements.

The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of fund are as follows:

1. **Governmental Fund Types** - Governmental funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

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

**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 disbursements 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 obligation principal, interest, and related costs.

**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.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

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

**Enterprise Funds** - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

- 3. Fiduciary Fund Type** - Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

**C. Budgetary Process**

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. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the fiscal year with the legal restriction that appropriations, by fund, cannot exceed estimated resources, as certified.

All funds, other than the agency fund, are required to be budgeted and appropriated. The Title VI-B and Preschool Special Revenue Funds' activity that is administered by a fiscal agent is not budgeted by the District. The legal level of budgetary control is at the fund and object level for the General Fund and at the fund level for all other appropriated funds. Any budgetary modifications at this level of control may only be made by resolution of the Board of Education. The Treasurer has been given the authority to further allocate the Board's appropriations to the function and/or object levels within all funds but the General Fund.

**1. Tax Budget:**

The County Auditor determines the need for existing (or increased) tax rates. The County Auditor requests information from the District deemed necessary to make a determination of the tax rate.

**2. Estimated Resources:**

Prior to 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 District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal 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 fiscal year. The certificate may be further amended during the fiscal year if projected increases or decreases in receipts are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriation resolution was passed by the Board of Education.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The total of disbursements and encumbrances may not exceed the appropriation totals at any legal level of control. 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 fiscal 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 adopted during the current fiscal year, including all amendments and modifications. Formal budgetary integration is employed as a management control device by the Board of Education during the fiscal year at the fund/object level for the General Fund and at the fund level for the remaining funds other than the agency fund, consistent with statutory provisions.

**4. Encumbrances:**

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

**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.

**D. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records.

During fiscal year 2004, investments consisted of Federal National Mortgage Association notes, Federal Home Loan Mortgage Corporation notes, Federal Farm Credit Bank notes, Federal Home Loan Bank bonds, and STAR Ohio. Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon District policy.

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, 2004.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**E. Unpaid Sick and Vacation Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

**F. Property, Plant and Equipment**

Fixed Assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

**G. Interfund Transactions**

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

**H. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**3. RESTATEMENT OF FUND BALANCES**

During fiscal year 2004, in accordance with the Uniform School Accounting System, Fund 458 for IVDL (Interactive Video Distance Learning) grant funds, was reclassified from a Capital Project Fund Type to a Special Revenue Fund Type. This change had the following effect on fund balances as previously reported:

	<b>Special Revenue</b>	<b>Capital Projects</b>
Cash Fund Balance – June 30, 2003	\$177,939	\$309,878
Fund 458 Reclassification	1,200	(1,200)
Restated Fund Balance - July 1, 2003	\$179,139	\$308,678

**4. DEPOSITS AND INVESTMENTS**

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

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

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

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

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

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

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

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



**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

Investments in stripped principal or interest obligations, 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 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"*.

At June 30, 2004, the District had \$13,659 in cash reported in the special revenue funds that is held by the Shelby County Educational Service Center, which is the fiscal agent for several Districts. Since the monies are commingled, they cannot be classified by risk individually under GASB Statement No. 3. That classification for the Shelby County Educational Service Center as a whole may be obtained by writing to Cathy Doseck, who serves as Treasurer, at 129 East Court Street, Sidney, Ohio 45365.

**Deposits:** At fiscal year-end, the carrying amount of the District's deposits was \$696,288 and the bank balance was \$759,850. Of the bank balance, \$230,317 was covered by federal depository insurance; and \$529,533 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 District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments:** The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the 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 District's name. The 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>Carrying Value</u>		<u>Fair Value</u>
	<u>Category 2</u>	<u>Unclassified</u>	
Federal National Mortgage Association Notes	\$19,962	\$0	\$19,962
Federal Home Loan Bank Bonds	1,446,248	0	1,426,779
Federal Home Loan Mortgage Corporation Notes	1,550,734	0	1,535,392
Federal Farm Credit Bank Note	500,000	0	491,250
Money Market Mutual Funds	0	15,313	15,313
STAR Ohio	0	41,837	41,837
Totals	<u>\$3,516,944</u>	<u>\$57,150</u>	<u>\$3,530,533</u>

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003, and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory.

Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Shelby County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2004 taxes were collected are:

	<b>2003 Second- Half Collections</b>		<b>2004 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$89,603,810	48.33%	\$95,112,230	47.67%
Public Utility – Personal	4,507,510	2.43	4,447,540	2.23
Tangible Personal Property	91,287,544	49.24	99,972,853	50.10
Total Assessed Value	<u>\$185,398,864</u>	<u>100.00%</u>	<u>\$199,532,623</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.90		\$34.90	

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**6. INCOME TAX**

The District levies a voted tax of 1/2 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1983, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund.

