

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

REGULAR AUDIT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Education
Anna Local School District
1 McRill Way
Anna, Ohio 45302

We have reviewed the *Independent Auditor's Report* of the Anna Local School District, Shelby County, prepared by Julian & Grube, Inc., for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

January 23, 2021

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**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Anna Local School District, Shelby County, Ohio, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Anna Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Anna Local School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Anna Local School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Anna Local School District, Shelby County, Ohio, as of June 30, 2020, and the respective changes in cash basis financial position thereof and the budgetary comparison for the general fund for the fiscal year then ended in accordance with the cash basis of accounting described in Note 2.

Basis of Accounting

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

Emphasis of Matters

As described in Note 21 to the financial statements, in 2020, the Anna Local School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, allowing the Anna Local School District to postpone the implementation of any newly applicable GASB pronouncements until the reporting date of June 30, 2021. As described in Note 20 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Anna Local School District. Our opinions are not modified with respect to these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2020, on our consideration of the Anna Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Anna Local School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Anna Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 21, 2020

Anna Local School District
Shelby County, Ohio
Statement of Net Position - Cash Basis
June 30, 2020

	Governmental Activities
Assets	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 15,988,424
Cash and Cash Equivalents with Fiscal Agents	<u>520,518</u>
<i>Total Assets</i>	<u><u>\$ 16,508,942</u></u>
Net Position	
Restricted for:	
Debt Service	\$ 2,516,407
Capital Outlay	2,173,791
Other Purposes	692,838
Unrestricted	<u>11,125,906</u>
<i>Total Net Position</i>	<u><u>\$ 16,508,942</u></u>

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2020

	Program Cash Receipts				Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	Receipts and Changes in Net Position
					Governmental Activities
Instruction:					
Regular	\$ 6,460,357	\$ 1,385,086	\$ 63,242	\$ 0	\$ (5,012,029)
Special	1,533,683	54,107	672,322	0	(807,254)
Vocational	427,613	0	81,953	0	(345,660)
Student Intervention Services	4,377	0	0	0	(4,377)
Other	52,076	0	0	0	(52,076)
Support Services:					
Pupil	230,700	25,513	0	0	(205,187)
Instructional Staff	455,150	0	11,536	0	(443,614)
Board of Education	18,529	0	0	0	(18,529)
Administration	943,768	0	0	0	(943,768)
Fiscal	431,797	0	0	0	(431,797)
Business	60,205	0	5,400	0	(54,805)
Operation and Maintenance of Plant	1,292,103	0	0	0	(1,292,103)
Pupil Transportation	584,977	2,610	0	0	(582,367)
Central	207,307	3,879	0	0	(203,428)
Operation of Non-Instructional Services	554,221	313,849	75,650	0	(164,722)
Extracurricular Activities	587,332	173,003	33,616	0	(380,713)
Capital Outlay	8,756,459	2,500	0	1,779,257	(6,974,702)
Debt Service:					
Principal Retirement	805,000	0	0	0	(805,000)
Interest and Fiscal Charges	397,062	0	0	0	(397,062)
Total Governmental Activities	<u>\$ 23,802,716</u>	<u>\$ 1,960,547</u>	<u>\$ 943,719</u>	<u>\$ 1,779,257</u>	<u>(19,119,193)</u>
General Receipts					
Property Taxes Levied for:					
General Purposes					3,346,942
Debt Service					532,519
Capital Outlay					172,963
Income Taxes Levied for General Purposes					2,588,500
Grants and Entitlements Not Restricted to Specific Programs					5,995,198
Interest					215,744
Payment in Lieu of Taxes					2,750
Contributions and Donations					2,829
Miscellaneous					97,288
Total General Receipts					<u>12,954,733</u>
Change in Net Position					(6,164,460)
<i>Net Position Beginning of Year</i>					<u>22,673,402</u>
<i>Net Position End of Year</i>					<u>\$ 16,508,942</u>

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2020

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 10,565,388	\$ 2,516,407	\$ 882,666	\$ 1,953,010	\$ 15,917,471
Restricted Asset:					
Equity in Pooled Cash and Cash Equivalents	70,953	0	0	0	70,953
<i>Total Assets</i>	<u>\$ 10,636,341</u>	<u>\$ 2,516,407</u>	<u>\$ 882,666</u>	<u>\$ 1,953,010</u>	<u>\$ 15,988,424</u>
Fund Balances					
Restricted	\$ 70,953	\$ 2,516,407	\$ 882,666	\$ 1,913,010	\$ 5,383,036
Committed	0	0	0	40,000	40,000
Assigned	179,479	0	0	0	179,479
Unassigned	10,385,909	0	0	0	10,385,909
<i>Total Fund Balances</i>	<u>\$ 10,636,341</u>	<u>\$ 2,516,407</u>	<u>\$ 882,666</u>	<u>\$ 1,953,010</u>	<u>\$ 15,988,424</u>

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2020

Total Governmental Fund Balances	\$15,988,424
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Amounts reported for governmental activities in the statement of net position are different because:

An internal service fund is used by management to charge the cost of insurance to individual funds. The cash and cash equivalents of the internal service fund are included in governmental activities on the statement of net position.

