



**Auditor of State
Betty Montgomery**

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Greenon Local School District
Clark County
500 Enon-Xenia Road
Enon, Ohio 45323

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Greenon Local School District, Clark County, (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Greenon Local School District, Clark County, as of June 30, 2005, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

January 11, 2006

Greenon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The discussion and analysis of Greenon Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- Assets exceeded liabilities at the close of the most recent fiscal year by \$9.00 million. Of this amount, \$1.44 million is unrestricted for the School District's discretionary use.
- General revenues accounted for \$13.36 million in revenue or 84.66 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$2.42 million or 15.34 percent of total revenues of \$15.78 million.
- The School District had \$15.70 million in expenses related to governmental activities; only \$2.42 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$13.36 million, along with cash balances, were adequate to provide for these programs.
- Among major funds, the general fund had \$13.31 million in revenues and \$13.21 in expenditures. The permanent improvement capital projects fund had \$.64 million in revenue and \$.60 million in expenditures. When the net change is added to the beginning cash balance of \$1.24 million, the \$1.28 million carryover makes the permanent improvement capital projects fund a major fund. However, the district has plans for this carryover money and the cash balance should not be that high after the 05-06 school year.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to private-sector business.

Greenon Local School District
Management's Discussion and Analysis
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The *statement of net assets* presents information on all the School District's assets and liabilities, with the difference between the two is reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net assets and statement of activities.

Greenon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The School District maintains twenty-nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of fund revenues, expenditures and changes in fund balance for the general fund and permanent improvement fund which are considered major funds. Data from the other twenty-seven governmental funds are combined into a single, aggregate presentation.

The School District adopts an annual appropriation budget for all of its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 15-17 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 18-19 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 21 of this report.

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net assets for 2004 to 2005.

Table 1
Net Assets
(in Millions)

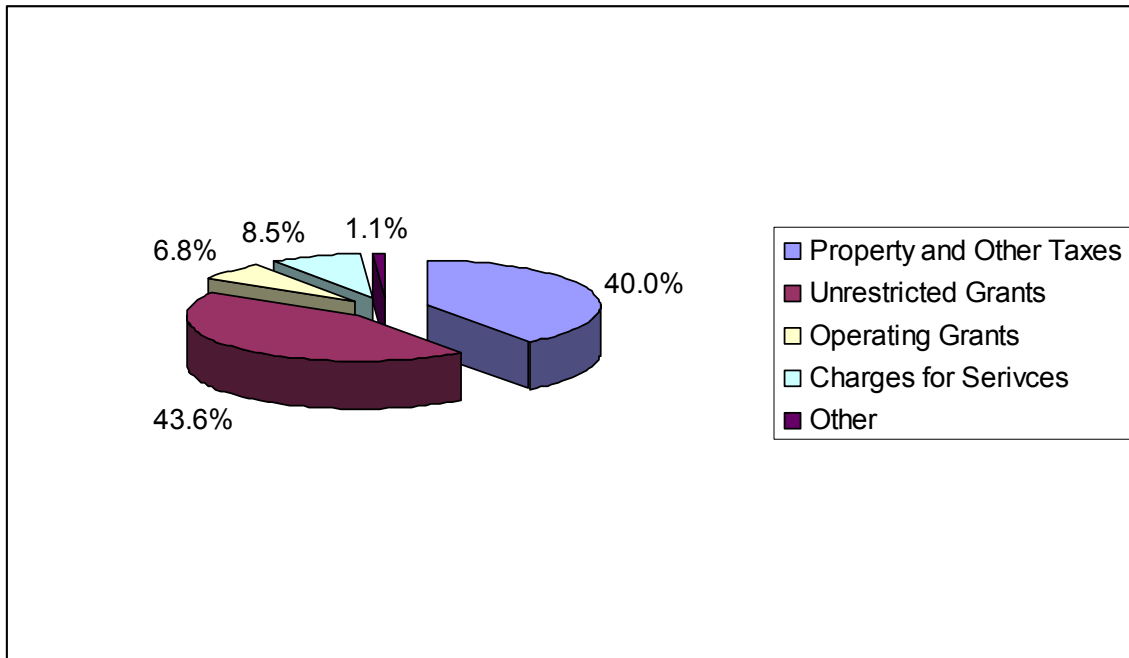
	2005	2004	Change
Assets			
Current and Other Assets	\$9.63	\$10.98	(\$1.35)
Capital Assets (net acc depr'n.)	6.32	6.39	(0.07)
Total Assets	15.95	17.37	(1.42)
Liabilities			
Long-term Liabilities	(1.02)	(0.97)	(0.05)
Other Liabilities	(5.93)	(7.46)	1.53
Total Liabilities	(6.95)	(8.43)	1.48

Greenon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

	<u>2005</u>	<u>2004</u>	<u>Change</u>
Net Assets			
Invested in Capital Assets (net of related debt)	\$6.18	\$6.23	(\$0.05)
Restricted for:			
Grants	0.01	0.02	(0.01)
Debt Service	0.00	0.25	(0.25)
Permanent Fund Principal	0.02	0.01	0.01
State Mandates	0.05	0.05	0.00
Capital Improvements	1.31	1.23	0.08
Unrestricted	<u>1.43</u>	<u>1.15</u>	<u>0.28</u>
Total Net Assets	<u><u>\$9.00</u></u>	<u><u>\$8.94</u></u>	<u><u>\$0.06</u></u>

Graph 1 breaks down the School District's government-wide revenue into percentages by type of revenue.

Graph 1



Greenon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Table 2 shows the change in revenue from fiscal year 2004 to 2005.

Table 2
Revenues
(in Millions)

	<u>2005</u>	<u>2004</u>	<u>Change</u>
Revenues			
<i>Program Revenues</i>			
Charges for Services	\$1.35	\$1.16	\$0.19
Operating Grants	1.07	0.73	0.34
<i>General Revenues</i>			
Property Taxes	6.31	6.49	(0.18)
Unrestricted Grants	6.87	6.87	0.00
Investment Earnings	0.09	0.04	0.05
Other	0.09	0.12	(0.03)
Total Revenues	<u><u>\$15.78</u></u>	<u><u>\$15.41</u></u>	<u><u>\$0.37</u></u>

Table 3 shows the change in program expenses from 2004 to 2005.

