

**GREEN LOCAL SCHOOL
DISTRICT
(SUMMIT COUNTY)**

* * *

Basic Financial Statements

Year Ended June 30, 2005



**Auditor of State
Betty Montgomery**

Board of Education
Green Local School District
1900 Greensburg Road
Green, Ohio 44232

We have reviewed the *Independent Auditor's Report* of the Green Local School District, Summit County, prepared by Rea & Associates, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 6, 2006

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GREEN LOCAL SCHOOL DISTRICT (SUMMIT COUNTY)

FOR THE YEAR ENDED JUNE 30, 2005

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

February 28, 2006

The Board of Education
Green Local School District
1900 Greensburg Rd.
P.O. Box 218
Green, Ohio 44232

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Green Local School District (the School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the School District, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective 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 February 28, 2006 on our consideration of the School 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hea & Associates, Inc.

Green Local School District (Summit County)

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)*

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

Financial Highlights

Key financial highlights for 2005 are as follows:

- ❑ General Revenues accounted for \$33,490,504 in revenue or 88 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$4,647,196 or 12 percent of total revenues of \$38,137,700.
- ❑ Total program expenses were \$34,232,101 in governmental activities.
- ❑ In total, net assets of governmental activities increased \$3,905,599 which represents a 96 percent increase from 2004.
- ❑ Outstanding bonded debt increased from \$16,658,278 to \$40,764,491 for the purpose of financing the construction of the Community Learning Facilities and the addition to Green High School.

Reporting the Green Local School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Green Local School District to provide programs and activities, the view of Green Local School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report Green Local School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of Green Local School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include Green Local School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, Green Local School District's activities are listed as Governmental:

- ❑ Governmental Activities - Most of Green Local School District's programs and services are reported here, including instruction, support services, operation of non-instructional, extracurricular activities, interest and fiscal charges, and food service. The government-wide financial statements begin on Page 11.

Green Local School District (Summit County)

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)*

Reporting the Green Local School District's Most Significant Funds

Fund Financial Statements

The analysis of the Green Local School District's major funds begins on page 14. Fund financial reports provide detailed information about Green Local School District's major funds. Green Local School District uses many funds to account for financial transactions. However, these fund financial statements focus on Green Local School District's most significant funds. Green Local School District's major governmental funds are the general fund, permanent improvement capital project fund, and the building fund.

Governmental Funds - Most of the Green Local School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of Green Local School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds – Green Local School District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among Green Local School District's various functions. Green Local School District uses an internal service fund to account for its health insurance benefits. Because this service predominantly benefits governmental rather than business-type functions, it has been included within the governmental activities in the government-wide financial statements.

The proprietary fund financial statements begin on page 19.

Fiduciary Funds - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Green Local School District's own programs. The accounting for the fiduciary funds is much like that used to proprietary funds.

The fiduciary fund financial statement begins on page 22.

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 begin on page 23.

Green Local School District (Summit County)

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)*

The Green Local School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the Green Local School District as a whole.

Table 1 provides a summary of the Green Local School District's net assets for 2005 compared to 2004:

**(Table 1)
Net Assets**

	Governmental Activities	
	2005	2004 (Restated)
Assets:		
Current and other assets	\$ 49,323,202	\$ 27,444,137
Capital assets	27,228,601	23,394,271
Total assets	<u>76,551,803</u>	<u>50,838,408</u>
Liabilities:		
Long-term liabilities	44,142,088	23,925,295
Other liabilities	24,406,596	22,815,593
Total liabilities	<u>68,548,684</u>	<u>46,740,888</u>
Net Assets:		
Invested in capital assets, net of related debt	5,006,941	4,211,194
Restricted	11,661,821	1,468,257
Unrestricted (deficit)	<u>(8,665,643)</u>	<u>(1,581,931)</u>
Total net assets	<u>\$ 8,003,119</u>	<u>\$ 4,097,520</u>

Total assets increased by \$25.7 million. The primary increase was from an increase in cash of \$20,287,419. Total liabilities increased by \$21,807,796 with governmental liabilities comprising that entire amount. The primary cause is due to the construction of the Community Learning Facilities in the City of Green.

Green Local School District (Summit County)

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)*

Table 2 shows the changes in net assets for fiscal year 2005 and 2004.

**(Table 2)
Governmental Activities**

	<u>2005</u>	<u>2004</u>
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 2,018,238	\$ 1,915,372
Operating Grants	2,628,958	1,592,217
<i>General Revenue:</i>		
Property Taxes	19,865,233	17,560,673
Grants and Entitlements	13,002,171	16,433,755
Other	<u>623,100</u>	<u>361,827</u>
<i>Total Revenues</i>	38,137,700	37,863,844
Program Expenses		
Instruction	19,402,897	18,792,732
Support Services	11,741,562	11,816,887
Operation of Non-Instructional	136,542	197,453
Extracurricular Activities	926,397	910,094
Interest and Fiscal Charges	880,279	967,834
Food Service	<u>1,144,424</u>	<u>1,118,305</u>
<i>Total Expenses</i>	<u>34,232,101</u>	<u>33,803,305</u>
Increase (Decrease) in Net Assets	<u>\$ 3,905,599</u>	<u>\$ 4,060,539</u>

During 2005 the District's total net assets increased by \$3,905,599. The majority of the increase is due to an increase in revenue from grants and entitlements.

Green Local School District (Summit County)
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

Governmental Activities

Information about the Green Local School District's major funds starts on page 14.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental activities had total revenues of \$38,137,700 and expenditures of \$34,232,101.

(Table 3)
Governmental Activities

	2005		2004	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 19,402,897	\$ 17,086,935	\$ 18,792,732	\$ 17,531,328
Support Services:				
Pupil and Instructional Staff	3,800,066	3,106,385	3,670,906	2,949,615
Board of Education, Administration, Fiscal, and Business	3,090,905	3,086,729	3,075,192	3,072,544
Operation and Maintenance of Plant	3,274,900	3,255,677	3,684,637	3,683,766
Pupil Transportation	1,555,208	1,555,208	1,366,299	1,366,299
Central	20,483	20,483	19,853	19,853
Operation of Non-Instructional	136,542	9,545	197,453	46,857
Extracurricular Activities	926,397	604,469	910,094	588,528
Food Service Operations	1,144,424	(20,805)	1,118,305	69,092
Interest and Fiscal Charges	880,279	880,279	967,834	967,834
Total Expenses	<u>\$ 34,232,101</u>	<u>\$ 29,584,905</u>	<u>\$ 33,803,305</u>	<u>\$ 30,295,716</u>

Instruction and student support services comprise 76 percent of governmental program expenses. Interest and fiscal charges were 3 percent. Interest expense was attributable to the outstanding bonds, and fiscal expenses include payments to the County Auditor(s) for administrative fees. Pupil transportation and the operation and maintenance of facilities accounts for 21 percent of governmental program expenses.