	<u>520,518</u>
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Net Position of Governmental Activities

	<u><u>\$16,508,942</u></u>
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See accompanying notes to the basic financial statements

Anna Local School District
Shelby County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Receipts					
Property Taxes	\$ 3,346,942	\$ 532,519	\$ 0	\$ 172,963	\$ 4,052,424
Income Tax	2,588,500	0	0		2,588,500
Intergovernmental	5,966,462	423,672	1,668,267	549,041	8,607,442
Interest	215,744	0	65,922	19,674	301,340
Tuition and Fees	1,415,462	0	0	0	1,415,462
Extracurricular Activities	30,708	0	0	158,788	189,496
Customer Sales and Services	0	0	0	309,261	309,261
Rentals	45,400	0	0	0	45,400
Gifts and Donations	2,829	0	0	33,616	36,445
Payment in Lieu of Taxes	2,750	0	0	0	2,750
Miscellaneous	69,312	0	0	11,538	80,850
<i>Total Receipts</i>	<u>13,684,109</u>	<u>956,191</u>	<u>1,734,189</u>	<u>1,254,881</u>	<u>17,629,370</u>
Disbursements					
Current:					
Instruction:					
Regular	6,348,649	0	0	103,800	6,452,449
Special	1,196,214	0	0	334,946	1,531,160
Vocational	418,085	0	0	9,023	427,108
Student Intervention Services	4,377	0	0	0	4,377
Other	51,908	0	0	0	51,908
Support Services:					
Pupil	230,700	0	0	0	230,700
Instructional Staff	442,645	0	0	11,496	454,141
Board of Education	18,529	0	0	0	18,529
Administration	941,521	0	0	565	942,086
Fiscal	388,180	10,997	0	31,779	430,956
Business	49,405	0	0	10,800	60,205
Operation and Maintenance of Plant	1,274,120	0	0	16,805	1,290,925
Pupil Transportation	559,940	0	0	24,701	584,641
Central	169,969	0	0	37,170	207,139
Operation of Non-Instructional Services	0	0	0	553,885	553,885
Extracurricular Activities	423,430	0	0	163,734	587,164
Capital Outlay	62,400	0	7,240,625	1,453,434	8,756,459
Debt Service:					
Principal Retirement	0	805,000	0	0	805,000
Interest and Fiscal Charges	0	397,062	0	0	397,062
<i>Total Disbursements</i>	<u>12,580,072</u>	<u>1,213,059</u>	<u>7,240,625</u>	<u>2,752,138</u>	<u>23,785,894</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	1,104,037	(256,868)	(5,506,436)	(1,497,257)	(6,156,524)
Other Financing Sources					
Sale of Capital Assets	600	0	0	5,260	5,860
Refund of Prior Year Expenditures	100	0	0	2,926	3,026
Transfers In	0	0	0	812,418	812,418
Transfers Out	(812,418)	0	0	0	(812,418)
<i>Total Other Financing Sources</i>	<u>(811,718)</u>	<u>0</u>	<u>0</u>	<u>820,604</u>	<u>8,886</u>
<i>Net Change in Fund Balances</i>	292,319	(256,868)	(5,506,436)	(676,653)	(6,147,638)
<i>Fund Balances Beginning of Year</i>	<u>10,344,022</u>	<u>2,773,275</u>	<u>6,389,102</u>	<u>2,629,663</u>	<u>22,136,062</u>
<i>Fund Balances End of Year</i>	<u>\$ 10,636,341</u>	<u>\$ 2,516,407</u>	<u>\$ 882,666</u>	<u>\$ 1,953,010</u>	<u>\$ 15,988,424</u>

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County Ohio
*Reconciliation of the Statement of Cash Receipts, Disbursements, and Changes
in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2020*

Net Change in Fund Balances - Total Governmental Funds (\$6,147,638)

*Amounts reported for governmental activities in the statement of activities
are different because:*

The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the District-wide statement of activities. Governmental fund disbursements and the related internal service fund receipts are eliminated. The net receipts (disbursements) of the internal service fund is allocated among the governmental activities. (16,822)

Change in Net Position of Governmental Activities (\$6,164,460)