Table 3
Total Program Expenses
(in millions)

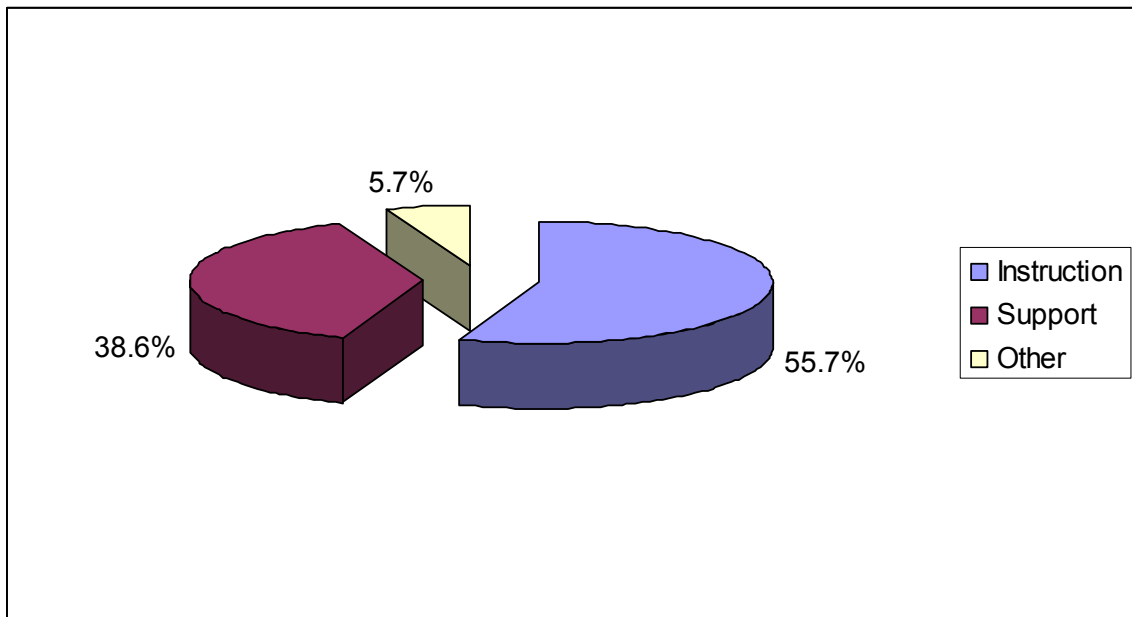
	<u>2005</u>	<u>2004</u>	<u>Change</u>
Program Expenses			
<i>Instruction</i>			
Regular	\$6.67	\$6.73	(\$0.06)
Special	1.30	1.18	0.12
Other	0.77	0.67	0.10
<i>Support Services:</i>			
Pupil/Staff	1.19	1.19	0.00
Administration	1.50	1.25	0.25
Maintenance	1.51	1.45	0.06
Transportation	1.15	1.01	0.14
Other	0.72	0.77	(0.05)

Greenon Local School District
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	2005	2004	Change
Loss on Disposal of Capital Assets	\$0.02	\$0.00	\$0.02
Operation of Non-Instructional Services	0.00	0.02	(0.02)
Food Services/Latchkey	0.53	0.50	0.03
Extracurricular Activities	0.33	0.29	0.04
Interest and Fiscal Charges	0.01	0.01	0.00
Total Expenses	15.70	15.07	0.63
Net Change	0.08	0.34	(0.26)
Beginning Net Assets	8.92	8.58	0.34
Ending Net Assets	\$9.00	\$8.92	\$0.08

Graph 2 shows a breakdown of expenditures by percentages in the major categories.

Graph 2



Greenon Local School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2005
 Unaudited

The Major Funds

The School District's major funds start on page 15. These funds are accounted for using the modified accrual basis of accounting, focusing on the near term financial resources of the District. The major funds are the general fund and the permanent improvement capital projects fund. Both accounted for 88.43% of the \$15.78 million in total revenue and 88.03% of the \$15.70 million in total expenses. The general fund and permanent improvement capital projects fund received a majority of their revenues from property taxes and intergovernmental revenues. Revenues exceeded expenditures in the general fund and permanent improvement capital projects fund, creating a year end fund balance of \$2.43 million and \$1.28 million, respectively.

The general fund recognized \$1.53 million in current liabilities for fiscal year 2005. Accrued salaries and benefits accounted for 73.00% of those liabilities. Taxes receivable accounted for 99.74% of the \$5.59 million receivables in the general fund. However, the taxes receivable is offset by a deferred revenue because those taxes are not intended to finance the 2005 fiscal year.

General Fund Budgetary

Table 5 compares the original and final general fund revenue budgets for the fiscal year ended June 30, 2005.

Table 5
Original Budget versus Final Budget for General Fund Revenues

	Budget		
	Original	Final	Variance
<u>Revenues</u>			
Property Taxes	\$5,685,353	\$5,452,149	(\$233,204)
Intergovernmental	7,099,600	6,808,385	(291,215)
Other	777,773	745,870	(31,903)
Total Revenues	<u>\$13,562,726</u>	<u>\$13,006,404</u>	<u>(\$556,322)</u>

The original revenue estimates come from the Tax Budget completed in January 2004. The County Auditor completes the tax estimates. The county auditor also included "Rollback and Homestead" estimates in the tax line. The county auditor assumed valuation growth when estimating taxes on the tax budget, this growth occurred but the reduction factors applied resulted in significant rollback of this additional revenue.

Greenon Local School District
Management's Discussion and Analysis
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State revenue makes up the majority of the intergovernmental revenue. The Actual Intergovernmental receipts were almost \$300,000 less than anticipated due to lower student count and increasing district valuation (charge-off). The budget for Intergovernmentals was a highly optimistic figure.

Table 6 compares the original and final general fund expenditure budgets for the fiscal year ended June 30, 2005.

Table 6
Original Budget versus Final Budget for General Fund Expenditures

	Budget		
	Original	Final	Variance
<u>Expenditures</u>			
Instruction	\$7,692,596	\$7,635,784	(\$56,812)
Support Services	5,548,703	5,481,257	(67,446)
Other	227,221	223,927	(3,294)
Total Expenditures	<u>\$13,468,520</u>	<u>\$13,340,968</u>	<u>(\$127,552)</u>

The original budget comes for the Tax Budget filed in January of 2004. Traditionally the tax budget expenditures include all possible needs for the future year. A good portion of the variance was the result of not replacing retiring staff and reducing personnel where possible, due to the deficit projected in the 5 year forecast. The \$129,071 variance between final budgeted expenditures and actual was due largely to the Greenon Virtual School. Greenon Local provided teaching and administrative services to the virtual school during the school year. Greenon Local paid for these services and the Greenon Virtual School paid back Greenon Local in late June of 2005. Due to it being the first year of operation for the virtual school, the amount of payback was not known until after the final budget had already been approved.