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is by far the primary support for Green Local School District students.

Green Local School District (Summit County)

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)*

General Fund Budgeting Highlights

The Green Local School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2005, Green Local School District did modify its general fund budget, but no significant amendments. Green Local School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue of \$29,323,235 was over the original budget estimate of \$28,845,689. The actual revenue of \$28,940,225 was over the final budget basis revenue.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the Green Local School District had \$27.2 million invested in land, buildings and improvements, furniture and equipment, vehicles, textbooks, and construction in progress. Table 4 shows fiscal year 2005 balances compared with 2004.

**(Table 4)
Capital Assets at June 30
(Net of Depreciation)**

	<u>2005</u>	<u>2004</u>
Land	\$ 826,143	\$ 826,143
Buildings and Improvements	17,659,994	18,254,927
Furniture and Equipment	2,334,538	2,226,916
Vehicles	1,072,026	988,185
Textbooks	361,847	666,700
Construction in Progress	<u>4,974,053</u>	<u>431,400</u>
Totals	<u>\$ 27,228,601</u>	<u>\$ 23,394,271</u>

The \$3,834,330 increase in capital assets was attributable to additional purchases exceeding depreciation expense.

A change in Ohio law required School Districts to set aside 3 percent of certain revenues for capital improvements and an additional 3 percent for textbooks. For fiscal year 2005, this amounted to \$590,741 for each set aside. Green Local School District has qualifying disbursements or offsets equal to or exceeding these requirements for both.

See Note 9 to the basic financial statements for detail on the District's capital assets.

Green Local School District (Summit County)

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)*

Debt

At June 30, 2005, the Green Local School District had long-term debt and capital leases of \$27,195,713. Table 5 summarizes outstanding debt.

**(Table 5)
Outstanding Debt, at June 30**

	<u>2005</u>	<u>2004</u>
General Obligation Bonds	\$ 25,281,991	\$ 16,658,278
Capital Lease	<u>1,913,722</u>	<u>2,524,799</u>
Totals	<u>\$ 27,195,713</u>	<u>\$ 19,183,077</u>

In 1993, Green Local School District passed a bond issue providing \$19,500,000 for the construction of a new High School, classroom additions, and the refurbishing of the former High School (now known as the Intermediate School). The increase in debt is mainly due to the City of Green (the City) contributing \$3,000,000 and \$22,000,000 in the years ended June 30, 2004 and 2005, respectively, for Community Learning Centers. The District is required to pay the city \$9,517,500 over 28 years. See Note 15 to the basic financial statements for detail on the District's long-term obligations.

Current Issues

The Green Local School District continues to receive strong support from the residents of Green Local School District. As the preceding information shows, Green Local School District relies heavily on its local property taxpayers. The last operating levy passed by the residents of the district was in November, 1999, with the promise that the revenue generated by a levy would provide sufficient funding for five years. The Board of Education submitted a new operating levy to the residents of the district in November 2005. This levy did not pass at that time. The District anticipates putting another levy on the ballot in May 2006. In the mean time, it has planned for various spending cuts to enable it to operate through fiscal year 2006 should new revenues not be approved.

Real estate and personal property tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due the passage of emergency levies which can only derive the dollar amount indicated by the levy. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. This is compounded by the funding formula used in Ohio that reduces the District's funding from the State by 23 mills times the District's valuation when the District only collects 20 mills times the valuation plus the fixed amount of dollars derived from the emergency levies effectively receiving less funds when property values increase.

Green Local School District (Summit County)

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)*

Thus, Green Local School District's dependence upon property taxes is hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 39 percent of revenues for governmental activities for the Green Local School District in fiscal year 2005.

Green Local School District has also been affected by increased delinquency rates and changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. Management has diligently planned expenses so that the last levy has stretched for the four years it was planned. This has been made increasingly difficult with mandates in gifted education, rising utility costs, increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth (which is unlike our District). The State has continually refused to meet the standards of the Ohio Supreme Court.

Green Local School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on Green Local School District. One of the Green Local School District's largest concerns is the State Legislative approval of the biennial budget, effective July 1, 2005. How the legislature plans to fund education programs during a weakened economy remains a concern.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the Green Local School District's systems of budgeting and internal controls are well regarded. All of the Green Local School District's financial abilities will be needed to meet the challenges of the future.

Contacting the Green Local School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Green Local School District's finances and to show the Green Local School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Roy Swartz, Treasurer of Green Local School District, 1900 Greensburg Road, P.O. Box 218, Green, Ohio 44232.

Green Local School District (Summit County)

Statement of Net Assets

June 30, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 28,856,290
Receivables:	
Taxes	20,203,515
Accounts	26,799
Accrued Interest	22,901
Intergovernmental	213,697
Nondepreciable Capital Assets	5,800,196
Depreciable Capital Assets (Net)	<u>21,428,405</u>
<i>Total Assets</i>	<u>76,551,803</u>
Liabilities	
Accounts Payable	181,585
Contracts Payable	1,144,103
Accrued Wages and Benefits	3,140,896
Vacation Benefits Payable	121,361
Intergovernmental Payable	889,906
Unearned Revenue	18,656,365
Claims Payable	122,380
Early Retirement Incentive Payable	150,000
Long Term Liabilities:	
Due Within One Year	1,922,717
Due Within More Than One Year	<u>42,219,371</u>
<i>Total Liabilities</i>	<u>68,548,684</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	5,006,941
Restricted for:	
Capital Projects	10,986,139
Debt Service	517,154
Other Purposes	158,528
Unrestricted	<u>(8,665,643)</u>
<i>Total Net Assets</i>	<u>\$ 8,003,119</u>

See accompanying notes to the basic financial statements.

Green Local School District (Summit County)
Statement of Activities
For the Fiscal Year Ended June 30, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 14,099,467	\$ 502,548	\$ 244,142	\$ (13,352,777)
Special	4,291,885	6,566	1,542,304	(2,743,015)
Vocational	166,410	469	0	(165,941)
Other	845,135	0	19,933	(825,202)
Support services:				
Pupils	2,373,117	258,081	350,806	(1,764,230)
Instructional staff	1,426,949	22,661	62,133	(1,342,155)
Board of education	44,065	0	0	(44,065)
Administration	2,172,410	321	3,855	(2,168,234)
Fiscal	755,300	0	0	(755,300)
Business	119,130	0	0	(119,130)
Operation and maintenance of plant	3,274,900	4,223	15,000	(3,255,677)
Pupil transportation	1,555,208	0	0	(1,555,208)
Central	20,483	0	0	(20,483)
Operation of non-instructional services	136,542	1,213	125,784	(9,545)
Food Service Operations	1,144,424	900,228	265,001	20,805
Extracurricular activities	926,397	321,928	0	(604,469)
Debt service:				
Interest and fiscal charges	880,279	0	0	(880,279)
Total Governmental Activities	\$ 34,232,101	\$ 2,018,238	\$ 2,628,958	(29,584,905)

General Revenues

Property Taxes Levied for:	
General Purposes	15,719,674
Debt Service	1,582,870
Capital Outlay	2,562,689
Grants and Entitlements not Restricted to Specific Programs	13,002,171
Investment Earnings	417,216
Miscellaneous	205,884
Total General Revenues	33,490,504
Change in Net Assets	3,905,599
Net Assets Beginning of Year (Restated)	4,097,520
Net Assets End of Year	\$ 8,003,119

See accompanying notes to the basic financial statements.