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County, Ohio
Statement of Cash Receipts, Disbursements and Changes
In Cash Basis Fund Balance - Budget and Actual – Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property Taxes	\$ 3,326,200	\$ 3,354,043	\$ 3,346,942	\$ (7,101)
Income Tax	2,572,459	2,593,991	2,588,500	(5,491)
Intergovernmental	5,929,487	5,979,119	5,966,462	(12,657)
Interest	214,407	216,202	215,744	(458)
Tuition and Fees	1,340,017	1,351,233	1,348,373	(2,860)
Rentals	45,119	45,496	45,400	(96)
Payments in Lieu of Taxes	2,733	2,756	2,750	(6)
Miscellaneous	68,982	69,361	69,312	(49)
Total Receipts	13,499,404	13,612,201	13,583,483	(28,718)
Disbursements				
Current:				
Instruction:				
Regular	6,213,277	6,418,032	6,321,822	96,210
Special	1,171,321	1,209,921	1,196,214	13,707
Vocational	409,385	422,876	418,085	4,791
Student Intervention Services	4,286	4,427	4,377	50
Other	50,826	52,503	51,908	595
Support Services:				
Pupil	196,321	202,790	200,493	2,297
Instructional Staff	433,433	447,717	442,645	5,072
Board of Education	18,143	18,741	18,529	212
Administration	923,517	953,951	943,144	10,807
Fiscal	381,326	393,892	389,430	4,462
Business	48,377	49,971	49,405	566
Operation and Maintenance of Plant	1,286,380	1,328,772	1,313,719	15,053
Pupil Transportation	610,742	630,869	623,722	7,147
Central	182,724	188,745	186,607	2,138
Extracurricular Activities	413,330	426,951	422,114	4,837
Capital Outlay	61,101	63,115	62,400	715
Total Disbursements	12,404,489	12,813,273	12,644,614	168,659
<i>Excess of Receipts Over Disbursements</i>	<i>1,094,915</i>	<i>798,928</i>	<i>938,869</i>	<i>139,941</i>
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	596	600	600	0
Transfers Out	(795,511)	(821,727)	(812,418)	9,309
Refund of Prior Year Expenditures	0	199	100	(99)
Total Other Financing Sources (Uses)	(794,915)	(820,928)	(811,718)	9,210
Net Change in Fund Balance	300,000	(22,000)	127,151	149,151
Fund Balance Beginning of Year	9,649,882	9,649,882	9,649,882	0
Prior Year Encumbrances Appropriated	85,043	85,043	85,043	0
Fund Balance End of Year	\$ 10,034,925	\$ 9,712,925	\$ 9,862,076	\$ 149,151

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County, Ohio
Statement of Fund Net Position - Cash Basis
Internal Service Fund
June 30, 2020

	<u>Insurance</u>
Assets	
Cash and Cash Equivalents with Fiscal Agent	<u>\$ 520,518</u>
Net Position	
Unrestricted	<u>\$ 520,518</u>

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County, Ohio
Statement of Cash Receipts, Disbursements, and
Changes in Fund Net Position - Cash Basis
Internal Service Fund
For the Fiscal Year Ended June 30, 2020

	Insurance
Operating Receipts	
Charges for Services	\$ 1,529,328
Operating Disbursements	
Purchased Services	331,964
Claims	1,229,026
<i>Total Operating Disbursements</i>	1,560,990
Operating Loss	(31,662)
Non-Operating Receipts	
Interest	14,840
<i>Change in Net Position</i>	(16,822)
<i>Net Position - Beginning of Year</i>	537,340
<i>Net Position - End of Year</i>	\$520,518

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
June 30, 2020

	<u>Agency</u>
Assets	
Equity in Pooled Cash, Cash Equivalents, and Investments	<u>\$ 101,452</u>
Net Position	
Due to Others	<u>\$ 101,452</u>

See accompanying notes to the basic financial statements

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 1 –DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District serves an area of approximately 70 square miles. It is located in Shelby County, and includes all of the Villages of Anna and Kettlersville and all or part of Van Buren, Dinsmore, Franklin, Turtle Creek, Salem and McLean Townships. It is staffed by 55 non-certified employees, 68 certified full-time teaching personnel, and nine administrative employees who provide services to 1,185 students and other community members. The District currently operates two instructional buildings and one vocational agriculture building.

Reporting Entity

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

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

The District participates in four jointly governed organizations and two insurance purchasing pools. A jointly governed organization is governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility on the part of the participating governments. An insurance purchasing pool is an organization formed by a group of governments to pool funds or resources to purchase commercial insurance policies. These organizations are discussed in Notes 12 and 13 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

Insurance Purchasing Pools:

Ohio School Boards Association Workers' Compensation Group Rating Plan
Jefferson Health Plan Consortium

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

This basis of accounting is similar to the cash receipts and disbursements basis. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary disbursements are due to encumbrances outstanding at the end of the fiscal year.

A. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into three categories: governmental, proprietary, and fiduciary.

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

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

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

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Classroom Facilities Fund - The Classroom Facilities Fund accounts for monies received and expended in connection with contracts entered into by the District and the Ohio School Facilities Commission for the building and equipping of school facilities.