Greenon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Capital Assets

At the end of the year, the School District had \$6,316,902 invested in land, buildings, equipment, infrastructure, and vehicles less accumulated depreciation. Table 4 shows the breakdown of the individual classes for capital assets:

Table 4
Capital Assets

Class	2005	2004	Percentage Change
Land	\$100,000	\$100,000	0%
Construction in Progress	0	223,162	(100%)
Buildings & Improvements	20,265,469	20,265,469	0%
Furniture and Equipment	3,817,721	3,955,966	(3%)
Infrastructure	244,386	0	100%
Vehicles	1,531,081	1,607,430	(5%)
Totals	<u>\$25,958,657</u>	<u>\$26,152,027</u>	<u>(1%)</u>

Debt Administration

The District issued \$232,945 of energy conservation notes commencing January, 2001, which had a balance of \$139,765 at June 30, 2005. The energy conservation notes retire in 2011 with semi-annual principal and interest payments being made from the cost savings realized in the general fund. For further information on the School District's obligations, refer to note 13 of the financial statements.

For the Future

At this time, the Greenon Local School District is financially stable. The District is proud of its community support of the public schools. However, the District has been forced to eliminate numerous positions within the buildings, and many of these employees reside in our community. Through attrition and layoffs, the District has cut over \$1 million out of its operating budget over the past five years. Had the District not been pro-active in making these changes, we may not be financially solvent today. Unfortunately, the District is running out of positions to reduce and building budgets to cut, without further effort from the State, the District will be on the ballot for additional operating money in 2007.

Greenon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

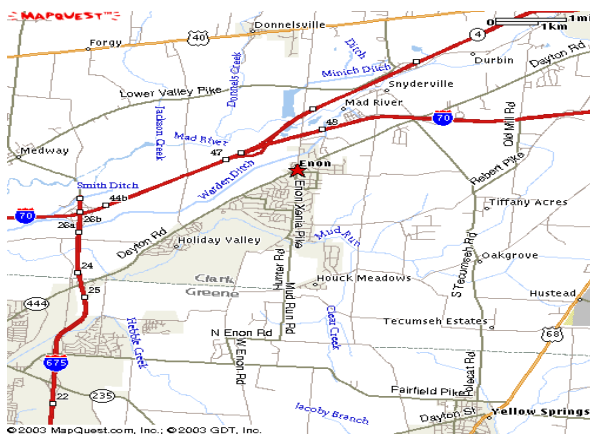
Externally, the legislators and government officials continue to negotiate the plan for improvement of the financing of public schools in the State of Ohio due to decision by the Ohio Supreme Court in March 1997 finding the State to be operating an unconstitutional system, one that was neither "adequate" nor "equitable." Legislators have made several changes to the school funding formula, but these changes amount more to a shifting from one funding area to another. The cost of doing business factor is going away, which is a 4.5% loss on the District's per pupil funding. Parity Aid will not be fully phased in. But, the State remedied these losses with "Building Blocks Funding" which is only targeted for specific areas and has strings attached. With these changes, the District will receive about as much State money as it was receiving five years ago.

In today's struggling economy, the main focus must be on maintaining the current operating budget. The District has a 5.5 mill operating levy and a \$500,000 emergency levy that need renewed/replaced in 2006. It is critical that we sustain these two levies. The District valuation consists mostly of a residential tax base, thus shifting more of the financial responsibility to our taxpayers. Immediately following these two ballot issues, the District will attempt to renew a 3.0 mill permanent improvement levy and, in all likelihood, a new operating levy.

The District's primary goal is to be pro-active in dealing with the financial woes of the State and the current economy. The School District plans to continue its pro-active fiscal management practices to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Dawn Weller, Treasurer, Greenon Local Schools, 500 Enon-Xenia Road, Enon, OH 45323 (937) 864-1202. Also see: www.greenon.k12.oh.us



Greenon Local School District
Clark County, Ohio
Statement of Net Assets
June 30, 2005

	Primary Government
	Governmental
	Activities
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$2,405,021
Investments	991,565
Cash in Segregated Accounts	15,632
Cash with Fiscal Agents	656
Receivables:	
Property Taxes	6,071,702
Accounts	4,356
Accrued Interest Receivable	3,175
Intergovernmental	63,344
Materials and Supplies Inventory	11,917
Prepaid Items	16,299
Restricted Cash and Cash Equivalents	51,040
Nondepreciable Capital Assets	100,000
Depreciable Capital Assets	6,216,902
Total Assets	15,951,609
 <u>Liabilities</u>	
Payables:	
Accounts	42,552
Contracts	3,250
Intergovernmental	410,739
Interest	1,971
Salaries and Employee Benefits	1,202,523
Matured Interest	650
Unearned Revenue	4,120,631
Noncurrent Liabilities:	
Due within one year	152,150
Due in more than one year	1,015,573
Total Liabilities	6,950,039
 <u>Net Assets</u>	
Invested in capital assets, net of related debt	6,177,137
Restricted for:	
Permanent Fund Principal	15,065
Grants	9,678
State Mandates	51,040
Capital Improvements	1,308,797
Unrestricted	1,439,853
Total Net Assets	\$9,001,570

See accompanying notes to the basic financial statements

Greenon Local School District
Clark County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2005

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Changes in Net Assets</u>
		<u>Services</u>	<u>Grants and</u>	<u>Governmental</u>
			<u>Contributions</u>	<u>Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$6,670,081	\$575,958	\$297,999	(\$5,796,124)
Special	1,296,094	0	507,220	(788,874)
Vocational	377,399	0	230	(377,169)
Other	397,185	0	0	(397,185)
Support Services:				
Pupils	589,851	0	9,390	(580,461)
Instructional Staff	600,211	1,140	117,590	(481,481)
Board of Education	96,317	0	0	(96,317)
Administration	1,403,722	0	0	(1,403,722)
Fiscal	435,357	0	0	(435,357)
Business	181,741	169,501	0	(12,240)
Operation and Maintenance of Plant	1,505,876	0	0	(1,505,876)
Pupil Transportation	1,147,892	0	2,700	(1,145,192)
Central	101,877	0	38,855	(63,022)
Food Service	481,177	396,843	101,063	16,729
Latchkey	53,958	72,988	0	19,030
Loss on Disposal of Capital Assets	21,321	0	0	(21,321)
Extracurricular Activities	327,588	128,662	0	(198,926)
Interest and Fiscal Charges	9,963	0	0	(9,963)
Total Primary Government	<u>\$15,697,610</u>	<u>\$1,345,092</u>	<u>\$1,075,047</u>	<u>(13,277,471)</u>

General Revenues:	
Property Taxes	6,305,378
Grants and Contributions not restricted to specific programs	6,872,314
Unrestricted investment earnings	87,677
Miscellaneous	91,838
Total General Revenues	<u>13,357,207</u>
Changes in Net Assets	79,736
Net Assets-Beginning	<u>8,921,834</u>
Net Assets-Ending	<u>\$9,001,570</u>