**7. RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the District joined together with other Districts in Ohio to participate in the Ohio School Insurance Program (OSIP), a public entity insurance purchasing pool (See Note 13). Each individual District enters into an agreement with the OSIP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects.

The District pays this annual premium to Marsh Company, the local agent for the Selective Insurance Company of South Carolina. This company provides insurance coverage for all types of insurance for the District except property, equipment breakdown insurance, and errors and omissions. Property insurance is provided through Owners Insurance Company, while equipment breakdown insurance is provided through The Hartford Steam Boiler Inspection and Insurance Company. School board errors and omissions coverage is provided through National Union Fire Insurance of Pittsburg, Pennsylvania.

Insurance coverage provided by Owners Insurance Company:

Middle/High School Building (\$1,000 deductible)	\$14,070,000
Contents	1,050,000
Concessions, Restrooms, Lockers (\$1,000 deductible)	216,000
Contents	20,000
Vocational Agriculture Building (\$1,000 deductible)	345,000
Contents	75,000
Greenhouse (\$1,000 deductible)	32,500
Contents	1,000
Elementary School (\$1,000 deductible)	7,036,000
Contents	650,000
Concession/Storage (\$1,000 deductible)	70,000
Contents	20,000
All Weather Track (\$1,000 deductible)	136,000
Storage Building (\$1,000 deductible)	14,500
Contents	5,500
Lights, Poles, Fencing (\$1,000 deductible)	33,000
Shelter House	8,000
Storage	72,500
Contents	3,000
Crime Insurance (\$0 deductible)	15,000
Inland Marine Insurance (\$100 deductible)	5,000
Instruments	91,250
Bleachers	137,500
Booth	2,000

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Announcers Booth	22,000
Contents	2,000
Garage	70,000
Contents	25,000
Antenna	4,000
Insurance coverage provided by Hartford Steam Boiler Inspection and Insurance Company:	
Equipment Breakdown (\$1,000 deductible)	4,250,000
Insurance coverage provided by Selective Insurance Company:	
General Liability:	
Per Occurrence	2,000,000
Aggregate Limit	4,000,000
Medical Payments	5,000
Employee Benefits Liability (\$1,000 deductible):	
Per Occurrence	2,000,000
Aggregate Limit	4,000,000
Stop Gap:	
Each Accident	1,000,000
Disease Each Employee	1,000,000
Disease Policy Limit	1,000,000
Umbrella Liability:	
Per Occurrence	2,000,000
Aggregate Limit	2,000,000
Insurance coverage provided by National Union Fire Insurance:	
Errors and Omissions (\$10,000 deductible)	1,000,000
Insurance coverage provided by Auto Owners Mutual Insurance Company:	
Automobile Liability	1,000,000
Uninsured/Underinsured Motorists	1,000,000

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

**B. Workers' Compensation**

For fiscal year 2004, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald and Company provides administrative, cost control, and actuarial services to the GRP.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

For fiscal year 2004, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute at an actuarially determined rate of 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$95,678, \$94,136, and \$56,436, respectively; 54 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

**B. State Teachers Retirement System of Ohio**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

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

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations; the same portion that was used to fund pension obligations for fiscal year 2003. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$500,307, \$523,736, and \$348,398 respectively; 83 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$6,555 made by the District and \$13,852 made by the plan members.

**9. POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll.

For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund; the same percentage that was allocated to the Health Care Stabilization Fund for the fiscal year ended June 30, 2003. For the District, this amount equaled \$38,485 for fiscal year 2004.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**9. POSTEMPLOYMENT BENEFITS (Continued)**

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to 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, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. 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 2004, the minimum pay was established at \$25,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$71,879.

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**10. OTHER EMPLOYEE BENEFITS**

**A. Insurance Benefits**

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

**B. Deferred Compensation Plan**

The Superintendent and the Treasurer participate in the Baird Company Deferred Compensation Plan. The plan was created in accordance with Internal Revenue Code Section 457 (f). The Board of Education contributes \$5,000 each year for each participant. Employer contributions are vested at 50 percent after five years of service and at 100 percent after ten years. All earnings are immediately vested to the participants. Additional voluntary payroll deduction contributions are permitted and are immediately vested. According to the plan, the non-vested deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**11. DEBT OBLIGATIONS**

The changes in the District's debt obligations during fiscal year 2004 were as follows:

	<b>Principal Outstanding 6/30/03</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 6/30/04</b>
1998 School Building Construction and Improvement Bonds – 3.65% to 5.1%	\$8,030,000	\$0	\$460,000	\$7,570,000

**School Building Construction and Improvement Refunding General Obligation Bonds** – On March 1, 1998, the District issued bonds in the amount of \$9,740,000. The bonds were issued for the purpose of the defeasance of a 1992 School Improvement outstanding bond issue and for the purpose of reconstructing, renovating and expanding the high school building. The bonds were issued for a twenty-five year period with final maturity during fiscal year 2023. The bonds will be retired from the Bond Retirement Debt Service Fund.