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Green Local School District (Summit County)
Balance Sheet
Governmental Funds
June 30, 2005

	General	Permanent Improvement Capital Projects	Building Fund Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 3,746,020	\$ 1,637,593	\$ 21,365,275	\$ 1,002,805	\$ 27,751,693
Cash and Cash Equivalents:					
Restricted Cash	313,227	0	0	0	313,227
Receivables:					
Taxes	15,845,038	2,842,518	0	1,515,959	20,203,515
Accounts	1,174	0	0	25,625	26,799
Interfund	109,700	0	0	0	109,700
Accrued Interest	0	0	22,901	0	22,901
Intergovernmental	5,000	0	0	208,697	213,697
<i>Total Assets</i>	<u>\$ 20,020,159</u>	<u>\$ 4,480,111</u>	<u>\$ 21,388,176</u>	<u>\$ 2,753,086</u>	<u>\$ 48,641,532</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	93,428	8,830	68,186	11,141	\$ 181,585
Contracts Payable	0	0	1,144,103	0	1,144,103
Accrued Wages and Benefits	2,925,593	12,632	0	202,671	3,140,896
Vacation Benefits Payable	97,959	23,402	0	0	121,361
Interfund Payable	0	0	0	109,700	109,700
Intergovernmental Payable	788,158	34,458	0	67,290	889,906
Deferred Revenue	14,922,680	2,679,364	0	1,637,500	19,239,544
<i>Total Liabilities</i>	<u>18,827,818</u>	<u>2,758,686</u>	<u>1,212,289</u>	<u>2,028,302</u>	<u>24,827,095</u>
Fund Balances					
Reserved for Encumbrances	273,055	31,882	7,073,484	74,911	7,453,332
Reserved for Bus Purchase Allowance	29,585	0	0	0	29,585
Reserved for Tax Revenue Unavailable for Appropriation	922,358	163,154	0	85,656	1,171,168
Reserved for Budget Stabilization	283,642	0	0	0	283,642
Undesignated, Unreserved Reported in:					
General Fund	(316,299)	0	0	0	(316,299)
Special Revenue Funds	0	0	0	150,059	150,059
Debt Service Fund	0	0	0	404,083	404,083
Capital Projects Funds	0	1,526,389	13,102,403	10,075	14,638,867
<i>Total Fund Balances</i>	<u>1,192,341</u>	<u>1,721,425</u>	<u>20,175,887</u>	<u>724,784</u>	<u>23,814,437</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 20,020,159</u>	<u>\$ 4,480,111</u>	<u>\$ 21,388,176</u>	<u>\$ 2,753,086</u>	<u>\$ 48,641,532</u>

See accompanying notes to the basic financial statements.

Green Local School District (Summit County)
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 June 30, 2005*

Total Governmental Fund Balances		\$ 23,814,437
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		27,228,601
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	\$ 207,197	
Delinquent Property Taxes	375,982	583,179
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		668,990
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.		
General Obligation Bonds	\$ (25,281,990)	
Unearned Revenue	(15,482,500)	
Capital Lease Payable	(1,913,722)	
Compensated Absences	(1,463,876)	
Early Retirement Incentive	(150,000)	(44,292,088)
Net Assets of Governmental Activities		\$ 8,003,119

See accompanying notes to the basic financial statements.

Green Local School District (Summit County)
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General	Permanent Improvement	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 15,548,337	\$ 2,533,278	\$ 0	\$ 1,571,955	\$ 19,653,570
Intergovernmental	13,238,118	318,502	12,482,500	1,921,405	27,960,525
Investment income	194,406	242	219,313	3,255	417,216
Tuition and fees	472,067	0	4,223	1,178	477,468
Extracurricular activities	0	0	0	640,542	640,542
Charges for services	0	0	0	900,228	900,228
Miscellaneous	82,319	69,157	0	54,408	205,884
<i>Total Revenues</i>	<u>29,535,247</u>	<u>2,921,179</u>	<u>12,706,036</u>	<u>5,092,971</u>	<u>50,255,433</u>
Expenditures:					
Current:					
Instruction:					
Regular	12,777,090	27,885	0	353,937	13,158,912
Special	3,545,244	0	0	838,217	4,383,461
Vocational	218,280	0	0	464	218,744
Other	825,202	0	0	19,933	845,135
Support services:					
Pupils	1,750,400	0	0	602,231	2,352,631
Instructional staff	1,205,538	114,836	0	94,196	1,414,570
Board of education	44,065	0	0	0	44,065
Administration	1,872,267	273,246	0	4,885	2,150,398
Fiscal	701,254	39,450	5,410	20,508	766,622
Business	122,605	0	0	0	122,605
Operation and maintenance of plant	2,640,245	1,237,990	0	0	3,878,235
Pupil transportation	1,283,068	178,502	0	0	1,461,570
Central	20,483	0	0	0	20,483
Operation of non-instructional services	0	0	0	132,301	132,301
Food Service Operations	0	0	0	1,131,359	1,131,359
Extracurricular activities	620,565	0	0	303,877	924,442
Capital outlay	62,684	0	4,543,306	22,590	4,628,580
Debt service:					
Principal retirement	0	611,077	0	893,788	1,504,865
Interest and fiscal charges	0	102,230	0	778,049	880,279
<i>Total Expenditures</i>	<u>27,688,990</u>	<u>2,585,216</u>	<u>4,548,716</u>	<u>5,196,335</u>	<u>40,019,257</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	1,846,257	335,963	8,157,320	(103,364)	10,236,176
Other Financing Sources (Uses):					
Proceeds from notes	0	0	9,517,500	0	9,517,500
Proceeds from sales of capital assets	3,051	0	0	0	3,051
Transfers in	1,891	0	0	0	1,891
Transfers out	(1,540)	0	0	(351)	(1,891)
<i>Total Financing Sources and (Uses)</i>	<u>3,402</u>	<u>0</u>	<u>9,517,500</u>	<u>(351)</u>	<u>9,520,551</u>
<i>Net Change in Fund Balance</i>	1,849,659	335,963	17,674,820	(103,715)	19,756,727
<i>Fund balance (deficit) at beginning of year</i>	<u>(657,318)</u>	<u>1,385,462</u>	<u>2,501,067</u>	<u>828,499</u>	<u>4,057,710</u>
<i>Fund balance (deficit) at end of year</i>	<u>\$ 1,192,341</u>	<u>\$ 1,721,425</u>	<u>\$ 20,175,887</u>	<u>\$ 724,784</u>	<u>\$ 23,814,437</u>

See accompanying notes to the basic financial statements.