See accompanying notes to the basic financial statements

**Greenon Local School District
Clark County, Ohio
Balance Sheet - Governmental Funds
June 30, 2005**

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,085,356	\$1,128,838	\$190,827	\$2,405,021
Investments	991,565	0	0	991,565
Cash in Segregated Accounts	0	0	15,632	15,632
Cash with Fiscal Agents	0	0	656	656
Receivables:				
Property and Other Taxes	5,571,588	500,114	0	6,071,702
Accounts	4,356	0	0	4,356
Interfund	6,749	0	0	6,749
Accrued Interest	3,175	0	0	3,175
Intergovernmental	0	0	63,344	63,344
Due from Other Funds	2,158	0	0	2,158
Prepaid Items	15,599	0	700	16,299
Materials and Supplies Inventory	936	0	10,981	11,917
Restricted Assets:				
Cash and Cash Equivalents	51,040	0	0	51,040
Total Assets	\$7,732,522	\$1,628,952	\$282,140	\$9,643,614
Liabilities and Fund Balances				
Liabilities				
Payables:				
Accounts	\$36,565	\$4,085	\$1,902	\$42,552
Contracts	0	3,250	0	3,250
Due to Local Governments	375,728	0	35,011	410,739
Salaries and Employee Benefits	1,114,805	0	87,718	1,202,523
Interfund	0	0	6,749	6,749
Due from Other Funds	0	0	2,158	2,158
Matured Interest	0	0	650	650
Deferred Revenue	3,779,837	340,994	0	4,120,831
Total Liabilities	5,306,735	348,329	134,188	5,789,252
Fund Balances:				
Designated for:				
Budget Stabilization	218,555	0	0	218,555
Reserved for:				
Encumbrances	12,874	100,428	2,505	115,807
Property Taxes	1,575,371	134,866	0	1,710,237
Budget Stabilization	32,397	0	0	32,397
Bus Purchase Allowance	18,643	0	0	18,643
Unreserved, reported in:				
General	567,947	0	0	567,947
Debt Service	0	0	7	7
Special Revenue	0	0	117,266	117,266
Capital Projects	0	1,045,329	28,174	1,073,503
Total Fund Balances	2,425,787	1,280,623	147,952	3,854,362
Total Liabilities and Fund Balances	\$7,732,522	\$1,628,952	\$282,140	\$9,643,614

Reconciliation of Total Governmental Fund Balances to
Net Asset of Governmental Activities

Total Governmental Fund Balances \$3,854,362

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

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds 6,316,902

Long-term liabilities are not due and payable in the current period
and therefore are not reported in the funds. (1,169,694)

Net Assets of Governmental Activities \$9,001,570

See accompanying notes to the basic financial statements

**Greenon Local School District
Clark County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Fiscal Year Ended June 30, 2005**

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$5,749,914	\$555,464	\$0	\$6,305,378
Intergovernmental	6,808,365	63,929	1,077,279	7,949,593
Charges for Services	0	0	469,831	469,831
Tuition and Fees	575,968	0	0	575,968
Interest	65,699	21,692	286	87,677
Extracurricular Activities	25,017	0	274,286	299,303
Miscellaneous	86,902	0	3,636	90,538
Total Revenues	13,311,875	641,085	1,825,318	15,778,278
Expenditures:				
Current:				
Instruction:				
Regular	6,092,219	740	291,811	6,384,770
Special	686,522	0	550,994	1,237,516
Vocational	399,324	0	2,930	402,254
Other	397,185	0	0	397,185
Support Services:				
Pupils	573,211	0	9,473	582,684
Instructional Staff	316,389	179,482	62,425	558,296
Board of Education	96,317	0	0	96,317
Administration	1,386,612	0	0	1,386,612
Fiscal	420,072	9,361	0	429,433
Business	10,301	0	171,392	181,693
Operation and Maintenance of Plant	1,423,557	8,443	0	1,432,000
Pupil Transportation	1,103,958	0	12,219	1,116,177
Central	81,734	0	36,370	118,104
Operation of Non-Instructional Services	0	0	520,861	520,861
Extracurricular Activities	194,972	30,087	106,602	331,661
Capital Outlay	0	373,278	112,746	486,024
Debt Service:				
Principal Retirement	23,295	0	0	23,295
Interest and Fiscal Charges	9,056	0	1,235	10,291
Total Expenditures	13,214,724	601,391	1,879,058	15,695,173
Excess (Deficiency) of Revenues Over (Under) Expenditures	97,151	39,694	(63,740)	83,105
Other Financing Sources (Uses):				
Sale of Capital Assets	1,300	0	0	1,300
Transfers - In	0	0	216,900	216,900
Transfers - Out	0	0	(216,900)	(216,900)
Total Other Financing Sources (Uses)	1,300	0	0	1,300
Net Change in Fund Balances	98,451	39,694	(63,740)	84,405
Fund Balances - beginning (restated)	2,327,336	1,240,929	201,692	3,769,957
Fund Balances - ending	\$2,425,787	\$1,280,623	\$147,952	\$3,854,362

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Net Change in Governmental Fund Balances \$84,405
Amounts reported in governmental activities (73,167)
In the statement of activities are different because: (2,232)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (73,167)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (2,232)

Repayment of long-term obligations is reported as an expenditure in governmental funds, the the repayment reduces long-term liabilities in the statement of net assets. In the current year, this amount is: 23,295

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures/revenues in governmental funds. 47,435