The District's overall legal debt margin was \$11,842,674 with an unvoted debt margin of \$199,533 at June 30, 2004.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2004, are as follows:

<b>Fiscal year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2005	\$500,000	386,585	886,585
2006	535,000	349,450	884,450
2007	245,000	324,678	569,678
2008	255,000	313,427	568,427
2009	270,000	301,615	571,615
2010 – 2014	1,590,000	1,276,917	2,866,917
2015 – 2019	2,070,000	807,237	2,877,237
2020 – 2023	2,105,000	221,468	2,326,468
<b>Total</b>	<b>\$7,570,000</b>	<b>\$3,981,377</b>	<b>\$11,551,377</b>

**12. JOINTLY GOVERNED ORGANIZATIONS**

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

The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Payments to WOCO are made from the General Fund. The District paid WOCO \$32,036 for services provided during the fiscal 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 FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**12. 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. Payments to SOEPC are made from the General Fund. During fiscal year 2004, the School District did not make any payments to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 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 District.

The board is made up of nine members, one of which is appointed by the Anna Local School Board. The remaining eight members are elected by the Board of Trustees. Seven of the nine trustees must be residents of the District. The District did not make any payments to the Anna Education Foundation during the fiscal year. Information on this organization can 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. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2004, the District did not make any payments to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**Shelby County Local Professional Development Consortium** – The District is a participant in the Shelby County Local Professional Development Consortium which is a regional council of governments in accordance with Chapter 167 of the Ohio Revised Code. The Consortium was established to provide educator license/certificate renewal standards and procedures for professional growth. The Consortium is made up of the local school districts and the Educational Service Center in Shelby County.

The executive committee consists of one teacher representative from each of the school districts and the Educational Service Center, on superintendent elected by the superintendents, one principal elected by the principals, one administrator employed by the Shelby County Educational Service Center and one treasurer elected by the treasurers. Financial information can be obtained from Ann Shuttleworth, who serves as Coordinator, at 129 East Court Street, Sidney, Ohio 45365.

**13. INSURANCE PURCHASING POOLS**

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

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

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

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

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**14. SIGNIFICANT CONTRACTUAL COMMITMENTS**

As of June 30, 2004, the District had contractual purchase commitments as follows:

<b>Vendor</b>	<b>Project</b>	<b>Balance at 6/30/04</b>
Hemm's Glass Shops, Inc.	Window Replacement	\$348,995
Soft Track, Inc.	Track Resurfacing	45,888
Totals		\$394,883

**15. STATUTORY RESERVES**

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

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

	<b>Capital Improvements Reserve</b>	<b>Textbooks/ Instructional Materials Reserve</b>
Set-aside Cash Balance as of June 30, 2003	(\$4,214,298)	(\$204,715)
Current Fiscal Year Set-aside Requirement	167,480	167,480
Current Year Offsets	(1,266,520)	
Qualifying Disbursements	(51,109)	(212,241)
Total	(\$5,364,448)	(\$249,476)
Set-aside Cash Balance Carried Forward to Future Fiscal Years	(\$5,364,448)	(\$249,476)