Green Local School District (Summit County)
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$	19,756,727
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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 as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 5,311,554	
Current Year Depreciation	<u>(1,445,290)</u>	3,866,264
Net effect of transactions involving sale of capital assets are not reflected in the funds.		
		(31,934)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	\$ 153,104	
Unearned Revenue	(12,482,500)	
Delinquent Property Taxes	<u>211,666</u>	(12,117,730)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Bond Principal		893,787
Capital Leases		611,077
Some expenses reported in the statement of net activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Proceeds of notes	\$ (9,517,500)	
Compensated Absences	278,342	
Early Retirement Incentive	<u>(150,000)</u>	(9,389,158)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue (expense) of internal service funds is reported with governmental activities.		
		<u>316,566</u>
Change in Net Assets of Governmental Activities		<u>\$ 3,905,599</u>

Green Local School District (Summit County)
*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			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 14,457,171	\$ 14,795,198	\$ 14,955,861	\$ 160,663
Intergovernmental	13,615,561	13,747,584	13,233,118	(514,466)
Investment Income	200,024	201,964	194,406	(7,558)
Tuition and Fees	490,212	494,966	476,443	(18,523)
Miscellaneous	82,721	83,523	80,397	(3,126)
<i>Total Revenues</i>	<u>28,845,689</u>	<u>29,323,235</u>	<u>28,940,225</u>	<u>(383,010)</u>
Expenditures:				
Current				
Instruction	18,591,621	18,434,161	18,002,477	431,684
Support Services				
Pupils	1,648,486	1,634,509	1,597,941	36,568
Instructional Staff	1,278,828	1,268,135	1,222,579	45,556
Board of Education	46,477	46,090	44,312	1,778
Administration	1,954,204	1,937,730	1,883,454	54,276
Fiscal	677,728	671,983	656,786	15,197
Business	119,022	118,022	114,412	3,610
Operation and Maintenance of Plant	2,747,627	2,724,867	2,602,247	122,620
Pupil Transportation	1,299,254	1,288,486	1,231,168	57,318
Central	21,089	20,910	20,483	427
Extracurricular Activities	615,132	609,917	596,218	13,699
<i>Total Expenditures</i>	<u>28,999,468</u>	<u>28,754,810</u>	<u>27,972,077</u>	<u>782,733</u>
Excess of Revenues Over (Under) Expenditures	(153,779)	568,425	968,148	399,723
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	3,139	3,170	3,051	(119)
Refund of Prior Year Expenditures	4,465	4,509	4,340	(169)
Refund of Prior Year Receipts	(4,505)	(4,467)	(4,376)	91
Advances In	43,816	44,241	42,585	(1,656)
Transfers In	1,131	1,142	1,099	(43)
Transfers Out	(112,946)	(111,986)	(109,700)	2,286
<i>Total Other Financing Sources (Uses)</i>	<u>(64,900)</u>	<u>(63,391)</u>	<u>(63,001)</u>	<u>390</u>
<i>Net Change in Fund Balance</i>	(218,679)	505,034	905,147	400,113
<i>Fund Balance (Deficit) at Beginning of Year</i>	3,154,100	3,154,100	3,154,100	0
Prior Year Encumbrances Appropriated	199,720	199,720	199,720	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 3,135,141</u>	<u>\$ 3,858,854</u>	<u>\$ 4,258,967</u>	<u>\$ 400,113</u>

See accompanying notes to the basic financial statements.

Green Local School District (Summit County)

Statement of Net Assets

Proprietary Funds

June 30, 2005

	Governmental Activities Internal Service Fund
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 791,370
<i>Total Assets</i>	<u>791,370</u>
Liabilities	
Current Liabilities:	
Claims Payable	<u>122,380</u>
<i>Total Current Liabilities</i>	122,380
Net Assets	
Unrestricted	<u>668,990</u>
<i>Total Net Assets</i>	<u><u>\$ 668,990</u></u>

See accompanying notes to the basic financial statements.

Green Local School District (Summit County)
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2005

	Governmental Activities - Internal Service Fund
<hr/>	
Operating Revenues:	
Charges for Services	\$ 3,271,487
<i>Total Operating Revenues</i>	<u>3,271,487</u>
Operating Expenses:	
Purchased services	3,189
Materials and supplies	6,106
Claims	2,959,265
<i>Total Operating Expenses</i>	<u>2,968,560</u>
Operating income (loss)	<u>302,927</u>
Non-Operating Revenues (Expenses):	
Contributions and donations	13,406
Interest	233
<i>Total Non-Operating Revenues (Expenses)</i>	<u>13,639</u>
<i>Change in Net Assets</i>	316,566
<i>Net Assets (Deficit) Beginning of Year</i>	<u>352,424</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>\$ 668,990</u></u>

See accompanying notes to the basic financial statements.

Green Local School District (Summit County)

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2005

	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows From Operating Activities:	
Cash Received for Charges for Services	\$ 3,271,487
Cash Paid for Goods and Services	(9,695)
Cash Paid for Claims	<u>(3,054,097)</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>207,695</u>
Cash Flows From Non-Capital Financing Activities:	
Other Non-Operating Revenue	<u>13,406</u>
<i>Net Cash Provided By (Used For) Non-Capital Financing Activities</i>	<u>13,406</u>
Cash Flows From Investing Activities:	
Interest on Investments	<u>233</u>
<i>Net Cash Provided By (Used For) Investing Activities</i>	<u>233</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	221,334
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>570,036</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$ 791,370</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Operating Income (Loss)	\$ 302,927
Adjustments:	
Increase (Decrease) in Liabilities	
Accounts Payable	(400)
Claims Payable	<u>(94,832)</u>
<i>Total Adjustments</i>	<u>(95,232)</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u><u>\$ 207,695</u></u>

See accompanying notes to the basic financial statements.

Green Local School District (Summit County)

Statement of Fiduciary Assets and Liabilities

Fiduciary Funds

June 30, 2005

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 141,129</u>
<i>Total Assets</i>	<u><u>\$ 141,129</u></u>
Liabilities	
Accounts Payable	\$ 136
Undistributed Monies	<u>140,993</u>
<i>Total Liabilities</i>	<u><u>\$ 141,129</u></u>

See accompanying notes to the basic financial statements.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

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

The School District operates under a locally-elected five-member board of education and provides educational services as mandated by state and/or federal agencies. This Board controls the School District's instructional/support facilities staffed by 179 noncertificated employees and 283 certificated full-time teaching personnel who provide services to 4,044 students and other community members.