Change in net assets of governmental activities \$79,736

See accompanying notes to the basic financial statements

Greenon Local School District
Clark County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
General Fund
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$5,685,353	\$5,452,149	\$4,646,749	(\$805,400)
Intergovernmental	7,099,600	6,808,385	6,808,385	0
Tuition and Fees	600,726	576,085	576,085	0
Interest	64,708	62,054	62,054	0
Payment in Lieu of Taxes	26,087	25,017	25,017	0
Miscellaneous	86,252	82,714	82,714	0
Total Revenues	13,562,726	13,006,404	12,201,004	(805,400)
Expenditures:				
Current:				
Instruction:				
Regular	6,239,362	6,170,502	6,092,303	78,199
Special	793,883	690,981	688,486	2,495
Vocational	403,851	397,051	400,491	(3,440)
Other	255,500	377,250	396,329	(19,079)
Support Services:				
Pupils	519,526	581,678	577,810	3,868
Instructional Staff	351,108	337,866	331,723	6,143
Board of Education	101,240	100,560	95,767	4,793
Administration	1,437,475	1,385,219	1,341,160	44,059
Fiscal	440,246	426,150	421,355	4,795
Business	12,000	10,135	10,301	(166)
Operation and Maintenance of Plant	1,499,200	1,439,513	1,454,190	(14,677)
Pupil Transportation	1,078,595	1,104,623	1,090,791	13,832
Central	109,313	95,513	83,152	12,361
Extracurricular Activities	195,058	191,576	195,688	(4,112)
Debt Service:				
Principal Retirement	23,295	23,295	23,295	0
Interest and Fiscal Charges	8,868	9,056	9,056	0
Total Expenditures	13,468,520	13,340,968	13,211,897	129,071
Excess of Revenues Over (Under) Expenditures	94,206	(334,564)	(1,010,893)	(676,329)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	0	1,300	1,300	0
Refund of Prior Year Expenditures	0	2,660	2,660	0
Advances In	0	9,565	9,565	0
Advances Out	(25,000)	(25,000)	(6,749)	18,251
Transfers Out	(25,000)	(25,000)	0	25,000
Total Other Financing Sources (Uses)	(50,000)	(36,475)	6,776	43,251
Net Change in Fund Balance	44,206	(371,039)	(1,004,117)	(633,078)
Fund Balances at Beginning of Year	3,033,400	3,033,400	3,033,400	0
Prior Year Encumbrances Appropriated	79,796	79,796	79,796	0
Fund Balance at End of Year	\$3,157,402	\$2,742,157	\$2,109,079	(\$633,078)

See accompanying notes to the basic financial statements

**Greenon Local School District
Clark County, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005**

	Private-Purpose Trust Fund	Agency
<u>Assets</u>		
Equity in Pooled Cash and Cash Equivalents	\$22,075	\$47,603
Total Assets	22,075	47,603
<u>Liabilities</u>		
Accounts Payable	0	2,420
Due to Students	0	45,183
Total Liabilities	0	47,603
<u>Net Assets</u>		
Principal Reserved	15,065	0
Held in trust for benefit of students	7,010	0
Total Net Assets	\$22,075	\$0

See accompanying notes to the basic financial statements

Greenon Local School District
Clark County, Ohio
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2005

	Private-Purpose Trust Fund
Additions:	
Contributions:	
Donations	\$655
Investment Earnings:	
Interest	441
Total Additions	1,096
Deductions:	
Scholarships	2,000
Change in Net Assets	(904)
Net Assets - Beginning of Year	22,979
Net Assets - End of Year	\$22,075

See accompanying notes to the basic financial statements

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Greenon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Greenon Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State statute and federal guidelines. This Board of Education controls the School District's four instructional/support facilities.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District reports the Greenon Virtual School as a blended component unit. More detailed information is presented in Note 21 to the basic financial statements.

The School District participates in four jointly governed organizations and one insurance purchasing pool. These organizations are the Miami Valley Educational Computer Association (MVECA), the Southwestern Ohio Educational Purchasing Council (SOEPC), the Southwestern Ohio Instructional Technology Association (SOITA), the Clark County Family and Children First Council (FCF), and the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), respectively. These organizations are presented in Notes 15 and 16 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program Revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Greenon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

B. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the fiscal period. Expenditures generally are recorded when a liability is expected to be liquidated with expendable, available resources. However, debt service expenditures, as well as compensated absences, are recorded only when payment is due.

Property taxes, grants and entitlements, tuition, fees and interest associated with the current fiscal period are all considered to susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the District.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District employs the use of two categories of funds: governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *permanent improvement fund* is used to account for all transactions related to acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Revised Code.

Greenon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund

Fiduciary fund reporting focuses on net assets and changes in net assets. The District maintains two fiduciary funds. One is an agency fund known as the Students Activities Fund, which was established to account for revenues generated by student managed activities. The District's agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. The other is a private purpose trust fund established to provide scholarships to students for higher education.

When both restricted and unrestricted resources are available for use, it is the District's policy to use the restricted resources first, and then unrestricted resources, as they are needed.

C. Budgetary Process

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

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the function level within each fund. The Treasurer has been given the authority to further allocate the Board's appropriations. Any budgetary modifications at the legal level may only be made by resolution of the Board of Education.

Tax Budget:

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed by the Board of Education. At year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

Greenon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund and function level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. Budgetary controls require that the appropriation resolution, by fund, be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, two supplemental appropriations were legally enacted; however, these amendments were not significant.

The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – General Fund are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications. Budget figures appearing in the statement of budgetary comparisons are based upon the following:

Initial Budget is the legally adopted amount of appropriation originally passed by District Board through the original appropriation resolution.

Final Budget represents the final appropriation amounts, including all amendments and modifications.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

Lapsing of Appropriations:

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

D. Cash and Investments

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the statement of net assets and governmental fund balance sheet.

Greenon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The School District has segregated bank accounts for monies held separate from the School District's central bank account. These interest bearing depository accounts are presented on the statement of net assets and governmental fund balance sheet as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited into the School District treasury. The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the statement of net assets and governmental fund balance sheet as "Cash and Cash Equivalents with Fiscal Agents" and represents deposits.

During fiscal year 2005, the School District had investments in governmental securities.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$65,699, which includes \$22,321 assigned from other School District funds. The debt service, permanent improvement capital projects, special trust special revenue and private purpose trust funds also received interest of \$1, \$21,692, \$285 and \$441, respectively.

E. Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables" and "interfund payables". These amounts are eliminated in the statement of net assets.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure is reported in the year in which services are consumed.

G. Inventory

Inventories are stated at cost, which is determined on a first-in, first-out basis. Inventory consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in when purchased.

H. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization and school bus purchase allowance. See Note 17 for additional information regarding set-asides.

Greenon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, vehicles, and infrastructure are reported on the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual amounts were not available. Donated capital assets are recorded at an estimated fair market value at the date of donation. The School District reviewed possible infrastructure assets (roads, bridges, culverts, etc.), which could be required to be capitalized. The School District reports the waste water treatment plant as infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Vehicles and Equipment	5-20

J. Compensated Absences

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount normally due for payment during the current year. Matured leave payable in the fund financial statements represents the entire current portion. These amounts are reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The entire liability is reported on the government-wide statement of net assets.

Greenon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities are reported on the governmental fund financial statement as obligation whether they will be liquidated with current resources. However, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have used current available financial resources.

L. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchase funds. Flows of cash or goods from one fund to another without requirement for repayment are reported as interfund transfers. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

M. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accounting principles but not available for appropriations under State statute.

N. Fund Designations

Fund balance designations may be established to indicate tentative planned expenditures of financial resources. The designation reflects the School District's intentions and is subject to change. The designation is reported as part of unreserved fund balance. The designation arises when amounts set-aside for textbooks, capitalization, or budget stabilization exceed the statutory required amount. The amount designated for budget stabilization this year for the School District is \$218,555.

O. Estimates

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

Greenon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenues. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Q. Exchange/Non-Exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

R. Reconciliation of government-wide and fund financial statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheets includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$1,169,694) difference are as follows:

Special Termination Benefit Payable	(\$56,598)
Energy Conservation Bonds Payable	(139,765)
Accrued Interest Payable	(1,971)
Compensated Absences	(971,360)
Net Adjustment to reduces <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	(\$1,169,964)

Greenon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of the \$6,316,902 difference are as follows:

Capital Assets	\$25,958,657
Accumulated Depreciation	(19,641,755)
Net Adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$6,316,902

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

An element of that reconciliation states that “Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures/revenues in governmental funds.” The details of this \$47,435 are as follows:

Change in Leave Balances	(\$30,945)
Change in Interest on Bonds	328
Change in Termination Benefits	78,052
Net Adjustment – current financial resources focus to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$47,435

Another element of that reconciliation states that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this (\$73,167) are as follows:

Current Capital Additions	\$517,056
Loss on Asset Disposal	(244,483)
Depreciation Expense	(345,740)
Net Adjustment – capital assets to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	(\$73,167)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2005, the Food Service, District Managed Activities and Title VI special revenue funds had deficit fund balances of \$25,985; \$2,881 and \$97, respectively. The deficit in the Food Service fund is the result of revenues not supporting expenditures. In the past, the School District has transferred money from the general fund to help cover the cost of operations. The School District continues to monitor the situation and make transfers if necessary. The deficits in the other funds were created by application of generally accepted accounting principles. The general fund provides cash to these funds; however that does not happen until needed.

Greenon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (continued)

B. Compliance

The following funds had appropriations in excess of estimated resources for the fiscal year ended June 30, 2005:

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Nonmajor Governmental Funds:			
Special Revenue Funds:			
Food Service	\$477,242	\$490,092	\$12,850
District Managed Activities	111,504	118,203	6,699
Intervention Grant	39,991	40,700	709
Title VI-B	394,629	416,075	21,446
Title I	223,075	246,537	23,462
Pre-School Grant	0	13,384	13,384
Class Size Reduction	60,844	65,750	4,906

The following functions within the General Fund had expenditures plus encumbrances exceed appropriations for the fiscal year ended June 30, 2005:

<u>Function</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Excess</u>
Instruction:			
Vocational	\$397,051	\$400,491	\$3,440
Other	377,250	396,329	19,079
Support Services:			
Business	10,135	10,301	166
Operation and Maintenance of Plant	1,439,513	1,454,190	14,677
Extracurricular Activities	191,576	195,688	4,112

The School District monitors the budgetary process very closely but does not run a report at the end of the year to balance the expenditures to appropriations since that does not benefit the financial statement readers. The last appropriation modification was completed in early June. The largest variance, in other instruction, was caused when the Department of Education adjusted the final community school deduction in late June and it was larger than anticipated. The School District has little control over what the Department of Education does when making those adjustments except attempting to project the changes. The other variances are minor differences in final payments for some items, especially utility costs, than was anticipated. The treasurer continues to use historical data to project those final payments but some variation is to be expected.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

Greenon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
General Fund

GAAP Basis	\$98,451
Revenue Accruals	(1,108,211)
Expenditure Accruals	40,580
Encumbrances	(37,754)
Advances	2,817
Budget Basis	<u><u>(\$1,004,117)</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

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

Inactive deposits are public deposits that the Board 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 passbook accounts.

Greenon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Interim monies held by the School District can 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;
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, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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;
7. The State Treasurer's investment pool (STAR Ohio).
8. Commercial paper and bankers acceptances 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, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

At fiscal year-end, the carrying value of the School District's deposits was \$2,542,027 and the bank balance was \$2,611,988. \$300,656 of the School District's deposits was insured by federal depository insurance. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$2,311,332 of the School District's bank balance of \$2,611,988 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Greenon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Investments

As of June 30, 2005, the School District had the following investments.

	<u>Carrying and Fair Value</u>	<u>Maturity</u>
Federal National Mortgage Association Discount Notes	\$494,065	04/26/2006
Federal Home Loan Bank Bonds	497,500	11/17/2005
Total Investments	<u>\$991,565</u>	

Interest Rate Risk - The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk - The Federal National Mortgage Association Notes and Federal Home Loan Bank Bonds carry a rating of A-1+ and Aaa/AAA and P-1/A-1 respectively. The School District has no investment policy that would further limit its investment choices.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 Federal National Mortgage Association Notes and the Federal Home Loan Bank Bonds are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School 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.

Concentration of Credit Risk - The School District places no limit on the amount it may invest in any one issuer. The School District's investment in Federal Home Loan Bank Bonds represents 50.2% of the School District's total investments.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Property tax revenue received during calendar 2005 for real and public utility property taxes represents collections of calendar 2004 taxes. Property tax payments received during calendar 2005 for tangible personal property (other than public utility property) are for calendar 2004 taxes.

2005 real property taxes are levied after April 1, 2004 on the assessed value listed as of January 1, 2004, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2005 real property taxes are collected in and intended to finance fiscal year 2006.

Greenon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 6 - PROPERTY TAXES (continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2005 public utility property taxes became a lien on December 31, 2004, are levied after April 1, 2005, and are collected in 2006 with real property taxes.

2005 tangible personal property taxes are levied after April 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits 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 semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<u>2004 Second- Half Collections</u>		<u>2005 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$208,146,190	91.00%	\$221,905,900	91.00%
Public Utility	10,293,730	4.50	10,299,730	4.22
Tangible Personal Property	10,276,291	4.50	11,657,639	4.78
Total Assessed Value	<u>\$228,716,211</u>	<u>100.00%</u>	<u>243,863,269</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.68		\$39.80	

The School District receives property taxes from Clark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2005, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2005, was \$1,710,237. \$1,575,371 was available to the general fund and \$134,866 was available to the permanent improvement capital projects fund.

Greenon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005, consisted of taxes, accounts, and intergovernmental grants. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Nonmajor Governmental Funds	
Food Service	\$11,099
Miscellaneous State Grants	2,430
Title VI-B Grant	21,447
Title I Grant	23,462
Reducing Class Size Grant	4,906
Total Intergovernmental Receivable	\$63,344

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance 7/01/04	Increases	Decreases	Balance 6/30/05
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$100,000	\$0	\$0	\$100,000
Construction in Progress	223,162	0	(223,162)	0
Capital Assets, being depreciated				
Buildings and Improvements	20,265,469	0	0	20,265,469
Furniture and Equipment	3,955,966	211,285	(349,530)	3,817,721
Vehicles	1,607,430	61,385	(137,734)	1,531,081
Infrastructure	0	244,386	0	244,386
Total at Historical Cost	26,152,027	517,056	(710,426)	25,958,657
Total Accumulated Depreciation	(19,761,958)	(345,740)	465,943	(19,641,755)
Governmental Activities				
Capital Assets, Net	\$6,390,069	\$171,316	(\$244,483)	\$6,316,902

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$70,743
Special	324
Vocational	1,334
Support Services:	
Pupils	960
Instructional Staff	151,763
Administration	540
Fiscal	1,536
Business	48
Operation and Maintenance of Plant	23,758
Pupil Transportation	63,736
Central	10,916
Food Services	13,092
Extracurricular Activities	6,990
Total Depreciation Expense	\$345,740

Greenon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2005, the School District contracted with Utica National Insurance Group.

Insurance coverage provided includes the following:

General Liability:	
Per occurrence	\$1,000,000
Total per year	5,000,000
Automobile Liability (\$500 deductible)	1,000,000
Property Insurance (\$5,000 deductible)	31,261,172

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

B. Workers' Compensation

For fiscal year 2005, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings 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 Integrated Comp, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. State Employees Retirement System

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

Greenon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 10- DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14%. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's contributions to SERS for the years ending June 30, 2005, 2004, and 2003, were \$201,323, \$92,550, and \$182,245, respectively; 55 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. \$90,179 representing the unpaid contribution for fiscal year 2005 is recorded as a liability within the respective funds and the statement of net assets.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. Any member may retire who has (i) five years of services credit and attained age 60; (ii) twenty-five years of services credit and attained age 55; or (iii) thirty years of services credit regardless of age.

Benefits are established by Chapter 3307.80 to 3307.89 of the Ohio Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Greenon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 10- DEFINED BENEFIT PENSION PLANS (Continued)

Combined Plan benefits allowed member contributions to be allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to the member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14%; 13% was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to the DB Plan for the years ending June 30, 2005, 2004, and 2003, were \$879,202, \$851,860, and \$780,263, respectively; 85.6 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$6,614 made by the District and \$25,022 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, three members of the Board of Education have elected Social Security and two participate in SERS. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$64,884 during the 2005 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. At June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

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

Greenon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$106,044.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004 SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 270 days for classified personnel and 280 days for certified personnel. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 64 days for classified personnel and 63 days for certified personnel.

B. Insurance Benefits

The School District has elected to provide employee medical/surgical benefits through United Healthcare of Ohio. The Board pays 90 percent of the monthly premium for classified employees. Approximately 84 percent is paid for certified employees. The premium varies with employee depending on the terms of the union contract. Dental insurance is provided by the School District to most employees through CoreSource. Vision insurance is provided by the School District to most employees through Vision Service Plan. The Board pays 80 percent for certified employees and 85 percent for classified employees of the dental and vision insurance. The School District provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource.

C. Special Termination Benefits

For fiscal year 2005, the School District offered eligible certified employees a special termination benefit. To be eligible, the employee must meet the requirements set forth by the State Teachers Retirement System. Anyone who was eligible to retire had to give written notice by March 30, 2005, of intention to retire. Those who did retire, were eligible to receive a special termination benefit equal to 40% of their base pay for the current contract year. Payment to an eligible employee is made in two equal installments, the first of which will occur in the September immediately following the employee's retirement and the second of which will occur one year later. Alternatively, they may elect to receive the entire 40% one year later in September.

Greenon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	Restated Amount Outstanding 6/30/04	Additions	Deductions	Amount Outstanding 6/30/05	Amounts Due within One Year
Governmental Activities:					
Energy Conservation Loan, 2001 5.64%	\$163,060	\$0	\$23,295	\$139,765	\$23,294
Compensated Absences	940,415	456,667	425,722	971,360	83,791
Special Termination Benefit	134,650	56,598	134,650	56,598	45,065
Total Governmental Activities	<u>\$1,238,125</u>	<u>\$513,265</u>	<u>\$583,667</u>	<u>\$1,167,723</u>	<u>\$152,150</u>

Energy Conservation Loans

In 2001, Greenon Local School District issued \$232,945 in unvoted general obligation loans for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The loans were issued for a ten year period with final maturity during fiscal year 2011. The loan will be retired from the general fund.

Compensated absences and the special termination benefit will be paid from the funds from which the employees' salaries are paid.

The School District's overall legal debt margin was \$21,947,694, the energy conservation loan debt margin was \$2,055,004 with an unvoted debt margin of \$243,863 at June 30, 2005. Principal and interest requirements to retire general obligation debt, including loans outstanding at June 30, 2005 are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2006	\$23,294	\$7,574	\$30,868
2007	23,294	6,241	29,535
2008	23,294	5,255	28,549
2009	23,294	3,941	27,235
2010	23,294	2,628	25,922
2011	23,295	1,314	24,609
Total	<u>\$139,765</u>	<u>\$26,953</u>	<u>\$166,718</u>

NOTE 14 – SHORT-TERM OBLIGATIONS

The School District issued \$216,900 in short-term notes during the year for the purpose of renovating and building improvements to the School District's middle schools. The notes were retired during the fiscal year from the debt service fund.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Educational Computer Association - The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark, Clinton, Fayette, Green and Highland Counties and Cities of Springfield, Wilmington, Washington Court House, Xenia and Hillsboro. 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.

Greenon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The School District paid MVECA \$23,632 for services provided during the year. Financial information can be obtained from Gary Bosserman, who serves as Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit 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 2005, the School District paid \$1,515 in fees to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

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 in the State-assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2005, the School District paid \$1,872 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Clark County Family and Children First Council - The Clark County Family and Children First Council (FCF) is a voluntary association established with the purpose to coordinate and integrate those services within Clark County which are available for families and to establish a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of such services in order to more effectively meet the needs of families and children.

Greenon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

The Board of Trustees is comprised of eighteen representatives of each the members of the FCF, including the Superintendent of the Clark County Educational Service Center, who was appointed by the Superintendents of the Clark County schools. All members are obligated to pay all dues as established by the FCF to aid the financing of the operations and programs of the FCF. The Greenon Local School District does not pay any dues since the Clark County Educational Service Center represents the School District. Any member withdrawing from the FCF must give one hundred eighty days written notice to the FCF after formal action of the member's governing board. To obtain financial information, write to the Clark County Family and Children First Council, Marilyn Demma, who serves as Treasurer, at 6 West High Street, Suite 500, Springfield, Ohio 45502.

NOTE 16 - INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by an eleven member committee consisting of various GRP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 17 - SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based on legislative changes, this is the only money still required to be set-aside for this purpose.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2004	(\$1,049,641)	\$0	\$32,397
Current Year Set-aside Requirement	274,787	274,787	0
Qualifying Disbursements	(419,887)	(571,059)	0
Subtotal	<u>(1,194,741)</u>	<u>(296,272)</u>	<u>32,397</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>(1,194,741)</u>	<u>0</u>	<u>\$32,397</u>
Set-aside Reserve Balances as of June 30, 2005	<u>\$0</u>	<u>\$0</u>	<u>32,397</u>
School Bus Purchase Allowance			<u>18,643</u>
Total Restricted Cash and Cash Equivalents			<u>\$51,040</u>

Although the School District had qualifying disbursements during the year that reduced the capital acquisition and textbook set-aside amounts to below zero, only the amount for the textbooks set-aside may be used to reduce the set-aside requirement of future years; whereas, the negative amount for capital acquisitions may only be carried forward to the extent of proceeds from a property tax levy. The total reserve balance for the three set-asides at the end of the fiscal year was \$32,397.

Greenon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 18 – INTERFUND BALANCES/TRANSFERS

As of June 30, 2005, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	<u>Interfund</u>		<u>Transfers</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General	\$6,749	\$0	\$0	\$0
Nonmajor Funds:				
District Managed Activities	0	4,319	0	0
Miscellaneous State Grants	0	2,430	0	0
Debt Service	0	0	0	216,900
Capital Projects	0	0	216,900	0
Total Nonmajor Funds	<u>6,749</u>	<u>6,749</u>	<u>216,900</u>	<u>216,900</u>
Total All Funds	<u>\$6,749</u>	<u>\$6,749</u>	<u>\$216,900</u>	<u>\$216,900</u>

The transfers between the debt service and capital projects funds were related to the short term debt activity the District issued and retired during the fiscal year. The interfund activity relates to timing of revenues being later than anticipated.

NOTE 19 – STATE SCHOOL FUNDING DECISION

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

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

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

NOTE 20 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

Greenon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 21 – CHANGE IN ACCOUNTING PRINCIPLE/RESTATEMENT OF FUND BALANCE

During fiscal year 2005, the School District was required to implement GASB 40, “Deposit and Investment Risk Disclosures”. The statement requires additional disclosures for credit risk, concentration risk and interest rate risk in relation to the School District’s investments. The School District realized no impact from the implementation of GASB 40 for the fiscal year as there were no investments subject to the additional disclosures owned by the School District.

The School District also implemented GASB Technical Bulletin No. 2004-02 “Recognition of Pension and Other Postemployment Benefit Expenditure/Expense and Liabilities by Cost-Sharing Employers.” The School District also restated the taxes receivable balance in debt service fund as the County Auditor had certified taxes for fiscal year 2005 but no taxes were received for the fund as the related debt obligation was retired. The implementation of this bulletin and restatement had the following effect on the following fund balances at June 30, 2004:

	General Fund	Permanent Improvement	Non-Major Funds
Fund Balance at June 30, 2004	\$2,445,680	\$1,240,929	\$249,302
Impact of Technical Bulletin	(118,344)	0	(28,771)
Removal of Taxes Receivable	0	0	(18,839)
Restated Fund Balance at June 30, 2004	<u>\$2,327,336</u>	<u>\$1,240,929</u>	<u>\$201,692</u>

NOTE 22 – BLENDED COMPONENT UNIT

For the 2005 fiscal year, the School District had an approved virtual school (GVS) through the Ohio Department of Education. The School District loaned certified employees to the GVS to educate thirty-seven pupils, mostly high school students. The School District appointed members of the GVS board of education and was the sole beneficiary of the GVS. The GVS has been presented as a blended component unit for the School District at June 30, 2005.

During fiscal year 2005, the GVS had total revenue of \$204,197 and total expenditures of \$189,678 to net an ending balance of \$14,519 to the School District’s governmental fund balance.

The GVS is expected to expend all available resources during the next fiscal year. The School District, along with the Ohio Department of Education, has made the decision to discontinue the GVS as the program was not considered beneficial for the constituency of the School District.

The component unit is audited separately and complete financial statements for Greenon Virtual School may be obtained by contacting Dawn Weller, Treasurer at Greenon Local Schools, 500 Enon-Xenia Road, Enon, OH 45323 (937) 864-1202.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	10.550	N/A		\$17,161		\$17,161
National School Lunch Program	10.555	LL-P4-04 LL-P4-05	\$22,079 65,201		\$22,079 65,201	
Total National School Lunch Program			<u>87,280</u>		<u>87,280</u>	
Total United States Department of Agriculture - Nutrition Cluster			<u>87,280</u>	<u>17,161</u>	<u>87,280</u>	<u>17,161</u>
UNITED STATES DEPARTMENT OF EDUCATION						
Impact Aid	84.041	N/A	21,036		21,036	
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	84.010	C1-S1-04 C1-S1-05	13,735 190,735		27,986 178,058	
Total ESEA Title I Grant			<u>204,470</u>		<u>206,044</u>	
Special Education Grants to States (IDEA part B)	84.027	6B-SD-05 6B-SF-04-P 6B-SF-05-P	30,000 13,073 345,058		28,559 19,571 340,045	
Total Title VI-B			<u>388,131</u>		<u>388,175</u>	
Drug Free Schools Grant	84.186	DR-S1-05	8,449		8,449	
Innovative Educational Program Strategies	84.298	C2-S1-05	7,929		7,929	
Technology Literacy Challenge Fund Grant	84.318	TJ-S1-05	5,579		5,579	
Title II-A Teacher Quality Enhancement	84.367	TR-S1-04 TR-S1-05	8,188 52,087		8,758 49,680	
Total Title II-A Teacher Quality Enhancement			<u>60,275</u>		<u>58,438</u>	
Advanced Placement Program	84.330	AV-TF-05	104		104	
Total United States Department of Education			<u>695,973</u>		<u>695,754</u>	
Total Federal Assistance			<u>\$783,253</u>	<u>\$17,161</u>	<u>\$783,034</u>	<u>\$17,161</u>

See accompanying notes to the Schedule of Federal Awards Expenditures

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - NUTRITION CLUSTER

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

NOTE C - MATCHING REQUIREMENTS

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



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Greenon Local School District
Clark County
500 Enon-Xenia Road
Enon, Ohio 45323

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Greenon Local School District, Clark County, (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated January 11, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated January 11, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

January 11, 2006



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Greenon Local School District
Clark County
500 Enon-Xenia Road
Enon, Ohio 45323

To the Board of Education:

Compliance

We have audited the compliance of Greenon Local School District, Clark County, (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Greenon Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

January 11, 2006

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Grants to States CFDA #84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

GREENON LOCAL SCHOOL DISTRICT

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 14, 2006**