

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

* * *

Basic Financial Statements

Year Ended June 30, 2006



Mary Taylor, CPA
Auditor of State

Board of Education
Green Local School District
1900 Greensburg Road
P.O. Box 218
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, 2005 through June 30, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 20, 2007

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**GREEN LOCAL SCHOOL DISTRICT (SUMMIT COUNTY)
FOR THE YEAR ENDED JUNE 30, 2006
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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 8, 2006

The Board of Education
Green Local School District
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 the Green Local School District, Summit County, Ohio (the School District), as of and for the year ended June 30, 2006, 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, 2006, and the respective changes in financial position and cash flows where applicable thereof, 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 December 8, 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, 2006
(Unaudited)*

The discussion and analysis of the School District's (the School District's) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at 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 School District's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- ❑ General Revenues accounted for \$35,341,170 in revenue or 88% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$4,905,145 or 12% of total revenues of \$40,246,315.
- ❑ Total program expenses were \$35,811,605 in governmental activities.
- ❑ In total, net assets of governmental activities increased \$4,434,710 which represents a 58% increase from 2005.
- ❑ Outstanding bonded debt decreased from \$40,764,491 to \$39,423,8646 as a result of payment of bonds and recognition of revenue from the City for the Learning Center. See Note 14 for more detail.

Reporting the 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 School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2006?" 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 reports the 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 the 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 the 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, the School District's activities are listed as:

- ❑ Governmental Activities - Most of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, operation of non-instructional, extracurricular activities, interest and fiscal charges, and food service. The government-wide financial statements begin on Page 12.

Green Local School District (Summit County)

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2006

(Unaudited)

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds - Most of the 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 the 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 – The School District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The 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 the 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, 2006
(Unaudited)*

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2006 compared to 2005:

**(Table 1)
Net Assets**

	Governmental Activities	
	2006	2005 (Restated)
Assets:		
Current and other assets	\$ 35,685,690	\$ 49,323,202
Capital assets	44,531,526	27,228,601
Total assets	80,217,216	76,551,803
Liabilities:		
Long-term liabilities	42,185,564	44,142,088
Other liabilities	26,012,325	24,825,098
Total liabilities	68,197,889	68,967,186
Net Assets:		
Invested in capital assets, net of related debt	7,262,464	5,006,941
Restricted	2,461,245	11,661,821
Unrestricted (deficit)	2,295,618	(9,084,145)
Total net assets	\$ 12,019,327	\$ 7,584,617

Total assets increased by \$3,665,413, this increase was a result of increased collections of taxes, state funding and interest on investments.

Total liabilities decreased by \$769,297, this decrease was a result of payment of bonds, offset by an increase in unearned revenue as a result of an increase in taxes receivable.

As a result of the above, overall net assets of the School District increased \$4,434,710, or 58% compared to fiscal year 2005.

Green Local School District (Summit County)
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2006 and 2005.

(Table 2)
Governmental Activities

	<u>2006</u>	<u>2005 (Restated)</u>
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 2,723,164	\$ 2,018,238
Operating Grants	1,903,296	2,628,958
Capital grants and contributions	278,685	0
<i>General Revenue:</i>		
Property Taxes	20,543,966	19,865,233
Grants and Entitlements	13,679,217	13,002,171
Other	<u>1,117,987</u>	<u>623,100</u>
<i>Total Revenues</i>	40,246,315	38,137,700
Program Expenses		
Instruction	21,175,296	19,821,399
Support Services	11,224,506	11,741,562
Operation of Non-Instructional	122,647	136,542
Extracurricular Activities	891,278	926,397
Interest and Fiscal Charges	1,211,607	880,279
Food Service	<u>1,186,271</u>	<u>1,144,424</u>
<i>Total Expenses</i>	<u>35,811,605</u>	<u>34,650,603</u>
Increase (Decrease) in Net Assets	<u>\$ 4,434,710</u>	<u>\$ 3,487,097</u>

A review of Table 2 reflects total revenues of \$40,246,315, which was an increase of \$2,108,615, as compared to 2005. This increase can be contributed to an increase in taxes, state funding and investment income.

Total expenses of \$35,811,605, which was an increase of \$1,161,002, as compared to 2005. This increase can be contributed to an increase in instruction, primarily from normal pay increases and an increase in enrollment.

Green Local School District (Summit County)
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

Governmental Activities

Information about the 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 \$40,246,315 and expenses of \$35,811,605.

(Table 3)
Governmental Activities

	2006		2005 Restated	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 21,175,296	\$ 19,369,735	\$ 19,821,399	\$ 17,505,437
Support Services:				
Pupil and Instructional Staff	3,396,707	2,492,163	3,800,066	3,106,385
Board of Education, Administration, Fiscal, and Business	2,984,932	2,869,020	3,090,905	3,086,729
Operation and Maintenance of Plant	3,231,328	3,124,564	3,274,900	3,255,677
Pupil Transportation	1,599,402	1,544,874	1,555,208	1,555,208
Central	12,137	11,546	20,483	20,483
Operation of Non-Instructional	122,647	3,143	136,542	9,545
Extracurricular Activities	891,278	292,801	926,397	604,469
Food Service Operations	1,186,271	(12,992)	1,144,424	(20,805)
Interest and Fiscal Charges	1,211,607	1,211,607	880,279	880,279
Total Expenses	<u>\$ 35,811,605</u>	<u>\$ 30,906,461</u>	<u>\$ 34,650,603</u>	<u>\$ 30,003,407</u>

Instruction and student support services comprise 69% of governmental program expenses. Interest and fiscal charges were 3%. Interest expense was attributable to the outstanding bonds, and fiscal expenses including payments to the County Auditor for administrative fees. Pupil transportation and the operation and maintenance of facilities accounts for 13% 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 School District students.