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

**16. CONTINGENCIES**

The 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 District at June 30, 2004.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**17. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Expendable Trust
<b>Cash Receipts</b>						
Taxes	\$5,137,355		\$927,876	\$265,358		\$6,330,589
Tuition	62,203					62,203
Intergovernmental	2,079,934	\$317,907	57,413	36,142		2,491,396
Interest	94,082					94,082
Extracurricular Activities		154,251			\$10,618	164,869
Classroom Materials & Fees	10,719					10,719
Miscellaneous	42,515				120	42,635
<b>Total Cash Receipts</b>	<b>7,426,808</b>	<b>472,158</b>	<b>985,289</b>	<b>301,500</b>	<b>10,738</b>	<b>9,196,493</b>
<b>Cash Disbursements</b>						
Current:						
Instruction:						
Regular	3,526,452	57,159		32,741		3,616,352
Special	350,927	130,054				480,981
Vocational	264,360	192				264,552
Adult/Continuing	711					711
Other	76,134					76,134
Support Services:						
Pupils	402,530	38,415		16,766		457,711
Instruction	256,361	29,854				286,215
Board of Education	58,837					58,837
Administration	652,318	4,432				656,750
Fiscal	301,405		17,478	4,995	281	324,159
Business	46,750	14,000				60,750
Operation and Maintenance	757,319			9,490		766,809
Transportation	446,450			95,244		541,694
Central Services					9,300	9,300
Noninstructional Services						
Extracurricular Activities	237,497	115,088				352,585
Capital Outlay	184,512			95,257		279,769
Debt Service			852,160			852,160
<b>Total Cash Disbursements</b>	<b>7,562,563</b>	<b>389,194</b>	<b>869,638</b>	<b>254,493</b>	<b>9,581</b>	<b>9,085,469</b>
Cash Receipts Over (Under)						
Cash Disbursements	(135,755)	82,964	115,651	47,007	1,157	111,024
<b>Other Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	17,286					17,286
Advances-In	152,766	4,383		150,000		307,149
Transfers-In	37,106					37,106
Refund of Prior Year Expenditures	22,678					22,678
Transfers-Out	(37,106)					(37,106)
Advances-Out	(189,382)	(73,357)		(66,669)		(329,408)
<b>Total Other Sources (Uses)</b>	<b>3,348</b>	<b>(68,974)</b>		<b>83,331</b>		<b>17,705</b>
Cash Receipts and Other Sources Over (Under)						
Cash Disbursements and Other Uses	(132,407)	13,990	115,651	130,338	1,157	128,729
Fund Cash Balances at Beginning of Year						
Restated See Note 3	2,053,083	163,949	1,179,274	179,540	36,700	3,612,546
<b>Fund Cash Balances at End of Year</b>	<b>\$1,920,676</b>	<b>\$177,939</b>	<b>1,294,925</b>	<b>\$309,878</b>	<b>\$37,857</b>	<b>\$3,741,275</b>

The notes to the financial statements are an integral part of this statement.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Proprietary Fund Type</u>		<u>Fiduciary Funds</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
<b>Operating Cash Receipts</b>				
Food Services	\$302,360			\$302,360
Extracurricular Activities		\$27,070	\$229,148	256,218
Classroom Materials & Fees	48,483			48,483
<b>Total Operating Cash Receipts</b>	<b>350,843</b>	<b>27,070</b>	<b>229,148</b>	<b>607,061</b>
<b>Operating Cash Disbursements</b>				
Salaries	144,086			144,086
Fringe Benefits	63,814			63,814
Purchased Services	1,075		92,359	93,434
Materials and Supplies	186,508	578	129,503	316,589
Capital Outlay	988	6,036		7,024
Other Objects		19,153		19,153
<b>Total Operating Cash Disbursements</b>	<b>396,471</b>	<b>25,767</b>	<b>221,862</b>	<b>644,100</b>
Operating Cash Receipts Over(Under) Operating Cash Disbursements	(45,628)	1,303	7,286	(37,039)
<b>Non-Operating Receipts</b>				
Interest	739			739
Federal and State Subsidies	48,193			48,193
<b>Total Non-Operating Receipts</b>	<b>48,932</b>			<b>48,932</b>
Operating and Nonoperating Cash Receipts Over(Under) Operating Cash Disbursements Before Advances	3,304	1,303	7,286	11,893
Advances-In	25,000		10,000	35,000
Advances-Out		(5,676)	(7,065)	(12,741)
<b>Net Receipts Over/(Under) Disbursements</b>	<b>28,304</b>	<b>(4,373)</b>	<b>10,221</b>	<b>34,152</b>
Fund Cash Balance at Beginning of Year	138,252	6,577	62,864	207,693
<b>Fund Cash Balance at End of Year</b>	<b>\$166,556</b>	<b>\$2,204</b>	<b>\$73,085</b>	<b>\$241,845</b>

*The notes to the financial statements are an integral part of this statement.*

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

<b>Fund Types/Fund</b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Favorable/ (Unfavorable)</u></b>
<b>Governmental:</b>			
General Fund	\$7,825,527	\$7,503,878	(\$321,649)
Special Revenue Funds	432,685	472,158	39,473
Debt Service Funds	970,728	985,289	14,561
Capital Project Funds	576,206	301,500	(274,706)
<b>Proprietary:</b>			
Enterprise Funds	397,504	399,775	2,271
Internal Service Funds	27,071	27,070	(1)
<b>Fiduciary:</b>			
Expendable Trust Fund	5,000	10,738	5,738
Agency Fund	<u>200,475</u>	<u>229,148</u>	<u>28,673</u>
Total (Memorandum Only)	<u><u>\$10,435,196</u></u>	<u><u>\$9,929,556</u></u>	<u><u>(\$505,640)</u></u>