The School District provides more than instruction to its students. These additional services include student guidance, extracurricular activities, educational media, and care and upkeep of grounds and buildings. The operation of each of these activities is directly controlled by the Board of Education through the budgetary process. These School District operations will be included as part of the reporting entity.

The School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", under which the financial statements include all the organizations, activities, functions and component units for which the School District is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the School District's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the School District. Management has determined the School District has no component units.

On this basis, the financial statements include all of the funds of the School District over which the Board of Education exercises operating control.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities of the School District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

The School 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. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes 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 general fund, permanent improvement capital projects fund and building capital projects fund are the only major funds of the School District.

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

Permanent Improvement Capital Projects Fund The permanent improvement capital projects fund accounts for financial resources to be used for the acquisitions, construction, or improvement of major capital facilities other than those financed by proprietary funds.

Building Fund Capital Projects Fund The building capital projects fund accounts for monies used in the rebuilding, restoration or improvement of property which has been totally or partially destroyed due to any cause.

Other Governmental Funds The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position and cash flows. The following is the only proprietary fund of the School District:

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for a self-insurance program for employee healthcare and prescription drug benefits.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary fund is an agency fund, which accounts for student activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (revenues) and decreases (expense) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary fund activities.

Agency funds do not report a measurement focus as they do not report operations.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions Revenue 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. For the School District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) 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 nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred Revenue Deferred revenue arises 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 revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Cash and Cash Equivalents

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

During fiscal year 2005, the School District had investments in overnight repurchase agreements and STAROhio, (the State Treasurer's Investment Pool). All investments of the School District had a maturity of two years or less.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as overnight repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2005.

Following Ohio statutes, the Board of Education has, by resolutions, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$194,406, which included \$37,670 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets may include amounts required by statute to be set-aside for the purchase of textbooks and other instructional material, the acquisitions or construction of capital assets, and to create a reserve for budget stabilization. See Note 21 for additional information regarding set asides.

G. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Buildings and Improvements	10 - 40 Years
Furniture and Equipment	5 - 20 Years
Vehicles	15 Years
Textbooks	5 Years

H. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets.

I. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences" and GASB Interpretation No. 6. 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 employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the likelihood an employee will be paid a severance based on their length of service in their respective retirement plan.

The entire compensated absence liability is reported on the government-wide financial statements.

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, 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 are due for payment during the current fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

L. Fund Balance Reserves

The School District reserves those portions of fund balances which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, property taxes, budget stabilization, and inventory.

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

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are for charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Interfund Activity

Transfers between governmental activities on the government-wide statements are reported eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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.

P. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. Throughout the fiscal year, the primary level of budgetary control was at the fund level for all funds. Budgetary modifications 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 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 Summit County Budget Commission for rate determination.

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the School District by March 1. As part of the certification, the School District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2005.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Appropriations A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

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 fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

Lapsing of Appropriations At the close of each 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 need not be reappropriated.

NOTE 3 – RESTATEMENT OF PRIOR YEAR BALANCE AND IMPLEMENTATION OF NEW STANDARDS

During the fiscal year ended June 30, 2005, it was noted that there was an error involving the learning center for fiscal year 2004, the funding from the City should have been deferred on the Statement of Net Assets. The result of this error, and the effect on net asset balances, is summarized below:

	Governmental Activities
Net Assets, at June 30, 2004	\$ 7,097,520
Adjustment to due within more than one year	(3,000,000)
Restated Net Assets, at July 1, 2004	<u>\$ 4,097,520</u>

For fiscal year 2005, the School District has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Technical Bulletin 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*.

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 3 – RESTATEMENT OF PRIOR YEAR BALANCE AND IMPLEMENTATION OF NEW STANDARDS (Continued)

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 and GASB Technical Bulletin No. 2004-2 did not have a significant effect on the financial statements of the School District. Refer to Note 6 for additional documentation concerning GASB Statement No. 40.

NOTE 4 – FUND DEFICITS

Fund balances/net assets at June 30, 2005 included the following individual fund deficits:

	<u>Fund Balance</u>
Nonmajor Governmental Funds:	
EMIS Fund	(3,783)
Ohio Reads	(858)
Alternate School	(9,834)
Miscellaneous State Grant	(3,385)
Title I	(44,983)
Title V	(21,886)
Preschool Handicapped	(721)
Title VI-R	(106,924)
Miscellaneous Federal	<u>(495)</u>
TOTAL	<u>\$ (192,869)</u>

The general fund's deficit balance resulted from adjustments for accrued liabilities. Property tax and State entitlement monies received subsequent to year end are sufficient to cover this deficit and will be used to liquidate these liabilities.

The deficits in the nonmajor governmental funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance 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 Balance - Budget (Non-GAAP Basis) and Actual, is presented for the general fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING (Continued)

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

Net Change in Fund Balance	
	<u>General</u>
GAAP Basis	\$ 1,849,659
Net Adjustment for Revenue Accruals	(548,889)
Net Adjustment for Expenditure Accruals	(122,055)
Encumbrances (Budget Basis)	<u>(273,568)</u>
Budget Basis	<u>\$ 905,147</u>

NOTE 6 – DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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.

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

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 6 – DEPOSITS AND INVESTMENTS (Continued)

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

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

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 6 – DEPOSITS AND INVESTMENTS (Continued)

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2005, the School District and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District.

At fiscal year-end, the carrying amount of the School District's deposits was \$8,393,177, which excludes \$3,100 cash on hand. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2005, \$8,429,167 of the School District's bank balance of \$8,529,167 was exposed to custodial risk as discussed above, while \$100,000 was covered by Federal Deposit Insurance Corporation.

Investments

As of June 30, 2005, the School District had the following investments and maturities:

Rating By Moody	Entity	Fair Value	Investment Maturities		Percentage of Total Investment
			6 Months or Less	7 to 12 Months	
AAA	FHLB	\$ 2,978,657	\$ 2,978,657	\$ 0	14.46%
AAA	FNMC	8,863,714	4,504,150	4,359,564	43.03%
AAA	FHMC	7,393,739	4,468,359	2,925,380	35.89%
AAAm**	STAROhio	1,365,033	1,365,033	0	6.63%
	Total	<u>\$ 20,601,143</u>	<u>\$ 13,316,199</u>	<u>\$ 7,284,944</u>	100.00%

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District's investment policy limits investment portfolio maturities to five years or less for investments with a fixed interest rate, and two years or less for investments with a variable interest rate.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 6 – DEPOSITS AND INVESTMENTS (Continued)

Credit Risk. The School District’s annuity is an unrated investment. Standard & Poor’s has assigned STAROhio an AAA rating.