Green Local School District (Summit County)

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)*

General Fund Budgeting Highlights

The 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 2006, the School District did modify its general fund budget, but no significant amendments. The 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 increased \$657,920 from the original budget estimates of \$28,667,104. The School District begins the fiscal year with a temporary budget. This is updated in September with Board approval of the permanent appropriations. Budget adjustments are made throughout the year as updated information becomes available.

Actual revenues of \$30,320,598 was \$995,574, more than the final budgeted amounts. This amount was due to an increase in intergovernmental revenues, primarily from state funding.

Actual expenditures of \$28,865,339 were \$1,138,230, lower than the \$30,003,569 in the final budget, the majority of this decrease is based in instruction.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the School District had \$44.5 million invested in land, buildings and improvements, furniture and equipment, vehicles, textbooks, and construction in progress. Table 4 shows fiscal year 2006 balances compared with 2005.

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

	<u>2006</u>	<u>2005</u>
Land	\$ 826,143	\$ 826,143
Buildings and Improvements	17,025,088	17,659,994
Furniture and Equipment	2,390,264	2,334,538
Vehicles	1,114,800	1,072,026
Textbooks	66,496	361,847
Construction in Progress	<u>23,108,735</u>	<u>4,974,053</u>
Totals	<u>\$ 44,531,526</u>	<u>\$ 27,228,601</u>

The \$17,302,925 increase in capital assets was attributable to an increase in construction in progress for the projects for building the learning center and renovations to the high school and elementary schools.

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, 2006
(Unaudited)*

Ohio law requires School Districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2006, this amounted to \$604,041 for each set aside. The School District has qualifying disbursements or offsets equal to or exceeding these requirements for capital improvements. See Note 20 for additional information.

Debt

At June 30, 2006, the School District had long-term debt and capital leases of \$25,497,996. Table 5 summarizes outstanding debt.

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

	<u>2006</u>	<u>2005</u>
General Obligation Bonds	\$ 24,220,051	\$ 25,281,991
Capital Lease	1,277,945	1,913,722
Totals	<u>\$ 25,497,996</u>	<u>\$ 27,195,713</u>

See Note 14 to the basic financial statements for detail on the School District's long-term obligations.

Current Issues

The School District continues to receive strong support from the residents of the School District. As the preceding information shows, the 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.

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 School District's funding from the State by 23 mills times the School District's valuation when the School 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.

Thus, the 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 51% of revenues for governmental activities for the School District in fiscal year 2006.

The 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

Green Local School District (Summit County)

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)*

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 School District). The State has continually refused to meet the standards of the Ohio Supreme Court.

The 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 the School District. One of the 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 School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

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

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Green Local School District (Summit County)

Statement of Net Assets

June 30, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 13,891,588
Receivables:	
Taxes	21,628,233
Accounts	69,804
Intergovernmental	96,065
Nondepreciable Capital Assets	23,934,878
Depreciable Capital Assets (Net)	<u>20,596,648</u>
<i>Total Assets</i>	<u>80,217,216</u>
Liabilities	
Accounts Payable	101,711
Contracts Payable	785,557
Accrued Wages and Benefits	3,780,306
Vacation Benefits Payable	114,735
Intergovernmental Payable	930,255
Unearned Revenue	20,095,567
Claims Payable	129,194
Early Retirement Incentive Payable	75,000
Long Term Liabilities:	
Due Within One Year	1,048,420
Due In More Than One Year	<u>41,137,144</u>
<i>Total Liabilities</i>	<u>68,197,889</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	7,262,464
Restricted for:	
Capital Projects	1,087,999
Debt Service	592,638
Other Purposes	300,464
Textbook/Instructional Materials	196,502
Budget Stabilization	283,642
Unrestricted	<u>2,295,618</u>
<i>Total Net Assets</i>	<u>\$ 12,019,327</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, 2006

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Current:					
Instruction:					
Regular	\$ 14,734,030	\$ 589,189	\$ 167,830	\$ 0	\$ (13,977,011)
Special	5,112,546	187,929	805,183	0	(4,119,434)
Vocational	492,081	21,190	0	0	(470,891)
Other	836,639	34,241	0	0	(802,398)
Support Services:					
Pupils	2,063,935	321,591	437,466	0	(1,304,878)
Instructional Staff	1,332,772	66,037	79,450	0	(1,187,285)
Board of Education	33,901	1,381	0	0	(32,520)
Administration	2,038,974	79,708	0	0	(1,959,266)
Fiscal	788,040	29,673	0	0	(758,367)
Business	124,017	5,150	0	0	(118,867)
Operation and Maintenance of Plant	3,231,328	106,764	0	0	(3,124,564)
Pupil Transportation	1,599,402	54,528	0	0	(1,544,874)
Central	12,137	591	0	0	(11,546)
Operation of Non-Instructional Services	122,647	538	118,966	0	(3,143)
Food Service Operations	1,186,271	904,862	294,401	0	12,992
Extracurricular Activities	891,278	319,792	0	278,685	(292,801)
Interest and Fiscal Charges	1,211,607	0	0	0	(1,211,607)
<i>Totals</i>	\$ 35,811,605	\$ 2,723,164	\$ 1,903,296	\$ 278,685	(30,906,460)
General Revenues					
Property Taxes Levied for:					
					16,215,060
					1,552,016
					2,776,890
					13,679,217
					990,966
					127,021
					35,341,170
					Change in Net Assets 4,434,710
					Net Assets Beginning of Year, Restated (See Note 3) 7,584,617
					Net Assets End of Year \$ 12,019,327

See accompanying notes to the basic financial statements.