*The notes to the financial statements are an integral part of this statement.*

ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Fund Types/Fund	Prior Year Carryover	2003	Total	Actual 2003 Disbursements	Encumbrances Outstanding At 6/30/03	Total	Variance Favorable/ (Unfavorable)
	Appropriations	Appropriations					
<b>Governmental:</b>							
General Fund	\$343,899	\$9,720,254	\$10,064,153	\$7,599,669	\$127,938	\$7,727,607	\$2,336,546
Special Revenue Funds	995	515,722	516,717	389,194	3,088	392,282	124,435
Debt Service Fund		2,150,002	2,150,002	869,638		869,638	1,280,364
Capital Project Funds	144,258	555,619	699,877	254,493	234,458	488,951	210,926
<b>Proprietary:</b>							
Enterprise Funds	6,619	556,272	562,891	396,471	9,122	405,593	157,298
Internal Service Funds	5,994	21,978	27,972	25,767		25,767	2,205
<b>Fiduciary:</b>							
Expendable Trust Fund		41,700	41,700	9,581		9,581	32,119
Agency Fund	6,274	250,000	256,274	221,862	492	222,354	33,920
Total (Memorandum Only)	<u>\$508,039</u>	<u>\$13,811,547</u>	<u>\$14,319,586</u>	<u>\$9,766,675</u>	<u>\$375,098</u>	<u>\$10,141,773</u>	<u>\$4,177,813</u>

The notes to the financial statements are an integral part of this statement.



**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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

The District serves an area of approximately 70 square miles. It is located in Shelby County, and includes all of the Villages of Anna and Kettlersville and all or part of Van Buren, Dinsmore, Franklin, Turtle Creek, Salem and McLean Townships. It is staffed by 55 non-certified employees, 76 certified full-time teaching personnel, and four administrative employees who provide services to 1,212 students and other community members. The District currently operates two instructional buildings and one vocational agriculture building.

**Reporting Entity:**

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

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

The District participates in five jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Notes 12 and 13 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
- Shelby County Local Professional Development Consortium

**Insurance Purchasing Pools:**

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

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

As required by Ohio Administrative Code Section 117-2-03 (B), the District prepared and filed its annual financial report in accordance with generally accepted accounting principles. However, the District chooses to prepare (for audit purposes) its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**B. Fund Accounting**

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements.

The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of fund are as follows:

1. **Governmental Fund Types** - Governmental funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

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

**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 disbursements 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 obligation principal, interest, and related costs.

**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.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

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

**Enterprise Funds** - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges.

3. **Fiduciary Fund Type** - Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

**C. Budgetary Process**

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. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the fiscal year with the legal restriction that appropriations, by fund, cannot exceed estimated resources, as certified.

All funds, other than the agency funds, are required to be budgeted and appropriated. The Title VI-B and Preschool Special Revenue Funds' activity that is administered by a fiscal agent is not budgeted by the District. The legal level of budgetary control is at the fund and object level for the General Fund and at the fund level for all other appropriated funds. Any budgetary modifications at this level of control may only be made by resolution of the Board of Education. The Treasurer has been given the authority to further allocate the Board's appropriations to the function and/or object levels within all funds but the General Fund.

**1. Tax Budget:**

The County Auditor determines the need for existing (or increased) tax rates. The County Auditor requests information from the District deemed necessary to make a determination of the tax rate.

**2. Estimated Resources:**

Prior to 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 District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal 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 fiscal year. The certificate may be further amended during the fiscal year if projected increases or decreases in receipts are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriation resolution was passed by the Board of Education.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The total of disbursements and encumbrances may not exceed the appropriation totals at any legal level of control.

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 fiscal 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 adopted during the current fiscal year, including all amendments and modifications. Formal budgetary integration is employed as a management control device by the Board of Education during the fiscal year at the fund/object level for the General Fund and at the fund level for the remaining funds other than the agency fund, consistent with statutory provisions.

**4. Encumbrances:**

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

**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.

**D. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records.

During fiscal year 2003, investments consisted of Federal National Mortgage Association Notes, Federal Home Loan Bank bonds, Money Market Mutual Funds, and STAR Ohio. Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon District policy.

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, 2003.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

**E. Unpaid Sick and Vacation Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

**F. Property, Plant and Equipment**

Fixed Assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

**G. Interfund Transactions**

Quasi-external transactions are accounted for as receipts and disbursements. Transactions that constitute reimbursements to a fund for disbursements initially made from it that are properly applicable to another fund are recorded as disbursements in the reimbursing fund and as reductions of disbursements 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.