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

Proprietary Fund Type - Proprietary funds reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the District has no enterprise funds.

Internal Service Fund - An internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's only internal service fund is a self-insurance fund that accounts for medical, prescription, and dental claims of the District's employees.

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

B. Basis of Presentation

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

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

The activity of the internal service fund is eliminated to avoid "doubling up" of receipts and disbursements.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The statement of net position presents the financial condition of the governmental activities of the District at year end. The statement of activities compares disbursements with program receipts for each function of the District's governmental activities. These disbursements are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the District's general receipts.

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include claims and purchased services. The fund statements report all other receipts and disbursements as nonoperating.

C. Cash, Cash Equivalents and Investments

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

The District values investments and cash equivalents at cost.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipted into the General Fund during fiscal year 2020 was \$215,744, which included \$28,193 assigned from other funds.

For presentation on the financial statements, investments with an original maturity of three months or less when purchased are deemed cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2020, the District invested in U.S. Government Agency securities, STAR Ohio, commercial paper, and negotiable certificates of deposit.

STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at the net asset value (NAV) provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

The District participates in the Jefferson Health Plan insurance consortium for self-insurance. These monies are reflected on the Statement of Net Position as “cash and cash equivalents with fiscal agent.” The Jefferson County Educational Service Center serves as the fiscal agent for the insurance consortium.

D. Inventory and Prepaid Items

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

E. Capital Assets

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

F. Compensated Absences

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

G. Pensions/Other Postemployment Benefits (OPEB)

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

H. Fund Balance

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

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

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

I. Net Position

Net position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. Net position restricted for other purposes primarily includes resources restricted for food service operations, school facilities maintenance, athletics, and federal and state grants.

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

J. Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Budgetary Data

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the certificate that was in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

L. Long-Term Debt

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

M. Intergovernmental Receipts

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

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Receipts and Disbursements

Program Receipts

In the statement of activities, receipts that are derived directly from each activity or from parties outside the District's taxpayers are reported as program receipts. The District has the following program receipts: charges for services and sales, operating and capital grants, contributions, and interest. All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

O. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General fund represent amounts required by State statute to be set aside for the replacement of school buses.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage 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 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. 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;
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

Anna Local School District
Shelby County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

At June 30, 2020, the District’s self-insurance internal service fund had a balance of \$520,518 with the Jefferson Health Self-Insurance Plan, a claims servicing pool (see Note 13). The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement No. 3. The classification of cash and cash equivalents for the Jefferson Health Self-Insurance Plan as a whole may be obtained from the Plan’s fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Jefferson Health Self-Insurance Plan, 2023 Sunset Boulevard, Steubenville, Ohio 43952.

A. Deposits

Protection of the School District’s deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured.

B. Investments

As of June 30, 2020, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities</u>			
	<u>Carrying Value</u>	<u>Less Than One Year</u>	<u>One to Three Years</u>	<u>Three to Five Years</u>
Federal Farm Credit Bank	\$499,093	\$299,093	\$0	\$200,000
Federal Home Loan Bank	1,949,221	249,521	299,700	1,400,000
Federal Home Loan Mortgage Corporation	2,915,836	0	900,281	2,015,555
Federal National Mortgage Association	200,021	0	0	200,021
U.S. Treasury Bill	1,099,935	1,099,935	0	0
First American Treasury Obligation Fund	9,352	9,352	0	0
STAR Ohio	5,854,293	5,854,293	0	0
Negotiable CD’s	447,875	247,814	200,061	0
Commercial Paper	1,042,576	1,042,576	0	0
Total	\$14,018,202	\$8,802,584	\$1,400,042	\$3,815,576

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

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

Concentration of Credit Risk: The District places no limit on the amount it may invest in any one issuer. At June 30, 2020, 14% of the District's investments were in the Federal Home Loan Bank, 21% were in the Federal Home Loan Mortgage Corporation, 8% were in the First American Treasury Obligation Fund, and 42% were in STAR Ohio.

Credit Risk: State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices. The District's investments in the Federal Farm Credit Bank, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association were rated AAA by Moody's Investors Service and AA+ by Standard & Poor's at June 30, 2020. STAR Ohio and the First American Treasury Obligation Fund carry a rating of AAAm by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District's investments in commercial paper were rated P-1 by Moody's Investors Service and A-1 or A-1+ by Standard and Poor's at June 30, 2020. The negotiable certificates of deposit are not rated, but are fully insured by the FDIC.

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

NOTE 4 - PROPERTY TAXES

Tangible personal property tax revenues received in calendar year 2020 (other than public utility property) represent the taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2020 were levied after October 1, 2019, of the value as of December 31, 2018. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually.