Concentration of Credit Risk. The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the School District at June 30, 2005:

NOTE 7 – PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 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) is for calendar 2005 taxes.

2005 real property taxes are levied after April 1, 2004, on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35 percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2005 public utility property taxes became a lien 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 25 percent of true value for capital assets and 23 percent of true value of inventory.

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

	Amount	%
Real Property - 2005		
Residential/Agricultural	\$ 446,089,630	70.38%
Commercial/Industrial	130,095,440	20.53%
Public Utilities	150	0.00%
Minerals	249,840	0.04%
Tangible Personal Property - 2005		
General	43,129,419	6.80%
Public Utilities	14,237,840	2.25%
Total Valuation	<u>\$ 633,802,319</u>	<u>100.00%</u>

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

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 7 – PROPERTY TAXES (Continued)

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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year the June 2004 tangible personal property tax settlement was not received until July of 2004.

The School District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the School District their 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, 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 delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The late settlement and the amount available as an advance at June 30 are recognized as revenue.

The amount available as an advance at June 30, 2005, was \$1,171,168 and is recognized as revenue. \$922,358 was available to the general fund, \$85,656 was available to the bond retirement debt service fund, and \$163,154 was available to the permanent improvement capital projects fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2005, consisted of taxes, interfund, accounts receivable, accrued interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Intergovernmental Receivables as of June 30, 2005:

Governmental Activities:	
General Fund	\$ 5,000
Other Grant Funds	40
Auxiliary Services	1,500
Ohio Reads	8,581
Student Intervention	10,053
IDEA	123,293
Title I	1,759
Title V-12	12,191
Drug-Free School Grant	1,462
IDEA Preschool	1,408
Improving Teacher Quality	39,409
Miscellaneous	9,001
	<hr/>
Total Governmental Activities	<u>\$ 213,697</u>

Green Local School District (Summit County)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

NOTE 9 – CAPITAL ASSETS

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

	Balance 6/30/2004	Additions	Reductions	Balance 6/30/2005
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 826,143	\$ 0	\$ 0	\$ 826,143
Construction in progress	431,400	4,542,653	0	4,974,053
Total Capital Assets, not being depreciated	<u>1,257,543</u>	<u>4,542,653</u>	<u>0</u>	<u>5,800,196</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and improvements	28,083,149	40,371	0	28,123,520
Furniture and equipment	7,872,579	516,960	(3,826,284)	4,563,255
Vehicles	1,847,475	211,570	(2,000)	2,057,045
Textbooks	2,659,267	0	(190,050)	2,469,217
Total Capital Assets, being depreciated	<u>40,462,470</u>	<u>768,901</u>	<u>(4,018,334)</u>	<u>37,213,037</u>
Less Accumulated Depreciation:				
Buildings and improvements	(9,828,222)	(635,304)	0	(10,463,526)
Furniture and equipment	(5,645,663)	(388,906)	3,805,852	(2,228,717)
Vehicles	(859,290)	(125,729)	0	(985,019)
Textbooks	(1,992,567)	(295,351)	180,548	(2,107,370)
Total Accumulated Depreciation	<u>(18,325,742)</u>	<u>(1,445,290)</u>	<u>3,986,400</u>	<u>(15,784,632)</u>
Total Capital Assets being depreciated, net	<u>22,136,728</u>	<u>(676,389)</u>	<u>(31,934)</u>	<u>21,428,405</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 23,394,271</u>	<u>\$ 3,866,264</u>	<u>\$ (31,934)</u>	<u>\$ 27,228,601</u>

Depreciation expense was charged to governmental functions as follows:

Regular	\$ 1,158,302
Special	12,163
Instructional	38,787
Administration	40,720
Fiscal	303
Operation and Maintenance	56,140
Pupil Transportation	112,333
Food Services	25,061
Non-Operational	<u>1,481</u>
Total Depreciation	<u>\$ 1,445,290</u>

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 10 – RISK MANAGEMENT

A. Liability Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; employee injuries; and, natural disasters. During fiscal year 2005, the School District contracted with Wausau Insurance for property and inland marine, Nationwide Insurance for liability insurance, and Harcum-Hyre Insurance for fleet insurance. Insurance settlements have not exceeded insurance coverage in each of the past three years.

Coverage provided by Wausau, Nationwide, and Harcum-Hyre are as follows:

Building and Contents-Replacement cost (\$1,000 deductible)	\$	72,012,000
Inland Marine Coverage (\$1,000 deductible)		
Boiler and Machinery (\$1,000 deductible)		
Crime Insurance		1,000
Automobile Liability (\$100 deductible)		1,000,000
Uninsured Motorists (\$100 deductible)		2,000,000
General Liability:		
Per Occurrence		2,000,000
Total Per Year		5,000,000

B. Fidelity Bonds

The Board President and Superintendent have position bonds, \$20,000 and \$25,000, respectively. The Treasurer is covered under a surety bond in the amount of \$25,000. All other school employees who are responsible for handling funds are covered by various other bonds ranging from \$5,000 to \$10,000.

C. Workers' Compensation

The School District pays the State Workers' Compensation System, an insurance purchasing pool, a premium based on a rate per \$100 of salaries. The School District is a member of the Ohio School Boards Association Group Rating Program, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs.

D. Employee Health Insurance

The School District has established a health care self-insurance fund. The purpose of this fund is to pay medical and dental claims of the School District's employees and their covered dependents in order to minimize the total cost of annual health care insurance. The School District has contracted with a third party administrator to direct this program. Self-insurance is in effect for aggregate claims up to \$940,000 per fiscal year with a \$60,000 stop-loss per individual participant. Claims in excess of this aggregate stop loss are insured by private carriers.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 10 – RISK MANAGEMENT (Continued)

The claims liability of \$122,380 reported in the fund at June 30, 2005 is based on the requirements of Governmental Accounting Standards Board Statement No. 30, “Risk Financing Omnibus”, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The costs are to be based on the estimated ultimate cost of settling the claims using past experience adjusted for current trends and any other factors that would modify past experience. The claims liability is based on an estimate supplied by the School District’s third party administrator. A summary of the fund’s claims liability in fiscal years 2004 and 2005 is as follows:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2004	\$ 156,923	\$ 2,947,266	\$ (2,886,977)	\$ 217,212
2005	\$ 217,212	\$ 2,959,265	\$ (3,054,097)	\$ 122,380

NOTE 11 – OTHER EMPLOYEE BENEFITS

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. 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.

Employees earn vacation at rates specified by Union Contractual Agreement based on credit service. Administrative and 260 day employees are entitled to vacation ranging from 10 to 20 days.

All employees are entitled to a sick leave credit equal to one and one quarter days for each month of service. This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to 33 1/3 percent of the value of the first 132 days of sick leave. The total maximum is 44 days. Administrators have their own calculation. They can be eligible to receive payment for more than 44 days. They are eligible to receive payment for 33 1/3 percent of their remaining sick leave up to a maximum number of days calculated by multiplying the number of days in their annual contract by 23.91 percent.

NOTE 12 – DEFINED BENEFIT PENSION PLANS

A. School 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$640,188, \$594,912 and \$586,572, respectively; 35 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. \$416,728 represents the unpaid contribution for fiscal year 2005, and is recorded as an intergovernmental payable.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$2,160,180, \$2,037,227 and \$1,933,392, respectively; 83 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. \$365,576 represents the unpaid contribution for fiscal year 2005, and is recorded as an intergovernmental payable.

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. The Board's liability is 6.2 percent of wages paid.

NOTE 13 – POSTEMPLOYMENT BENEFITS

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio 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 Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$154,299 during the 2005 fiscal year.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2005, the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, the health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal 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.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 13 – 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 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been 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 \$305,915.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005, were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS had approximately 58,123 participants currently receiving health care benefits.

NOTE 14 – NOTES PAYABLE

The changes in the School District's notes payable during the year consist of the following:

	Outstanding 6/30/2004	Additions	Reductions	Outstanding 6/30/2005
Tax Anticipation Note - 2000 5.22%, 12/99 - 12/04	\$ 200,000	\$ 0	\$ 200,000	\$ 0
	<u>\$ 200,000</u>	<u>\$ 0</u>	<u>\$ 200,000</u>	<u>\$ 0</u>

During fiscal year 2000, tax anticipation notes were issued for general operating activities. These notes have matured in fiscal year 2005.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 15– LONG TERM OBLIGATIONS

The changes in the School District's long-term obligations during the year consist of the following:

	Outstanding 6/30/2004	Additions	Reductions	Outstanding 6/30/2005	Amounts Due in One Year
Long Term Obligations:					
Learning Center - 2005 2% to 5%, 6/05 - 12/32	\$ 0	\$ 9,517,500		\$ 9,517,500	\$ 171,315
Bus Bonds - 1997 5.4%, 6/97 - 7/04	14,285	0	14,285	0	0
Bus Bonds - 1999 5.48%, 6/99 - 6/14	112,599	0	8,753	103,846	9,233
Bus Bonds - 2000 6.31%, 5/00 - 5/15	122,340	0	8,039	114,301	8,547
Bus Bonds - 2001 5.71%, 3/01 - 3/11	70,000	0	10,000	60,000	10,000
Bus Bonds - 2002 5.22%, 3/02 - 3/12	80,000	0	10,000	70,000	10,000
HB264 Note (1995) 5.30 - 5.70%, 8/95 - 6/05	75,000	0	75,000	0	0
Energy Conversation Imp Bonds 4.98%, 1/99 - 1/14	34,058	0	2,710	31,348	2,845
Facilities Improvements (1994) 5.906%, 4/94 - 12/19	16,149,996	0	765,000	15,384,996	850,000
Total General Obligation Debt	<u>16,658,278</u>	<u>9,517,500</u>	<u>893,787</u>	<u>25,281,991</u>	<u>1,061,940</u>
Unearned Revenue	0	15,482,500	0	15,482,500	0
Compensated Absences	1,742,218	0	278,342	1,463,876	225,000
Capital Lease	2,524,799	0	611,077	1,913,722	635,777
Total Governmental Activities Long-Term Liabilities	<u>\$ 20,925,295</u>	<u>\$ 25,000,000</u>	<u>\$ 1,783,206</u>	<u>\$ 44,142,089</u>	<u>\$ 1,922,717</u>

General obligation bonds will be paid from the debt service fund. The Learning Center debt will be paid from the general fund. Compensated absences will be paid from the fund from which the employee is paid. In prior years this has primarily been the general fund. Capital lease obligations will be paid from the permanent improvement fund.

On September 20, 2004, the District entered into a Cooperative Agreement for Community Learning Centers with the City of Green (City). The City has issued bonds in anticipation of the tax revenue to pay the construction costs of two facilities, approximately \$25,000,000 in fiscal year 2005. The District is responsible for constructing, maintaining, and insuring the facilities. While the District will hold legal title to the facilities, the City will have an undivided ownership interest during the term of the agreement, 28 years. The City will also retain the right to use the facilities, in accordance with procedures established by the City, during the agreement term of 28 years. The City is responsible for the first \$1,000,000 in annual debt service, and the District agrees to pay the remaining annual debt service. The District portion of the debt is \$9,517,500.

In 1993, Green Local School District passed a bond issue providing \$19,500,000 for the construction of a new high school, classroom additions, and the refurbishing of the former high school (now known as the Intermediate School).

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 15– LONG TERM OBLIGATIONS (continued)

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2005 are as follows:

GENERAL OBLIGATION PAYABLE			
Fiscal Year Ending June 30	Principal	Interest	Total
2006	\$ 1,061,940	\$ 1,132,445	\$ 2,194,385
2007	302,882	1,989,638	2,292,520
2008	292,759	2,048,587	2,341,346
2009	288,690	2,102,752	2,391,442
2010	1,299,705	1,065,653	2,365,358
2011-2014	7,285,130	4,418,297	11,703,427
2016-2020	8,941,407	2,530,646	11,472,053
2021-2025	1,833,071	1,196,898	3,029,969
2026-2030	2,303,236	714,979	3,018,215
2031-2032	1,673,171	128,153	1,801,324
	<u>\$ 25,281,991</u>	<u>\$ 17,328,048</u>	<u>\$ 42,610,039</u>

NOTE 16 – CAPITAL LEASES

In prior years, the School District has entered into capitalized leases for computers, wiring, miscellaneous items, musical instruments, truck, and a stadium. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments amounted to \$611,077 for the fiscal year ended June 30, 2005.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2005.

Fiscal Year Ending June 30, 2006	\$ 711,291
2007	673,274
2008	674,014
Total	<u>2,058,579</u>
Less: Amount Representing Interest	<u>(144,857)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 1,913,722</u>

NOTE 17 – DEFERRED REVENUE

Deferred revenue at June 30, 2005 consisted of the following:

	Statement of Net Assets	Balance Sheet
Property Taxes Receivable	\$ 18,565,365	\$ 19,032,347
Intergovernmental Receivable	0	207,197
	<u>\$ 18,565,365</u>	<u>\$ 19,239,544</u>

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 18 – INTERFUND TRANSACTIONS

The account balances by fund of “Interfund Receivable” and “Interfund Payable” as of June 30, 2005 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 109,700	\$ 0
Nonmajor Governmental Funds	0	109,700
Total	<u>\$ 109,700</u>	<u>\$ 109,700</u>

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2005, all interfund payables outstanding are anticipated to be repaid in fiscal year 2006.

The following is a summarized breakdown of the School District’s transfers for fiscal year 2005:

Fund	Transfers In	Transfers Out
General Fund	\$ 1,891	\$ (1,540)
Nonmajor Governmental Funds	0	(351)
	<u>\$ 1,891</u>	<u>\$ (1,891)</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 19 – JOINTLY GOVERNED ORGANIZATION

Northeast Ohio Network for Educational Technology (NEOnet)

NEOnet is a jointly governed organization created as a regional council of governments made up of public districts and county boards of education from Summit, Medina and Portage Counties. The primary function of NEOnet is to provide data processing services to its member districts with the major emphasis being placed on accounting, inventory control and payroll services. Other areas of service provided by NEOnet include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by NEOnet. NEOnet is governed by a board of directors comprised of each Superintendent within the Organization. The Summit County Educational Service Center serves as the fiscal agent of the organization and receives funding from the State Department of Education. Each district has one vote in all matters and each member district’s control over budgeting and financing of NEOnet is limited to its voting authority and any representation it may have on the board of directors. The continued existence of NEOnet is not dependent on the District’s continued participation and no equity interest exists. The School District made contributions in the amount of \$40,055 for fiscal year 2005.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 19 – JOINTLY GOVERNED ORGANIZATION (*continued*)

Interval Opportunity School

The Interval Opportunity School (the School) is a jointly governed organization made up of six area public districts. The function of the School is too provided “at risk students” with possibly a last and better opportunity to succeed in both their academic and social maturation. Each member district pays an annual fee based on the number of students serviced by the School. The School is governed by a Board of Directors comprised of each superintendent from Coventry, Portage Lakes Career Center and the School District. The Coventry Local District serves as the fiscal agent of the School. The continued existence of the School is not dependent on the School District’s continued participation and no equity interest exists.

NOTE 20 - CONTINGENCIES

Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The disbursement 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.

Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

NOTE 21 – SET ASIDES

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 acquisition and construction of capital improvements. During 2001, the School Board of Education approved continuation of funding the budget stabilization reserve for the State of Ohio House Bill 412. Only the portion allocated to past Bureau of Workers Compensation Refund, \$283,642 is still legally required to remain set-aside. The remaining portion, \$675,425, is separately classified as Undesignated, Unreserved Fund Balance. The 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.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 21 – SET ASIDES (continued)

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

	Budget Stabilization Reserve	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Total
Set-Aside Cash Balance as of June 30, 2004	\$ 283,642	\$ 0	\$ 0	\$ 283,642
Set-Aside Carryover Balance as of June 30, 2004	0	0	(237,239)	(237,239)
Current Year Set-Aside Requirement	0	590,741	590,741	1,181,482
Qualifying Disbursements	0	(590,741)	(412,102)	(1,002,843)
Total	<u>\$ 283,642</u>	<u>\$ 0</u>	<u>\$ (58,600)</u>	<u>\$ 225,042</u>
Cash Balance Carried Forward to FY 2006	<u>\$ 283,642</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 283,642</u>
Amount to Restrict for Set-Asides				<u>\$ 283,642</u>
Total Restricted Assets				<u>\$ 283,642</u>

The School District had qualifying disbursements during the year that reduced the capital improvements and textbook reserve set-asides below zero. The excess qualifying textbook disbursements may be used to reduce the set-aside requirement in future fiscal years. The School District also had unspent monies set-aside for the purchase of school buses in the amount of \$29,585.

NOTE 22 – 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 plan 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 on its future State funding and its financial operations.

February 28, 2006

To the Board of Education
Green Local School District
Summit County, Ohio

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Green Local School District as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated February 28, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Green Local School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Green Local School District in a separate letter dated February 28, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Green Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Green Local School District in a separate letter dated February 28, 2006.

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

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

February 28, 2006

To the Board of Education
Green Local Schools District
Summit County, Ohio

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

Compliance

We have audited the compliance of Green Local Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to the School District's major program for the year ended June 30, 2005. The School District's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Green Local School District's management. Our responsibility is to express an opinion on Green Local School'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 the OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about Green Local School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Green Local School's compliance with those requirements.

In our opinion, Green Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major program for the year ended June 30, 2005. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Green Local School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Green Local School District's internal control over compliance with requirements that could have a direct and material effect on its major program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the 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 the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards – Non GAAP Budgetary Basis

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Green Local Schools as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated February 28, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Rea & Associates, Inc.

GREEN LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Expenditures
U. S. Department of Education (Passed Through Ohio Department of Education):					
Title I	84.010	C1-S1-2004	\$ 40,552	\$ 90,496	\$ 0
Title I	84.010	C1-S1-2005	356,879	318,764	0
Total Title I			397,431	409,260	0
<i>Special Education Cluster</i>					
IDEA-B	84.027	6B-SF-2004	40,314	21,622	0
IDEA-B	84.027	6B-SF-2005	658,212	726,873	0
Total IDEA-B			698,526	748,495	0
Preschool Grants	84.173	PG-D7-2004P	3,600	3,600	0
Preschool Grants	84.173	PG-S1-2005	14,127	14,564	0
Total Preschool Grants			17,727	18,164	0
<i>Total Special Education Cluster</i>			716,253	766,659	0
Title IV-A Safe and Drug-Free Schools	84.186	DR-S1-2005	14,972	13,945	0
Total Safe and Drug-Free Schools and Communities			14,972	13,945	0
Title V Innov	84.298	C2-S1-2004	6,008	4,596	0
Title V Innov	84.298	C2-S1-2005	12,970	10,476	0
Total Title VI			18,978	15,072	0
Title II-D Technology	84.318	TJ-S1-2004	658	1,240	0
Title II-D Technology	84.318	TJ-S1-2005	4,106	3,942	0
Total Title II-D			4,764	5,182	0
Title VI-R	84.340	CR-S1-2004	43,763	56,113	0
Title VI-R	84.340	CR-S1-2005	83,268	91,537	0
Total Title VI-R			127,031	147,650	0
Total Department of Education			1,279,429	1,357,768	0
U. S. Department of Agriculture (Passed Through Ohio Department of Education):					
Nutrition Cluster:					
Food Distribution Program (A) (B)	10.550		71,789	0	71,789
National School Lunch Program (A)	10.555		186,517	186,517	0
Total Department of Agriculture: Nutrition Cluster			258,306	186,517	71,789
Total Federal Assistance			\$ 1,537,735	\$ 1,544,285	\$ 71,789

- (A) Government commodities are reported at the fair market value of the commodities received and disbursed.
(B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

**GREEN LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non- compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Title I #84.010
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

GREEN LOCAL SCHOOL DISTRICT

SUMMIT 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
JULY 18, 2006**