Green Local School District (Summit County)

Balance Sheet

Governmental Funds

June 30, 2006

	General	Permanent Improvement Capital Projects	Building Fund Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 5,338,004	\$ 1,758,996	\$ 3,432,747	\$ 1,228,326	\$ 11,758,073
Cash and Cash Equivalents:					
Restricted Cash	480,144	0	0	0	480,144
Receivables:					
Taxes	17,053,981	2,948,049	0	1,626,203	21,628,233
Accounts	68,555	0	0	1,249	69,804
Interfund	4,890	0	0	0	4,890
Intergovernmental	0	0	0	96,065	96,065
<i>Total Assets</i>	<u>\$ 22,945,574</u>	<u>\$ 4,707,045</u>	<u>\$ 3,432,747</u>	<u>\$ 2,951,843</u>	<u>\$ 34,037,209</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 64,391	\$ 4,392	\$ 0	\$ 32,731	\$ 101,514
Contracts Payable	0	0	785,557	0	785,557
Accrued Wages and Benefits	3,562,901	14,273	0	203,132	3,780,306
Vacation Benefits Payable	86,918	27,817	0	0	114,735
Interfund Payable	0	0	0	4,890	4,890
Intergovernmental Payable	840,739	21,046	0	68,470	930,255
Deferred Revenue	15,938,033	2,755,198	0	1,579,743	20,272,974
<i>Total Liabilities</i>	<u>20,492,982</u>	<u>2,822,726</u>	<u>785,557</u>	<u>1,888,966</u>	<u>25,990,231</u>
Fund Balances					
Fund Balance:					
Reserved for Encumbrances	291,215	336,235	2,504,023	122,927	3,254,400
Reserved for Tax Revenue Unavailable for Appropriation	1,115,948	192,851	0	106,414	1,415,213
Reserved to Textbook/Instructional Materials	196,502	0	0	0	196,502
Reserved for Budget Stabilization	283,642	0	0	0	283,642
Unreserved:					
Undesignated, Reported in:					
General Fund	565,285	0	0	0	565,285
Special Revenue Funds	0	0	0	348,158	348,158
Debt Service Fund	0	0	0	477,485	477,485
Capital Projects Funds	0	1,355,233	143,167	7,893	1,506,293
<i>Total Fund Balances</i>	<u>2,452,592</u>	<u>1,884,319</u>	<u>2,647,190</u>	<u>1,062,877</u>	<u>8,046,978</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 22,945,574</u>	<u>\$ 4,707,045</u>	<u>\$ 3,432,747</u>	<u>\$ 2,951,843</u>	<u>\$ 34,037,209</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, 2006*

Total Governmental Fund Balances	\$	8,046,978
 <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.		44,531,526
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	\$ 59,954	
Delinquent Property Taxes	117,453	177,407
 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.		 1,523,980
 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.		
Unearned Revenue-Long Term (See Note 14)	(15,203,813)	
General Obligation Bonds	(24,220,051)	
Capital Lease Payable	(1,277,945)	
Compensated Absences	(1,483,755)	
Early Retirement Incentive	(75,000)	(42,260,564)
 Net Assets of Governmental Activities	 \$	 <u>12,019,327</u>

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, 2006

	General	Permanent Improvement	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 16,419,473	\$ 2,812,330	\$ 0	\$ 1,570,692	\$ 20,802,495
Intergovernmental	13,208,855	308,832	0	2,212,069	15,729,756
Investment Income	471,869	57	511,120	7,920	990,966
Tuition and Fees	397,272	0	0	1,057	398,329
Extracurricular Activities	0	0	0	612,398	612,398
Charges for Services	807,575	0	0	904,862	1,712,437
Miscellaneous	10,739	66,655	0	49,627	127,021
<i>Total Revenues</i>	<u>31,315,783</u>	<u>3,187,874</u>	<u>511,120</u>	<u>5,358,625</u>	<u>40,373,402</u>
Expenditures:					
Current:					
Instruction:					
Regular	13,867,927	13,608	0	228,709	14,110,244
Special	4,494,767	0	0	725,788	5,220,555
Vocational	501,823	0	0	664	502,487
Other	840,475	0	0	0	840,475
Support Services:					
Pupils	1,345,940	0	0	746,384	2,092,324
Instructional Staff	1,226,403	0	0	103,394	1,329,797
Board of Education	33,901	0	0	0	33,901
Administration	1,929,133	114,056	0	1,099	2,044,288
Fiscal	726,801	42,423	5,940	22,152	797,316
Business	126,323	0	0	0	126,323
Operation and Maintenance of Plant	2,556,250	1,386,578	0	0	3,942,828
Pupil Transportation	1,334,688	167,784	0	0	1,502,472
Central	14,509	0	0	0	14,509
Operation of Non-Instructional Services	0	0	0	121,143	121,143
Food Service Operations	0	0	0	1,188,580	1,188,580
Extracurricular Activities	570,571	0	0	320,448	891,019
Capital Outlay	0	5,897	18,033,877	15,000	18,054,774
Debt Service:					
Principal Retirement	0	807,092	0	890,625	1,697,717
Interest and Fiscal Charges	0	486,489	0	725,118	1,211,607
<i>Total Expenditures</i>	<u>29,569,511</u>	<u>3,023,927</u>	<u>18,039,817</u>	<u>5,089,104</u>	<u>55,722,359</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	1,746,272	163,947	(17,528,697)	269,521	(15,348,957)
Other Financing Sources (Uses):					
Transfers in	0	0	0	82,581	82,581
Transfers out	(82,581)	0	0	0	(82,581)
<i>Total Financing Sources and (Uses)</i>	<u>(82,581)</u>	<u>0</u>	<u>0</u>	<u>82,581</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	1,663,691	163,947	(17,528,697)	352,102	(15,348,957)
<i>Fund balance at beginning of year, Restated (See Note 3)</i>	<u>788,901</u>	<u>1,720,372</u>	<u>20,175,887</u>	<u>710,775</u>	<u>23,395,935</u>
<i>Fund balance at end of year</i>	<u>\$ 2,452,592</u>	<u>\$ 1,884,319</u>	<u>\$ 2,647,190</u>	<u>\$ 1,062,877</u>	<u>\$ 8,046,978</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, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	(15,348,957)
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Amounts reported for governmental activities in the statement of activities are different because:

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 capital additions exceeded depreciation in the current period.

Capital Asset Additions	\$ 18,797,334	
Current Year Depreciation	<u>(1,494,409)</u>	17,302,925

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Unearned revenue	278,687	
Grants	(147,244)	
Delinquent Property Taxes	<u>(258,529)</u>	(127,086)

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	1,061,940	
Capital Leases	<u>635,777</u>	<u>1,697,717</u>

Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.

Increase in Compensated Absences	(19,879)	
Decrease in Early Retirement Incentive	<u>75,000</u>	55,121

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>854,990</u>
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Change in Net Assets of Governmental Activities

	\$	<u><u>4,434,710</u></u>
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See accompanying notes to the basic financial statements.

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, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 15,548,690	\$ 16,424,282	\$ 16,225,883	\$ (198,399)
Intergovernmental	12,298,568	12,094,500	13,213,855	1,119,355
Investment Income	439,184	431,897	471,869	39,972
Tuition and Fees	307,576	302,472	330,466	27,994
Miscellaneous	73,086	71,873	78,525	6,652
<i>Total Revenues</i>	<u>28,667,104</u>	<u>29,325,024</u>	<u>30,320,598</u>	<u>995,574</u>
Expenditures:				
Current				
Instruction	18,895,019	19,437,832	18,799,924	637,908
Support Services:				
Pupils	1,416,072	1,456,808	1,410,862	45,946
Instructional Staff	1,244,301	1,279,644	1,224,069	55,575
Board of Education	33,193	34,150	33,159	991
Administration	1,955,699	2,011,721	1,940,313	71,408
Fiscal	730,323	751,346	728,095	23,251
Business	126,850	130,467	125,290	5,177
Operation and Maintenance of Plant	2,707,046	2,782,769	2,622,640	160,129
Pupil Transportation	1,474,699	1,514,998	1,395,715	119,283
Central	13,834	14,233	13,820	413
Extracurricular Activities	573,102	589,601	571,452	18,149
<i>Total Expenditures</i>	<u>29,170,138</u>	<u>30,003,569</u>	<u>28,865,339</u>	<u>1,138,230</u>
Excess of Revenues Over (Under) Expenditures	(503,034)	(678,545)	1,455,259	2,133,804
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	629	619	676	57
Refund of Prior Year Receipts	(70,832)	(72,875)	(70,760)	2,115
Advances In	102,101	100,407	109,700	9,293
Advances Out	(4,895)	(5,036)	(4,890)	146
Transfers In	2,232	2,195	2,398	203
Transfers Out	(82,665)	(85,049)	(82,581)	2,468
<i>Total Other Financing Sources (Uses)</i>	<u>(53,430)</u>	<u>(59,739)</u>	<u>(45,457)</u>	<u>14,282</u>
<i>Net Change in Fund Balance</i>	(556,464)	(738,284)	1,409,802	2,148,086
<i>Fund Balance at Beginning of Year, Restated (See Note 3)</i>	3,783,675	3,783,675	3,783,675	0
Prior Year Encumbrances Appropriated	<u>275,571</u>	<u>275,571</u>	<u>275,571</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$ 3,502,782</u>	<u>\$ 3,320,962</u>	<u>\$ 5,469,048</u>	<u>\$ 2,148,086</u>

See accompanying notes to the basic financial statements.

Green Local School District (Summit County)

Statement of Net Assets

Proprietary Funds

June 30, 2006

	Governmental Activities Internal Service Fund
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 1,653,371
<i>Total Current Assets</i>	<u>1,653,371</u>
Liabilities	
Current Liabilities:	
Accounts Payable	197
Claims Payable	129,194
<i>Total Current Liabilities</i>	<u>129,391</u>
Net Assets	
Unrestricted	1,523,980
<i>Total Net Assets</i>	<u>\$ 1,523,980</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, 2006

	Governmental Activities - Internal Service Fund
<hr/>	
Operating Revenues:	
Charges for services	\$ 3,699,020
Operating Expenses:	
Purchased services	434,977
Materials and supplies	10,529
Claims	2,416,886
<i>Total Operating Expenses</i>	<u>2,862,392</u>
Operating income (loss)	<u>836,628</u>
Non-Operating Revenues (Expenses):	
Contributions and donations	<u>18,362</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>18,362</u>
<i>Change in Net Assets</i>	854,990
<i>Net Assets (Deficit) Beginning of Year</i>	<u>668,990</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>\$ 1,523,980</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, 2006