If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 4 - PROPERTY TAXES (continued)

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

The District receives property taxes from Shelby County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 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 2020 taxes were collected are:

	<u>2019 Second- Half Collections</u>		<u>2020 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$166,181,260	97.28%	\$167,230,470	97.19%
Public Utility – Personal	<u>4,638,030</u>	<u>2.72</u>	<u>4,828,060</u>	<u>2.81</u>
Total Assessed Value	<u>\$170,819,290</u>	<u>100.00%</u>	<u>\$172,058,530</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$32.86		\$32.86	

NOTE 5 - INCOME TAX

The District levies a voted tax of 1.50 percent for general operations on the income of residents and of estates. The first .50 percent tax was effective on January 1, 1983. An additional .75 percent tax became effective January 1, 2011, and an additional .25 percent tax became effective January 1, 2017. All are a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts credited to the General Fund for fiscal year 2020 were \$2,588,500.

NOTE 6 – TAX ABATEMENTS OF OTHER GOVERNMENTS

Tax abatement agreements are sometimes entered into by governmental entities to encourage economic development. The Village of Anna has entered into tax abatement agreements with homeowners that reduce the amount of property tax the District receives. As part of the agreements, the Village of Anna compensates the District \$250 for each home that has its property taxes abated under the agreements.

During fiscal year 2020, the District’s property tax revenues were reduced by \$13,756 under tax abatement agreements entered into by the Village of Anna.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 7 – RISK MANAGEMENT

A. Property and Liability

The District has obtained commercial insurance for the following risks:

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

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

B. Workers’ Compensation

For fiscal year 2020, 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.

C. Self-Insurance

The District offers medical, prescription, and dental insurance to all employees through a self-insurance internal service fund. The network provider is Medical Mutual and the prescription benefit manager is CVS. Self-Funded Plan, Inc. (SFPI), serves as the third party administrator for the District through the Jefferson Health Plan. The District also offers vision and life insurance to most employees through Vision Service Plan and Medical Life, respectively.

A comparison of self-insurance cash and investments to the actuarially measured liability as of June 30, is as follows:

	<u>2020</u>	<u>2019</u>
Cash and Investments	\$520,518	\$537,340
Actuarial Liability	\$294,366	\$283,234

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 8 – DEFINED BENEFIT PENSION PLANS

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the modified cash basis framework.

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset).

Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 8 – DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution was allocated to the Health Care Fund for fiscal year 2020.

The School District’s contractually required contribution to SERS was \$269,889 for fiscal year 2020.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 8 – DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients’ base benefit and past cost-of-living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

Anna Local School District
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NOTE 8 – DEFINED BENEFIT PENSION PLANS (continued)

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2020 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

The School District’s contractually required contribution to STRS was \$774,742 for fiscal year 2020.

Net Pension Liability

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.05545110%	0.04743600%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.05353470%</u>	<u>0.04752395%</u>	
Change in Proportionate Share	<u>-0.00191640%</u>	<u>0.00008795%</u>	
Proportionate Share of the Net Pension Liability	\$3,203,075	\$10,509,636	\$13,712,711

Actuarial Assumptions - SERS

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

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 8 – DEFINED BENEFIT PENSION PLANS (continued)

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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

Anna Local School District
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Notes to the Basic Financial Statements
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NOTE 8 – DEFINED BENEFIT PENSION PLANS (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
 Total	 <u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$4,488,653	\$3,203,075	\$2,124,957

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, are presented below:

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Notes to the Basic Financial Statements
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NOTE 8 – DEFINED BENEFIT PENSION PLANS (continued)

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation *</u>	<u>Long-Term Expected Rate of Return **</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

*Target weights will be phased in over a 24-month period concluding July 1, 2019.

** 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 8 – DEFINED BENEFIT PENSION PLANS (continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$15,358,662	\$10,509,636	\$6,404,687

NOTE 9 – DEFINED BENEFIT OPEB PLANS

The net OPEB liability (asset) is not reported on the face of the financial statements as a liability (asset) because of the use of the modified cash basis framework.

See note 8 for a description of the net OPEB liability.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS’ Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS’ health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS’ health care coverage. Most retirees and dependents choosing SERS’ health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Anna Local School District
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Notes to the Basic Financial Statements
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NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the School District's surcharge obligation was \$35,805.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$35,805 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

Anna Local School District
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Notes to the Basic Financial Statements
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NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

Net OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset) Prior Measurement Date	0.05576540%	0.04743600%	
Proportion of the Net OPEB Liability (Asset) Current Measurement Date	0.05455380%	0.04752395%	
Change in Proportionate Share	-0.00121160%	0.00008795%	
Proportionate Share of the:			
Net OPEB Liability (Asset)	\$1,371,913	(\$787,111)	\$584,802