**H. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES**

For fiscal year 2003, the District changed its method of accounting for financial reporting from accounting principles generally accepted in the United States of America to a basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. This comprehensive basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. This changed had the following effect on fund balances as previously reported:

<b>Fund</b>	<b>Fund Balance Retained Earnings 6/30/2002</b>	<b>Accrual Adjustments</b>	<b>Fund Reclass</b>	<b>Restated Fund Balance 7/1/2002</b>
General	\$1,528,223	\$531,437	(\$6,577)	\$2,053,083
Special Revenue	154,663	28,486	(19,200)	163,949
Debt Service	1,237,979	(58,705)	-	1,179,274
Capital Project	137,274	59,766	(17,500)	179,540
Expendable Trust	-	0	36,700	36,700
Enterprise	121,339	16,913		138,252
Internal Service	-	0	6,577	6,577
Agency	62,872	(8)		62,864
Total	<u>\$3,242,350</u>	<u>\$577,889</u>	<u>\$0</u>	<u>\$3,820,239</u>

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**4. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

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

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

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

The following information 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*".

At June 30, 2003, the District had \$17,200 in cash reported in the special revenue funds that is held by the Shelby County Educational Service Center, which is the fiscal agent for several Districts. Since the monies are commingled, they cannot be classified by risk individually under GASB Statement No. 3. That classification for the Shelby County Educational Service Center as a whole may be obtained by writing to Cathy Doseck, who serves as Treasurer, at 129 East Court Street, Sidney, Ohio 45365.

**Deposits:** At fiscal year-end, the carrying amount of the District's deposits was \$2,645,714 and the bank balance was \$2,751,849. Of the bank balance, \$228,534 was covered by federal depository insurance, \$1,603,876 was uninsured but pledged by collateral held by US Bank's trust department in the District's name, and \$919,439 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 District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments:** The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the 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 District's name.

The 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.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

	<u>Carrying Value</u>		<u>Fair Value</u>
	<u>Category 2</u>	<u>Unclassified</u>	
Federal Home Loan Bank Notes	\$1,253,564	\$0	\$1,254,851
Federal National Mortgage Association Notes	3,134	0	3,134
Money Market Mutual Funds	0	22,089	22,089
STAR Ohio	0	41,419	41,419
Totals	<u>\$1,256,698</u>	<u>\$63,508</u>	<u>\$1,321,493</u>

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002, and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2003, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory.

Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Shelby County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.



**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**5. PROPERTY TAXES**

The assessed values upon which fiscal year 2003 taxes were collected are:

	<b>2002 Second- Half Collections</b>		<b>2003 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential And Other Real Estate	\$67,219,710	40.91%	\$89,603,810	48.33%
Public Utility – Personal	4,988,260	3.04	4,507,510	2.43
Tangible Personal Property	92,086,385	56.05	91,287,544	49.24
Total Assessed Value	<u>\$164,294,355</u>	<u>100.00%</u>	<u>\$185,398,864</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$36.40		\$34.90	

**6. INCOME TAX**

The District levies a voted tax of 1/2 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1983, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund.

**7. RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During fiscal year 2003, the District joined together with other Districts in Ohio to participate in the Ohio School Insurance Program (OSIP), a public entity insurance purchasing pool (See Note 14). Each individual District enters into an agreement with the OSIP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to Marsh Company, the local agent for the Selective Insurance Company of South Carolina.