	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows From Operating Activities:	
Cash Received from Charges for Services	\$ 3,699,020
Cash Paid for Goods and Services	(445,309)
Cash Paid for Claims	(2,410,072)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>843,639</u>
Cash Flows From Non-Capital Financing Activities:	
Other Non-Operating Revenue	18,362
<i>Net Cash Provided By (Used For) Non-Capital Financing Activities</i>	<u>18,362</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	862,001
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>791,370</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 1,653,371</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Operating Income (Loss)	\$ 836,628
Adjustments:	
Increase (Decrease) in Liabilities	
Accounts Payable	197
Claims Payable	6,814
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ 843,639</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, 2006

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 143,356</u>
Liabilities	
Accounts Payable	\$ 1,186
Undistributed Monies	<u>142,170</u>
<i>Total Liabilities</i>	<u>\$ 143,356</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, 2006

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 171 noncertificated employees and 278 certificated full-time teaching personnel who provide services to 4,066 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.

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 basic 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. For the year ended June 30, 2006, the School District has implemented GASB Statement No. 42, "*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*", Statement No. 46, "*Net Assets Restricted by Enabling Legislation*", and Statement No. 47, "*Accounting for Termination Benefits*".

Statement No. 42 establishes accounting and financial standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 46 establishes that any amount of the primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to *all* termination benefits without limitation as to the period of time during which the benefits are offered.

There was no effect on fund balances as a result of the implementation of these new Standards. The following are the most significant of the School District's accounting policies.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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 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. 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 and enterprise 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 following are the School District's major governmental funds:

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.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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.

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

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.

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 a reconciliation 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.

Fiduciary funds are reported using the economic resources management and are excluded from the government-wide financial statements.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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/Unearned Revenue Deferred/unearned 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, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred/unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred/unearned revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred/unearned 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 fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants and Contributions" program revenue account.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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

During fiscal year 2006, the School District had investments in STAROhio, (the State Treasurer's Investment Pool) and a repurchase agreement. See Note 6 for a full listing of the School District's investments. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investments 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, 2006.

For presentation on the financial statements, 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 initial maturity of more than three months that are not purchased from the pool are reported as investments.

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 2006 amounted to \$471,869, which included \$74,512 assigned from other School District funds.

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 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 20 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, 2006

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. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for 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 employer will compensate the employees for the benefits through paid time off or some other means. These amounts are recorded as vacation benefits payables on the basic financial statements.

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.

I. 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, and special termination benefits 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.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

J. 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 enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes primarily include food service operations, non-instructional services, instructions of students and extracurricular activities.

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

K. Fund Balance Reserves

The School District reserves those portions of fund equity 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 equity, which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, property taxes, budget stabilization, and textbooks/instructional materials.

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.

L. 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 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. All revenue and expenses not meeting these definitions are classified as non-operating.

M. Interfund Activity

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

On fund financial statements, receivables and payables resulting from short-term interfund loans and interfund services provided and used are classified as "interfund receivables/payables." Interfund balances are eliminated in the governmental activities column of the statement of net assets

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in the nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2006.

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

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the 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.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 3 – RESTATEMENT OF NET ASSETS/FUND BALANCES

A. Budgetary Basis

The following is a summary of an adjustment to the beginning balance of the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual for the general fund, which is needed to agree with the actual cash balances of the School District.

	<u>General Fund</u>	
Fund balance, June 30, 2005	\$	4,258,967
Adjustment		(475,292)
Restated Fund balance, at July 1, 2005	\$	<u>3,783,675</u>

B. Net Assets/Fund Balance

During the fiscal year ended June 30, 2006, it was noted that there was an error in the insurance calculation included in the accrued wages and benefits. Hospitalization was understated by \$418,502. The result of this error, and the effect on net asset and fund balances, is summarized below:

	<u>General Fund</u>	<u>Permanent Improvements</u>	<u>Building Fund</u>	<u>Other Governmental</u>	<u>Total</u>
Beginning Fund Balance, 6/30/2005	\$ 1,192,341	\$ 1,721,425	\$ 20,175,887	\$ 724,784	\$ 23,814,437
Adjusted accrued wages	(403,440)	(1,053)	0	(14,009)	(418,502)
Adjusted Fund Balance, 7/1/2005	\$ 788,901	\$ 1,720,372	\$ 20,175,887	\$ 710,775	\$ 23,395,935

	<u>Governmental Activities</u>	
Net Assets, at June 30, 2005	\$	8,003,119
Adjustment to accrued wages		(418,502)
Restated Net Assets, at July 1, 2005	\$	<u>7,584,617</u>

NOTE 4 – FUND DEFICITS

Fund balances/net assets at June 30, 2006 included the following individual fund deficits:

	<u>Deficits</u>	
	<u>Fund Balance</u>	<u>Net Assets</u>
Nonmajor Governmental Funds:		
EMIS Fund	\$ (23,937)	\$ (23,937)
Student Reading Intervention Grant	0	(7,594)
Poverty Based Assistance	(6,558)	(6,558)
Parent Mentor Grant	(4,241)	(4,241)
Title I	(21,785)	(25,326)
Reducing Class Size	(15,281)	0
Total	\$ <u>(71,802)</u>	\$ <u>(67,656)</u>

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

The deficits in these funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in the non-major governmental 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:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures 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	\$ 1,663,691
Net Adjustment for Revenue Accruals	(882,410)
Net Adjustment for Expenditure Accruals	977,620
Encumbrances (Budget Basis)	<u>(349,099)</u>
Budget Basis	<u><u>\$ 1,409,802</u></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.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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.

Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

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. 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 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above 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 in an amount not to exceed 25% 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, qualified trustee 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, 2006

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of the School District's cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105% of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Cash on Hand At year end, the School District had \$3,100 in undeposited cash on hand which is included on the balance sheet of the School District as part of equity in pooled cash and cash equivalents.

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$1,765,191 and the bank balance was \$2,080,003. Of the bank balance:

1. \$100,000 of the bank balance was covered by federal depository insurance; and
2. \$1,980,003 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments – Investments are reported at fair value. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. Investments are reported at fair value. As of June 30, 2006, the School District had the following investments:

Rating by Standard & Poor's	Entity	Fair Value	Investment Maturities	Percentage of Total Investment
			6 Months or Less	
N/A	Repurchase agreement	\$ 10,845,000	\$ 10,845,000	88.41%
AAAm	STAROhio	1,421,653	1,421,653	11.59%
	Total	<u>\$ 12,266,653</u>	<u>\$ 12,266,653</u>	100.00%

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School District.

Credit Risk – The School District's investment credit ratings are summarized above. The Repurchase agreement is not rated by Standard & Poor's or Moody's Investor Services.

Concentration of Credit Risk –The School District places no limit on the amount the School District may invest in any one issuer. See percentage's above.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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 (used in business) located in the School District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005 on the value as of December 31, 2005. Tangible personal property is currently assessed at 25 % of true value for capital assets and 23 % of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

The amount available as an advance at June 30, 2006, was \$1,115,948 in the General Fund, \$106,414 in the Bond Retirement Debt Service Fund, and \$192,851 in the Permanent Improvement Capital Projects Fund.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred since it has not been received within the available period.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 576,434,910	90.95%	\$ 643,316,340	92.76%
Public Utility	150	0.00%	160	0.00%
Tangible Personal Property	57,367,259	9.05%	50,237,205	7.24%
	<u>\$ 633,802,319</u>	<u>100.00%</u>	<u>\$ 693,553,705</u>	<u>100.00%</u>
Tax rate per \$1,000 assessed valuation	\$ 39.19		\$ 39.19	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2006, consisted of taxes, interfund, accounts receivable, 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, 2006:

Governmental Activities:	
Food Services	\$ 26,612
Chapter I	33,663
Title V	3,529
Drug-Free School Grant	5,505
IDEA Preschool	1,109
Title II A	18,519
Title II D	7,128
Total Governmental Activities	<u>\$ 96,065</u>

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance 6/30/2005	Additions	Reductions	Balance 6/30/2006
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 826,143	\$ 0	\$ 0	\$ 826,143
Construction in progress	4,974,053	18,134,682	0	23,108,735
Total Capital Assets, not being depreciated	<u>5,800,196</u>	<u>18,134,682</u>	<u>0</u>	<u>23,934,878</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and improvements	28,123,520	0	0	28,123,520
Furniture and equipment	4,563,255	488,568	0	5,051,823
Vehicles	2,057,045	174,084	0	2,231,129
Textbooks	2,469,217	0	0	2,469,217
Total Capital Assets, being depreciated	<u>37,213,037</u>	<u>662,652</u>	<u>0</u>	<u>37,875,689</u>
Less Accumulated Depreciation:				
Buildings and improvements	(10,463,526)	(634,906)	0	(11,098,432)
Furniture and equipment	(2,228,717)	(432,842)	0	(2,661,559)
Vehicles	(985,019)	(131,310)	0	(1,116,329)
Textbooks	(2,107,370)	(295,351)	0	(2,402,721)
Total Accumulated Depreciation	<u>(15,784,632)</u>	<u>(1,494,409)</u>	<u>0</u>	<u>(17,279,041)</u>
Total Capital Assets being depreciated, net	<u>21,428,405</u>	<u>(831,757)</u>	<u>0</u>	<u>20,596,648</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 27,228,601</u>	<u>\$ 17,302,925</u>	<u>\$ 0</u>	<u>\$ 44,531,526</u>

Depreciation expense was charged to governmental functions as follows:

Regular	\$ 1,155,074
Special	12,770
Instructional	38,787
Administration	40,969
Fiscal	303
Operation and Maintenance	97,959
Pupil Transportation	122,005
Food Services	25,061
Non-Operational	<u>1,481</u>
Total Depreciation	<u>\$ 1,494,409</u>

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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 2006, 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 Association of School Business Official's 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, 2006

The claims liability of \$129,194 reported in the fund at June 30, 2006 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 2005 and 2006 is as follows:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2005	\$ 217,212	\$ 2,959,265	\$ (3,054,097)	\$ 122,380
2006	\$ 122,380	\$ 2,416,886	\$ (2,410,072)	\$ 129,194

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% 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 % 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%.

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 (800) 878-5853, or by visiting the SERS website at www.ohsers.org, under Forms and Publications.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. 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, 2006, 2005, and 2004 were \$633,759, \$640,188, and \$594,912, respectively; 36% has been contributed for fiscal year 2006, and 100% for the fiscal years 2005 and 2004. \$404,494 represents the unpaid contribution for fiscal year 2006, and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 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% 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 (the latest information available), plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% 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, 2006

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$2,077,466, \$2,160,180, and \$2,037,227, respectively; 83% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$31,725 made by the School District and \$58,704 made by the plan members. \$356,631 represents the unpaid contribution for fiscal year 2006, and is recorded as a liability within the respective funds.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2006, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% 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), 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 benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2005 (the latest information available), the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$148,390 during the 2006 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2005 (the latest information available), the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005 (the latest information available), the health care costs paid by STRS were \$254,780,000 and STRS 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. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2005 (the latest information available), employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005 (the latest information available), the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$417,382.