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
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NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.22 percent
Prior Measurement Date	3.70 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019, was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	<u>1% Decrease 2.22%</u>	<u>Current Discount Rate 3.22%</u>	<u>1% Increase 4.22%</u>
School District's proportionate share of the net OPEB liability	\$1,665,243	\$1,371,913	\$1,138,682

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NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

	1% Decrease (6.00 % decreasing to 3.75%)	Current Trend Rate (7.00 % decreasing to 4.75%)	1% Increase (8.00 % decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$1,099,180	\$1,371,913	\$1,733,764

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 percent initial, 4 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

Anna Local School District
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Notes to the Basic Financial Statements
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NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

STRS’ investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation *</u>	<u>Long-Term Expected Rate of Return **</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
 Total	 <u>100.00 %</u>	

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

** 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
School District's proportionate share of the net OPEB asset	(\$671,642)	(\$787,111)	(\$884,193)

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NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$892,547)	(\$787,111)	(\$657,976)

NOTE 10 – OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Insurance Benefits

The District is self-insured for medical, prescription, and dental.

NOTE 11 – LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2020 were as follows:

	Principal Outstanding 6/30/19	Additions	Reductions	Principal Outstanding 6/30/20
General Obligations:				
2007 Bond Issue Advance Refunding Bonds 3.65 – 5.00%	\$1,455,000	\$0	\$340,000	\$1,115,000
2016 School Facilities Construction and Improvement Bonds – Series A – 1.00-4.00%	5,485,000	0	250,000	5,235,000
2016 School Facilities Construction and Improvement Bonds – Series B - 1.00 – 4.00%	4,890,000	0	215,000	4,675,000
Total General Obligations	\$11,830,000	\$0	\$805,000	\$11,025,000

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 11 – LONG-TERM OBLIGATIONS (continued)

As of June 30, 2020, the 2007 Bond Issue had \$355,000 due within one year, the 2016 Series A Bond Issue had \$265,000 due within a year, and the 2016 Series B Bond Issue had \$230,000 due within a year.

On March 27, 2007, the District issued \$4,520,000 general obligation school improvement bonds to advance refund \$5,765,000 of the 1998 school improvement bonds. Of these bonds, \$3,320,000 are serial bonds, with maturity dates of December 1, 2007 to December 1, 2022. \$475,000 were term bonds maturing on December 1, 2010 and \$725,000 are term bonds maturing on December 1, 2021.

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

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

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

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

On August 18, 2016, the School District issued \$11,160,000 bonds for the purpose of constructing, renovating, and improving school facilities under the Classroom Facilities Assistance Program of the Ohio School Facilities Commission. The Series A bonds (\$5,910,000) are voted general obligation bonds and the Series B bonds (\$5,250,000) are unvoted general obligation bonds. Of the \$5,910,000 series A bonds, \$3,395,000 are serial bonds with maturity dates of December 1, 2017 to December 1, 2028, \$1,170,000 are term bonds maturing on December 1, 2031, and \$1,345,000 are term bonds maturing on December 1, 2034. Of the \$5,250,000 series B bonds, \$2,965,000 are serial bonds with maturity dates of December 1, 2017 to December 1, 2028, \$1,055,000 are term bonds maturing on December 1, 2013, and \$1,230,000 are term bonds maturing on December 1, 2034.

The Series A term bonds maturing on December 1, 2031, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount redeemed, plus accrued interest to the date of redemption. The principal amount to be redeemed is \$370,000 on December 1, 2029, and \$390,000 on December 1, 2030. The remaining principal amount of these term bonds, \$410,000, will be paid at stated maturity on December 1, 2031.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 11 – LONG-TERM OBLIGATIONS (continued)

The Series A term bonds maturing on December 1, 2034, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount redeemed, plus accrued interest to the date of redemption. The principal amount to be redeemed is \$430,000 on December 1, 2032, and \$450,000 on December 1, 2033. The remaining principal amount of these term bonds, \$465,000, will be paid at stated maturity on December 1, 2034.

The Series B term bonds maturing on December 1, 2031, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount redeemed, plus accrued interest to the date of redemption. The principal amount to be redeemed is \$335,000 on December 1, 2029, and \$350,000 on December 1, 2030. The remaining principal amount of these term bonds, \$370,000, will be paid at stated maturity on December 1, 2031.

The Series B term bonds maturing on December 1, 2034, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount redeemed, plus accrued interest to the date of redemption. The principal amount to be redeemed is \$390,000 on December 1, 2032, and \$410,000 on December 1, 2033. The remaining principal amount of these term bonds, \$430,000, will be paid at stated maturity on December 1, 2034.