This company provides insurance coverage for all types of insurance for the District except property, equipment breakdown insurance, and errors and omissions. Property insurance is provided through Owners Insurance Company, while equipment breakdown insurance is provided through The Hartford Steam Boiler Inspection and Insurance Company. School board errors and omissions coverage is provided through National Union Fire Insurance of Pittsburg, Pennsylvania.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Insurance coverage provided by Owners Insurance Company:	
Middle/High School Building (\$1,000 deductible)	\$13,662,000
Contents	1,010,000
Concessions, Restrooms, Lockers (\$1,000 deductible)	209,500
Contents	20,000
Vocational Agriculture Building (\$1,000 deductible)	334,000
Contents	75,000
Grange (\$1,000 deductible)	68,000
Contents	25,000
Greenhouse (\$1,000 deductible)	31,500
Contents	1,000
Announcers Booth (\$1,000 deductible)	50,000
Contents	2,000
Elementary School (\$1,000 deductible)	6,831,000
Contents	650,000
Concession/Storage (\$1,000 deductible)	80,050
Contents	21,000
Antenna (\$1,000 deductible)	3,750
All Weather Track (\$1,000 deductible)	131,500
Storage Buildings (\$1,000 deductible)	62,600
Contents	7,500
Bleachers (\$1,000 deductible)	133,500
Lights, Poles, Fencing (\$1,000 deductible)	100,000
Musical Instruments (\$100 deductible)	91,247
Crime Insurance (\$0 deductible)	15,000
Inland Marine Insurance (\$100 deductible)	5,000
Insurance coverage provided by Hartford Steam Boiler Inspection and Insurance Company:	
Equipment Breakdown Coverage	4,250,000
Insurance coverage provided by Selective Insurance Company:	
General Liability:	
Per Occurrence	2,000,000
Aggregate Limit	4,000,000
Medical Payments	5,000
Employee Benefits Liability (\$1,000 deductible):	
Per Occurrence	2,000,000
Aggregate Limit	4,000,000
Stop Gap:	
Each Accident	1,000,000
Disease Each Employee	1,000,000
Disease Policy Limit	1,000,000
Umbrella Liability:	
Per Occurrence	2,000,000
Aggregate Limit	2,000,000
Insurance coverage provided by National Union Fire Insurance Company:	
Errors and Omissions (\$10,000 deductible)	1,000,000
Insurance coverage provided by Auto Owners Insurance Company:	
Automobile Liability	1,000,000
Uninsured/Underinsured Motorists	1,000,000

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

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

For fiscal year 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald and Company provides administrative, cost control, and actuarial services to the GRP.

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code.

SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District was required to contribute at an actuarially determined rate of 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$94,136, \$56,436, and \$30,830, respectively; 57 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS**

**B. State Teachers Retirement System of Ohio**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For the fiscal year ended June 30, 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$523,736, \$348,398, and \$328,330 respectively; 82 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$6,038 made by the District and \$8,828 made by the plan members.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**9. POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2002, the STRS Ohio Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$40,287 for fiscal year 2003.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2003, the balance in the Fund was \$2.8 billion. For the fiscal year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352,739,000 and STRS Ohio had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to 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, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. 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 2003, the minimum pay was established at \$14,500. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$84,175.

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003, were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**10. OTHER EMPLOYEE BENEFITS**

**A. Insurance Benefits**

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

**B. Deferred Compensation Plan**

The Superintendent and the Treasurer participate in the Baird Company Deferred Compensation Plan. The plan was created in accordance with Internal Revenue Code Section 457 (f). The Board contributes \$5,000 each year for each participant. Employer contributions are vested at 50 percent after five years of service and at 100 percent after ten years. All earnings are immediately vested to the participants. Additional voluntary payroll deduction contributions are permitted and are immediately vested. The non-vested deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**11. DEBT OBLIGATIONS**

The changes in the District's debt obligations during fiscal year 2003 were as follows:

	<b>Principal Outstanding 6/30/02</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 6/30/03</b>
1998 School Building Construction & Improvement Bonds—3.65% -5.1%	\$8,450,000	\$0	\$420,000	\$8,030,000

**School Building Construction and Improvement Refunding General Obligation Bonds** – On March 1, 1998, the District issued bonds in the amount of \$9,740,000. The bonds were issued for the purpose of the defeasance of a 1992 School Improvement outstanding bond issue and for the purpose of reconstructing, renovating and expanding the high school building. The bonds were issued for a twenty-five year period with final maturity during fiscal year 2023. The bonds will be retired from the Bond Retirement Debt Service Fund.

The District's overall legal debt margin was \$9,950,823 with an unvoted debt margin of \$185,399 at June 30, 2003.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2003, are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2004	\$460,000	\$414,005	\$874,005
2005	500,000	386,585	886,585
2006	535,000	349,450	884,450
2007	245,000	324,678	569,678
2008	255,000	313,427	568,427
2009 – 2013	1,505,000	1,357,434	2,862,434
2014 – 2018	1,965,000	909,482	2,874,482
2019 – 2023	2,565,000	340,322	2,905,322
<b>Total</b>	<b>\$8,030,000</b>	<b>\$4,395,383</b>	<b>\$12,425,383</b>

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**12. JOINTLY GOVERNED ORGANIZATIONS**

**Western Ohio Computer Organization** - The District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. WOCO is an association of public Districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Payments to WOCO are made from the General Fund. The District paid WOCO \$32,168 for services provided during the fiscal 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. Payments to SOEPC are made from the General Fund. During fiscal year 2003, the District paid \$783 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 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 District. The board is made up of nine members, one of which is appointed by the Anna Local School Board. The remaining eight members are elected by the Board of Trustees. Seven of the nine trustees must be residents of the District. Payments to the Anna Education Foundation are made from the General Fund. The District paid the Anna Education Foundation \$6,625 during the fiscal year. Information on this organization can 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. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2003, the District paid \$5,068 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

**Shelby County Local Professional Development Consortium** – The District is a participant in the Shelby County Local Professional Development Consortium which is a regional council of governments in accordance with Chapter 167 of the Ohio Revised Code. The Consortium was established to provide educator license/certificate renewal standards and procedures for professional growth. The Consortium is made up of the local school districts and the Educational Service Center in Shelby County. The executive committee consists of one teacher representative from each of the school districts and the Educational Service Center, one superintendent elected by the superintendents, one principal elected by the principals, one administrator employed by the Shelby County Educational Service Center and one treasurer elected by the treasurers. Financial information can be obtained from Ann Shuttleworth, who serves as Coordinator, at 129 East Court Street, Sidney, Ohio 45365.

**13. INSURANCE PURCHASING POOLS**

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

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

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

**Ohio School Insurance Program** – The District participates in the Ohio School Insurance Program (OSIP), an insurance purchasing pool. The Ohio School Insurance Program (OSIP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSIP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services.



**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**13. INSURANCE PURCHASING POOLS (Continued)**

The OSIP's business and affairs are conducted by a fifteen member Board of Directors consisting of School District superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSIP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSIP and member schools.

**14. SIGNIFICANT CONTRACTUAL COMMITMENTS**

As of June 30, 2003, the District had contractual purchase commitments as follows:

<u>Vendor</u>	<u>Project</u>	<u>Balance at 6/30/03</u>
Unistrut Dayton	Middle School Lockers	\$31,653
Cardinal Bus Sales	Buses	114,710
Farnham Equipment	Art Room Renovation	8,300
Buehler Asphalt Paving	West Parking Lot	25,550
Greve Contractors	New Cabinets- Conference Room	19,959
C&J Electric, Inc.	Fixtures	16,622
Wannemacher Construction	New sidewalk	12,065
Totals		<u>\$228,859</u>

**15. STATUTORY RESERVES**

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

	<u>Capital Improvements Reserve</u>	<u>Textbooks/ Instructional Materials Reserve</u>
Set-aside Cash Balance as of June 30,	(\$2,932,532)	(\$119,647)
Current Fiscal Year Set-aside	158,242	158,242
Current Year Offsets	(1,193,233)	0
Qualifying Disbursements	(246,775)	(243,310)
Total	<u>(\$4,214,298)</u>	<u>(\$204,715)</u>
Set-aside Cash Balance Carried Forward to Future Fiscal Years	<u>(\$4,214,298)</u>	<u>(\$204,715)</u>

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

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**16. CONTINGENCIES**

The 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 District at June 30, 2003.

**17. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT 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, Shelby County (the District), as of and for the years ended June 30, 2004 and June 30, 2003 and have issued our report thereon dated February 15, 2005, wherein we noted that the District implemented the basis of accounting previously prescribed by the Auditor of State for financial reporting rather than Generally Accepted Accounting Principles which is now required. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 15, 2005.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain 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 February 15, 2005.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 15, 2005

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**SCHEDULE OF FINDINGS  
FISCAL YEARS ENDED JUNE 30, 2004 and JUNE 30, 2003**

**FINDING NUMBER 2004-001**

**Ohio Rev. Code Section 5705.36** allows all local governments to request 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.

Estimated receipts for fiscal years 2004 and 2003 were not posted to the USAS accounting system. The lack of estimated receipts posted to the system results in the loss of a valuable management tool and makes it difficult to determine if revenues were in line with expectations and 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.

Administration should develop and implement procedures for monitoring budget versus actual revenue figures. This could be performed by posting the estimated revenue amounts, approved by the County Budget Commission through the Official Certificate of Estimated Resources, to the accounting system. The monthly Revenue Account Summary (REVSUM) reports should be generated and then utilized 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*.

**ANNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEARS ENDED JUNE 30, 2004 and JUNE 30, 2003**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2002-001	Ohio Rev. Code Section 5705.36	NO	Repeated as finding 2004-001
2002-002	Ohio Rev. Code Section 5704.41(D)	NO	Partially corrected through the use of then and now certifications. This will be repeated as a management letter citation.
2002-003	Food Service Documentation and Reconciliations	YES	Finding no longer valid. The documentation and reconciliation of the food service has been corrected.



**Auditor of State  
Betty Montgomery**

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**ANNA LOCAL SCHOOL DISTRICT**

**SHELBY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 29, 2005**