Net health care costs for year ending June 30, 2005, (the latest information available), were \$178,221,113. The target level for the health care reserve is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, (the latest information available), the value of the health care fund was \$267.5 million which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. SERS had approximately 58,123 participants currently receiving health care benefits.

NOTE 14- LONG TERM OBLIGATIONS

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

	Outstanding 6/30/2005	Additions	Reductions	Outstanding 6/30/2006	Amounts Due in One Year
Long Term Obligations:					
Learning Center - 2005 2% to 5%, 6/05 - 12/32	\$ 9,517,500	\$ 0	\$ 171,315	\$ 9,346,185	\$ 205,578
Bus Bonds - 1999 5.48%, 6/99 - 6/14	103,846	0	9,233	94,613	9,739
Bus Bonds - 2000 6.31%, 5/00 - 5/15	114,301	0	8,547	105,754	9,086
Bus Bonds - 2001 5.71%, 3/01 - 3/11	60,000	0	10,000	50,000	10,000
Bus Bonds - 2002 5.22%, 3/02 - 3/12	70,000	0	10,000	60,000	10,000
Energy Conversation Imp Bonds 4.98%, 1/99 - 1/14	31,348	0	2,845	28,503	2,987
Facilities Improvements (1994) 5.906%, 4/94 - 12/19	15,384,996	0	850,000	14,534,996	55,492
Total General Obligation Debt	<u>25,281,991</u>	<u>0</u>	<u>1,061,940</u>	<u>24,220,051</u>	<u>302,882</u>
Unearned Revenue	15,482,500	0	278,687	15,203,813	0
Compensated Absences	1,463,876	244,879	225,000	1,483,755	120,000
Capital Lease	1,913,722	0	635,777	1,277,945	625,538
Total Governmental Activities Long-Term Liabilities	<u>\$ 44,142,089</u>	<u>\$ 244,879</u>	<u>\$ 2,201,404</u>	<u>\$ 42,185,564</u>	<u>\$ 1,048,420</u>

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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 Center 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.

The School District has capitalized the total to date for the construction of the Learning Center. As a result of the City's contribution to the School District of \$15,482,500, along with the undivided interest terms stated above, the earnings process for the School District has not been completed. This process will occur over a 28 year period, which is the period of the agreement between to City and the School District. The unearned portion of the contribution has been recognized as a long-term obligation "unearned revenue" in the governmental activities column of the basic financial statements.

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 know as the Intermediate School).

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2006 are as follows:

GENERAL OBLIGATION PAYABLE			
Fiscal Year Ending	Principal	Interest	Total
<u>June 30</u>			
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	1,355,709	1,009,652	2,365,361
2012-2016	7,554,718	4,083,855	11,638,573
2017-2021	7,651,126	2,127,066	9,778,192
2022-2026	1,916,825	1,112,002	3,028,827
2027-2031	2,415,543	598,627	3,014,170
2032-2036	1,142,094	57,771	1,199,865
	<u>\$ 24,220,051</u>	<u>\$ 16,195,603</u>	<u>\$ 40,415,654</u>

NOTE 15 – CAPITAL LEASES

Capital lease obligation relates to the School District's long term obligation for a stadium. This lease meets 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 \$635,777 for the fiscal year ended June 30, 2006. The carrying cost of the capital lease is \$3,000,000.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2006.

	Fiscal Year Ending June 30, 2007	\$ 673,274
	2008	674,014
Total		<u>1,347,288</u>
Less: Amount Representing Interest		(69,343)
Present Value of Net Minimum Lease Payments		<u><u>\$ 1,277,945</u></u>

NOTE 16 – DEFERRED REVENUE

Deferred revenue at June 30, 2006 consisted of the following:

	Statement of Net Assets	Balance Sheet
Property Taxes Receivable	<u>\$ 20,095,567</u>	<u>\$ 20,213,020</u>
Intergovernmental Receivable	<u>0</u>	<u>59,954</u>
	<u><u>\$ 20,095,567</u></u>	<u><u>\$ 20,272,974</u></u>

NOTE 17 – INTERFUND TRANSACTIONS

The account balances by fund of “Interfund Receivable” and “Interfund Payable” as of June 30, 2006 are as follows:

Fund	Interfund Receivable	Interfund Payable
<u>General Fund</u>	<u>\$ 4,890</u>	<u>\$ 0</u>
<u>Nonmajor Governmental Funds</u>	<u>0</u>	<u>4,890</u>
Total	<u><u>\$ 4,890</u></u>	<u><u>\$ 4,890</u></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, 2006, all interfund payables outstanding are anticipated to be repaid in fiscal year 2007.

The following is a summarized breakdown of the School District’s transfers for fiscal year 2006:

Fund	Transfers In	Transfers Out
<u>General Fund</u>	<u>\$ 0</u>	<u>\$ (82,581)</u>
<u>Nonmajor Governmental Funds</u>	<u>82,581</u>	<u>0</u>
	<u><u>\$ 82,581</u></u>	<u><u>\$ (82,581)</u></u>

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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 18 – 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 \$77,029 for fiscal year 2006.

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 to provide "at risk students" with possibly a lasting 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 19 - 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, 2006.

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.

Green Local School District (Summit County)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

NOTE 20 – 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.