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

The District’s overall legal debt margin was \$6,976,675 at June 30, 2020, and the unvoted debt margin was \$172,059 at June 30, 2020.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2020, are as follows:

Year	Governmental Activities					
	2007 Advance Refunding General Obligation Bonds		2016 Series A School Construction and Improvement General Obligation Bonds		2016 Series B School Construction and Improvement General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$355,000	\$37,500	\$265,000	\$175,656	\$230,000	\$157,613
2022	370,000	23,000	270,000	171,975	235,000	154,413
2023	390,000	7,800	280,000	167,150	245,000	150,200
2024	0	0	285,000	161,500	250,000	145,250
2025	0	0	300,000	156,025	260,000	140,475
2026-2030	0	0	1,690,000	604,400	1,505,000	546,900
2031-2035	0	0	2,145,000	222,100	1,950,000	203,000
Totals	<u>\$1,115,000</u>	<u>\$68,300</u>	<u>\$5,235,000</u>	<u>\$1,658,806</u>	<u>\$4,675,000</u>	<u>\$1,497,851</u>

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Computer Organization

The District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is a council of governments within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The Board is made up of two representatives from each county. Ideally one of the two representatives is the superintendent of the Educational Service Center of the county so that all districts are represented. Payments to WOCO are made from the General Fund. The District paid WOCO \$68,040 for services provided during fiscal year 2020. Financial information can be obtained from the WOCO Fiscal Officer, at 129 East Court Street, Sidney, Ohio 45365.

B. Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 130 school districts in 18 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.

The Council exercises total control over the operations of the Council, including budgeting, appropriating, contracting, and designating management. Each member's degree of control is limited to its representation on the Council. 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 2020, the Educational Service Center did not have to pay any membership fee to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

C. Anna Local Schools Education Foundation

The Anna Education Foundation is a non-profit corporation whose purpose is to provide financial assistance for enhanced educational and/or career opportunities to residents, employees, and current and former students of the District. The board is made up of nine members, one of which is appointed by the Anna Local School Board. The remaining eight members are elected by the Board of Trustees. Seven of the nine trustees must be residents of the District. During fiscal year 2020, the District did not make any payments to the Anna Education Foundation. Information on this organization can be obtained from David Richard, who serves as Treasurer, at Post Office Box 475, Anna, Ohio 45302.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS (continued)

D. Southwestern Ohio Instructional Technology Association

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

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area. During fiscal year 2020, the District paid \$938 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Gary Greenberg, who serves as Director, 1205 E. Fifth Street, Dayton, Ohio 45402.

NOTE 13 - INSURANCE PURCHASING POOLS

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

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

B. Jefferson Health Plan Consortium

The District participates in the Jefferson Health Plan (formerly known as Ohio Mid-Eastern Educational Service Agency OME-RESA) Self-Insurance Plan, a risk-sharing, claims servicing and insurance purchasing pool comprised of ninety-one members, including two insurance consortiums. Each participant appoints a member of the insurance plan's assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental, and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchase of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible and \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all participants retain their own risks.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 13 - INSURANCE PURCHASING POOLS (continued)

All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop-loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administration fee for fiscal services and third party administrative services.

NOTE 14 - SET-ASIDE CALCULATIONS

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

The following information describes the change in the fiscal year-end 2020 set-aside amounts for capital improvements.

	Capital Improvements
Set Aside Restricted Balance June 30, 2019	\$ 0
Current Year Set Aside Requirement	213,753
Current Year Offsets from Tax Proceeds	(213,753)
Total	(0)
Balance Carried Forward to Fiscal Year 2021	\$ 0
Set Aside Restricted Balance June 30, 2020	\$ 0

The District had current year offsets that reduced the capital improvements set-aside below zero. These extra amounts may not be used to reduce the set-aside requirements in future fiscal years. In addition to the above statutory restrictions, the School District also had monies for school bus replacements in the amounts of \$70,953. The total restricted balance for all set-asides at the end of the fiscal year was \$70,953.

NOTE 15 – FUND BALANCE

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

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 15 – FUND BALANCE (continued)

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2020, were as follows:

Fund Balance	General	Bond Retirement	Classroom Facilities
Restricted for:			
Bus Purchases	\$70,953	\$0	\$0
Capital Improvement	0	0	0
School Facilities Improvements	0	0	882,666
School Facilities Maintenance	0	0	0
Debt Retirement	0	2,516,407	0
Textbooks	0	0	0
Educational Management			
Information Systems	0	0	0
Incentive Awards	0	0	0
Food Service Operations	0	0	0
Library Improvements	0	0	0
Athletics	0	0	0
Total Restricted	<u>70,953</u>	<u>2,516,407</u>	<u>882,666</u>
Committed to:			
Track Resurfacing	0	0	0
Total Committed	<u>0</u>	<u>0</u>	<u>0</u>
Assigned for:			
Unpaid Obligations	132,928	0	0
Staff Flower Fund	10,886	0	0
Staff Awards	1,983	0	0
Wellness/Classroom Instruction	11,610	0	0
Student Awards/Speakers	22,072	0	0
Total Assigned	<u>179,479</u>	<u>0</u>	<u>0</u>
Unassigned	<u>10,385,909</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u><u>\$10,636,341</u></u>	<u><u>\$2,516,407</u></u>	<u><u>\$882,666</u></u>