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, 2005	\$ 283,642	\$ 0	\$ 0	\$ 283,642
Set-Aside Carryover Balance as of June 30, 2005	0	0	(58,600)	(58,600)
Current Year Set-Aside Requirement	0	604,041	604,041	1,208,082
Qualifying Disbursements	0	(3,036,773)	(348,939)	(3,385,712)
Total	<u>\$ 283,642</u>	<u>\$ (2,432,732)</u>	<u>\$ 196,502</u>	<u>\$ (1,952,588)</u>
Cash Balance Carried Forward to FY 2007	<u>\$ 283,642</u>	<u>\$ 0</u>	<u>\$ 196,502</u>	<u>\$ 480,144</u>
Amount to be Restricted for Set-Asides				<u>\$ 480,144</u>
Total Restricted Assets				<u>\$ 480,144</u>

The School District had qualifying disbursements during the year that reduced the capital improvements set-asides below zero. However, this amount cannot be carried over to the next fiscal year.

NOTE 21 – CONSTRUCTION COMMITMENTS

The following construction commitments at June 30, 2006 will be financed with capital project funds revenues:

Project	Total Authorized Cost	Expended to June 30, 2006	Balance at June 30, 2006
High School	\$ 10,070,260	\$ 9,245,692	\$ 824,568
Elementary School	15,525,167	13,947,284	1,577,883
	<u>\$ 25,595,427</u>	<u>\$ 23,192,976</u>	<u>\$ 2,402,451</u>

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 8, 2006

To the Board of Education
Green Local School District (Summit County, Ohio)
Green, Ohio 44232

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, Summit County, Ohio, as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 8, 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 District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 December 8, 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 one immaterial instance of noncompliance that we have reported to management of Green Local School District in a separate letter dated December 8, 2006.

This report is intended solely for the information and use of by the Board of Education, management, federal awarding agencies, and pass through entities, 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

December 8, 2006

To the Board of Education
Green Local School District (Summit County, Ohio)
Green, Ohio 44232

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 School District, Summit County, Ohio, 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, 2006. 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 District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 District'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 District 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 federal program for the year ended June 30, 2006.

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 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 Green Local School District, as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 8, 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 of Green Local School District. 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, federal awarding agencies and pass through entities, 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, 2006

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Disbursements
U. S. Department of Education					
(Passed Through Ohio Department of Education):					
Title I - FY05	84.010	C1S1-2005	\$ 1,759	\$ 280,863	\$ 0
Title I - FY06	84.010	C1S1-2006	<u>323,079</u>	<u>39,874</u>	<u>0</u>
Total Title I			324,838	320,737	0
<i>Special Education Cluster</i>					
IDEA-B - FY05	84.027	6BSF-2005	123,293	54,632	0
IDEA-B - FY06	84.027	6BSF-2006	<u>874,949</u>	<u>768,689</u>	<u>0</u>
Total IDEA-B			998,242	823,321	0
Early Childhood Special Education - FY05	84.173	PGS1-2005	1,408	972	0
Early Childhood Special Education - FY06	84.173	PGS1-2006	<u>14,105</u>	<u>13,237</u>	<u>0</u>
Total Early Childhood Special Education			15,513	14,209	0
<i>Total Special Education Cluster</i>			<u>1,013,755</u>	<u>837,530</u>	<u>0</u>
Title IV-A Safe and Drug-Free Schools - FY05 (C)	84.186	DRS1-2005	(281)	746	0
Title IV-A Safe and Drug-Free Schools - FY06	84.186	DRS1-2006	<u>12,387</u>	<u>12,878</u>	<u>0</u>
Total Title IV-A			12,106	13,624	0
Title V Innovative Grants - FY05	84.298	C2S1-2005	3,753	8,510	0
Title V Innovative Grants - FY06	84.298	C2S1-2006	<u>14,206</u>	<u>9,480</u>	<u>0</u>
Total Title V			17,959	17,990	0
Title II-D Technology	84.318	TJS1-2005	2,522	2,686	0
Title II-D Technology	84.318	TJS1-2006	<u>5,843</u>	<u>6,503</u>	<u>0</u>
Total Title II-D			8,365	9,189	0
Title III LEP Grant	84.365	N/A	6,804	6,804	0
Title II-A	84.367	TRS1-2005	33,188	22,655	0
Title II-A	84.367	TRS1-2006	<u>98,070</u>	<u>92,848</u>	<u>0</u>
Total Title II-A			131,258	115,503	0
Total U. S. Department of Education			<u>1,515,085</u>	<u>1,321,377</u>	<u>0</u>
U. S. Department of Agriculture					
(Passed Through Ohio Department of Education):					
Food Distribution Program (A) (B)	10.550	N/A	63,623	0	63,623
National School Lunch Program - FY05 (B)	10.555	LLP4-2005	50,273	50,273	0
National School Lunch Program - FY06 (B)	10.555	LLP4-2006	<u>147,837</u>	<u>147,837</u>	<u>0</u>
Total Nutrition Cluster			198,110	198,110	0
Total U. S. Department of Agriculture			<u>261,733</u>	<u>198,110</u>	<u>63,623</u>
Total Federal Assistance			<u>\$ 1,776,818</u>	<u>\$ 1,519,487</u>	<u>\$ 63,623</u>

- (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.
(C) The District did not expend as much as they received. This amount was refunded back to the State.
(N/A) Grant number not available.

**GREEN LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2006**

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):	Special Education Cluster, #84.027 & 84.173
(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.



Mary Taylor, CPA
Auditor of State

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
MARCH 8, 2007**