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 15 – FUND BALANCE (continued)

Fund Balance	Other Governmental Funds	Total
Restricted for:		
Bus Purchases	\$0	\$70,953
Capital Improvement	170,091	170,091
School Facilities Improvements	1,121,034	2,003,700
School Facilities Maintenance	336,272	336,272
Debt Retirement	0	2,516,407
CCP	40	40
Educational Management		
Information Systems	22,510	22,510
Connectivity	5,400	5,400
Student Wellness	56,542	56,542
Food Service Operations	112,352	112,352
Athletics	88,769	88,769
Total Restricted	<u>1,913,010</u>	<u>5,383,036</u>
Committed to:		
Track Resurfacing	40,000	40,000
Total Committed	<u>40,000</u>	<u>40,000</u>
Assigned for:		
Unpaid Obligations	0	132,928
Staff Flower Fund	0	10,886
Staff Awards	0	1,983
Wellness/Classroom Instruction	0	11,610
Student Awards/Speakers	0	22,072
Total Assigned	<u>0</u>	<u>179,479</u>
Unassigned	<u>0</u>	<u>10,385,909</u>
Total Fund Balance	<u>\$1,953,010</u>	<u>\$15,988,424</u>

NOTE 16 – BUDGETARY BASIS OF ACCOUNTING

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

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

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 16 – BUDGETARY BASIS OF ACCOUNTING (continued)

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

General Fund	
Net Change in Fund Balance	
Cash Basis	\$292,319
Adjustment for Encumbrances	(132,928)
Funds Budgeted Elsewhere**	<u>(32,240)</u>
Budget Basis	<u>\$127,151</u>

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

NOTE 17 – CONTINGENCIES

Federal and State Grants

The District receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

NOTE 18 – COMPLIANCE AND ACCOUNTABILITY

Ohio Administrative Code, Section 117-2-03 (B) requires the District to file annual financial reports which are prepared using accounting principles generally accepted in the United States of America (GAAP). For fiscal year 2020, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements rather than GAAP. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required annual financial report.

Anna Local School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 19 – CONTRACTUAL COMMITMENTS

At June 30, 2020, the District’s significant contractual commitments were as follows:

<u>Vendor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance At 06/30/20</u>
Robertson Construction	School Renovation	\$16,238,901	\$15,382,833	\$856,068
BSHM Architects, Inc.	School Renovation	1,481,818	1,317,652	164,166
Four Seasons Environment	School Renovation	180,511	110,013	70,498

NOTE 20 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The District’s investment portfolio and the investments of the pension and other employee benefit plan in which the District participates have incurred a significant decline in fair value consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 21 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2020, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 95, “*Postponement of the Effective Dates of Certain Authoritative Guidance.*” GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The District elected to postpone implementing GASB Statement No. 84, “*Fiduciary Activities*” until the fiscal year ending June 30, 2021.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

To the Board of Education:

We have audited, in accordance with the 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, the cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Anna Local School District, Shelby County, Ohio, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Anna Local School District's basic financial statements, and have issued our report thereon dated December 21, 2020, wherein we noted the Anna Local School District uses a special purpose framework other than generally accepted accounting principles. Additionally, as described in Note 21 to the financial statements, the Anna Local School District adopted Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, allowing the Anna Local School District to postpone the implementation of any newly applicable GASB pronouncements until the reporting date of June 30, 2021. Furthermore, as described in Note 20 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Anna Local School District.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Anna Local School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Anna Local School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Anna Local School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Anna Local School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2020-001.

Anna Local School District's Response to the Finding

The Anna Local School District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Anna Local School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Anna Local School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Anna Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
December 21, 2020

ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2020

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2020-001

Noncompliance

Ohio Revised Code Section 117.38 provides each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This presentation differs from GAAP. There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time.

Failure to prepare proper GAAP financial statements may result in the District being fined or other administrative remedies.

The District should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

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

**ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2020**

<u>Finding Number</u>	<u>Year Initially Occurred</u>	<u>Finding Summary</u>	<u>Status</u>	<u>Additional Information</u>
2019-001	2016	<u>Noncompliance</u> - Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(B) required the District to prepare its annual financial report in accordance with GAAP, however, the District prepared its annual financial report with the cash basis of accounting in a report format similar to the requirements in GASB Statement No. 34.	Not Corrected	Repeated as finding 2020-001 as the District prepared their annual financial report in accordance with the cash basis of accounting.

OHIO AUDITOR OF STATE KEITH FABER



ANNA LOCAL SCHOOL DISTRICT

SHELBY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/4/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov