

**Green Local School District**  
**Summit County, Ohio**  
*Audited Financial Statements*

*June 30, 2010*





# Dave Yost • Auditor of State

Board of Education  
Green Local School District  
1755 Town Park Blvd.  
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, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 26, 2011

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**GREEN LOCAL SCHOOL DISTRICT**  
**SUMMIT COUNTY**  
 JUNE 30, 2010  
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December 9, 2010

To the Board of Education  
Green Local School District  
Green, OH 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 (the "School District"), Summit County, Ohio as of and for the year ended June 30, 2010, 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, 2010, and the respective changes in financial position and the 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 also have issued our report dated December 9, 2010, 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 compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. 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.

*Hea & Associates, Inc.*

## Green Local School District (Summit County)

### *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010*

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The discussion and analysis of Green Local 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, 2010. 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 2010 are as follows:

- ❑ General Revenues accounted for \$36,022,539 in revenue or 86.8% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$5,476,590 or 13.2% of total revenues of \$41,499,129.
- ❑ Total program expenses were \$42,494,632 in governmental activities.
- ❑ In total, net assets of governmental activities decreased \$995,503 which represents a 24.3% decrease from 2009.
- ❑ Outstanding long term debt obligations decreased from \$23,381,507 to \$22,068,477 during the fiscal year.

#### ***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 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report 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 11.



**Green Local School District (Summit County)**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010*

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***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The financial statement of the School District's governmental funds begins on page 13. 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 and the permanent improvement capital project 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 functions, it has been included within the governmental activities in the government-wide financial statements.

The proprietary fund financial statements begin on page 18.

**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 21.

**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 22.

**Green Local School District (Summit County)**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010*

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**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 2010 compared to 2009:

**(Table 1)  
Net Assets**

	Governmental Activities	
	2010	2009
<b>Assets:</b>		
Current and other assets	\$ 26,056,787	\$ 24,855,736
Capital assets	41,866,810	42,021,586
Total assets	<u>67,923,597</u>	<u>66,877,322</u>
<b>Liabilities:</b>		
Long-term liabilities	38,793,363	40,146,082
Other liabilities	26,029,094	22,634,597
Total liabilities	<u>64,822,457</u>	<u>62,780,679</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	19,018,149	17,851,651
Restricted	1,706,884	2,870,015
Unrestricted (deficit)	<u>(17,623,893)</u>	<u>(16,625,023)</u>
Total net assets	<u>\$ 3,101,140</u>	<u>\$ 4,096,643</u>

Total assets increased by \$1,046,275. The increase was primarily the result of an increase in tax revenues and offset by a decrease in cash.

Total liabilities increased by \$2,041,778. This increase was a primary result of an increase in deferred tax revenue and an increase in contracts payable.

As a result of the above, overall net assets of the School District decreased \$995,503, or 24.3% compared to fiscal year 2009.

**Green Local School District (Summit County)**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010*

Table 2 shows the changes in net assets for fiscal year 2010 and 2009.

**(Table 2)  
Governmental Activities**

	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 2,503,679	\$ 2,278,984
Operating Grants	2,599,813	2,755,833
Capital grants and contributions	373,098	692,405
<i>General Revenue:</i>		
Property Taxes	20,776,166	21,995,232
Grants and Entitlements	15,069,053	14,112,125
Other	<u>177,320</u>	<u>246,364</u>
<i>Total Revenues</i>	41,499,129	42,080,943
<b>Program Expenses</b>		
Instruction	24,445,789	24,825,914
Support Services	14,354,424	16,437,382
Operation of Non-Instructional	125,470	138,876
Extracurricular Activities	1,142,719	1,101,609
Interest and Fiscal Charges	991,971	1,280,094
Food Service	<u>1,434,259</u>	<u>1,384,215</u>
<i>Total Expenses</i>	<u>42,494,632</u>	<u>45,168,090</u>
Increase (Decrease) in Net Assets	<u>\$ (995,503)</u>	<u>\$ (3,087,147)</u>

Total expenses of \$42,494,632, decreased by \$2,673,458 over 2009. The most significant decreases were in instruction and support services. One of the primary causes of the decrease in instruction was the decrease in other instruction and support services, which resulted from a decrease in staffing. Interest expense decreased during the fiscal year as a result of paying down long term debt.

**Green Local School District (Summit County)**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010*

**Governmental Activities**

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 \$41,499,129 and expenses of \$42,494,632.

**(Table 3)  
Governmental Activities**

	2010		2009	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 24,445,789	\$ 22,569,195	\$ 24,825,914	\$ 22,626,932
Support Services:				
Pupil and Instructional Staff	4,765,388	3,602,132	4,945,821	4,052,622
Board of Education, Administration, Fiscal, and Business	4,060,846	3,938,045	4,888,287	4,757,403
Operation and Maintenance of Plant	3,770,894	3,676,293	4,397,411	4,304,048
Pupil Transportation	1,731,739	1,707,802	2,180,327	2,146,378
Central	25,557	25,557	25,536	24,992
Operation of Non-Instructional	125,470	(20,474)	138,876	(4,946)
Extracurricular Activities	1,142,719	487,185	1,101,609	100,672
Food Service Operations	1,434,259	40,336	1,384,215	152,673
Interest and Fiscal Charges	991,971	991,971	1,280,094	1,280,094
Total Expenses	<u>\$ 42,494,632</u>	<u>\$ 37,018,042</u>	<u>\$ 45,168,090</u>	<u>\$ 39,440,868</u>

Instruction and student support services comprise 91.3% of governmental program expenses. Interest and fiscal charges were 2.3%. 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 12.9% 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.

**The School District's Funds**

The fund financial statements for the School District's major funds start on page 13. The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$41,193,334 and total expenditures of \$42,532,505.

The general fund decreased in 2010 by \$573,098. This decrease in the general fund was the result of the operating revenue, particularly intergovernmental revenue.

**Green Local School District (Summit County)**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010*

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The permanent improvement fund decreased in 2010 by \$1,058,233. This decrease in the permanent improvement fund was the result of tax levy monies for permanent improvements being used to pay outstanding bond/debt.

***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 2010, the School District did modify its general fund budget, modifications were insignificant. 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 including other financing sources increased \$573,944 from the original budget estimates of \$32,816,210. 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 including other financing sources of \$31,512,160 were \$1,877,994, less than the final budgeted amounts. This amount was primarily due to lower than expected amount of state revenue support.

Actual expenditures including other financing uses and encumbrances of \$31,843,332 were \$2,033,651, lower than the \$33,876,982 in the final budget. The majority of this decrease is from a decrease in staffing and cutting costs in day to day operations.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2010, the School District had \$41.9 million invested in land, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2010 balances compared with 2009.

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

	<u>2010</u>	<u>2009</u>
Land	\$ 1,031,143	\$ 1,031,143
Buildings and Improvements	37,941,893	37,831,477
Furniture and Equipment	2,124,324	2,274,249
Vehicles	769,450	884,717
Totals	<u>\$ 41,866,810</u>	<u>\$ 42,021,586</u>

The \$154,776 decrease in capital assets was attributable to depreciation expense exceeding capital asset additions.

See Note 8 to the basic financial statements for detail on the School District's capital assets.

**Green Local School District (Summit County)**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2010*

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Ohio law requires School Districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2010, this amounted to \$697,920 for each set aside. The School District has qualifying disbursements or offsets equal to or exceeding these requirements for capital improvements and textbook/instructional materials. See Note 18 for additional information.

**Debt**

At June 30, 2010, the School District had long-term debt obligations and capital leases of \$22,578,661. Table 5 summarizes outstanding debt.

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

	<u>2010</u>	<u>2009</u>
Long Term Debt Obligations	\$ 22,068,477	\$ 23,381,507
Capital Lease	510,184	525,793
Totals	<u>\$ 22,578,661</u>	<u>\$ 23,907,300</u>

See Note 13 to the basic financial statements for detail on the School District's long-term obligations.

***Current Issues***

The Green Local School District continues to receive strong support from the residents of Green Local School District. As the preceding information shows, Green Local School District relies heavily on its local property taxpayers. The last operating levy passed by the residents of the district was in May, 1999, with the promise that the revenue generated by a levy would provide sufficient funding for five years. The Board of Education submitted a new operating levy to the residents of the district in November 2004, May 2005, November 2005 and May 2009. None of these levies were approved by the voters. A new Emergency Levy is on the ballot for November 2, 2010 in the amount of \$4.8 million; the levy was not approved by voters.

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 changes in the funding formula used in Ohio that has frozen the funding received from the State at the level received in fiscal year 2005.

Thus, Green Local School District's dependence upon property taxes is hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 53% of revenues for governmental activities for the Green Local School District in fiscal year 2010.

**Green Local School District (Summit County)**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010*

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

From a State funding perspective, the Ohio Supreme Court in March, 1997 found that the school funding system provided by the State of Ohio was an unconstitutional system that was neither "adequate" nor "equitable". Since 1997, the State has continually refused to meet the standards of the Ohio Supreme Court.

Green Local School District does not anticipate any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on Green Local School District. How the legislature plans to fund education programs during a weakened economy remains a concern.

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

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

***Contacting the 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 Eydie Snowberger, Treasurer of Green Local School District, 1900 Greensburg Road, P.O. Box 218, Green, Ohio 44232.

**Green Local School District (Summit County)**

*Statement of Net Assets*

*June 30, 2010*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 3,307,876
Receivables:	
Taxes	22,125,260
Accounts	1,507
Intergovernmental	389,980
Bond Issuance Costs	232,164
Nondepreciable Capital Assets	1,031,143
Depreciable Capital Assets (Net)	<u>40,835,667</u>
<i>Total Assets</i>	<u>67,923,597</u>
<b>Liabilities</b>	
Accounts Payable	175,073
Contracts Payable	371,029
Accrued Wages and Benefits	4,174,714
Vacation Benefits Payable	148,770
Intergovernmental Payable	1,159,021
Deferred Revenue	19,504,885
Claims Payable	366,872
Interest Payable	128,730
Long Term Liabilities:	
Due Within One Year	2,479,024
Due in More Than One Year	<u>36,314,339</u>
<i>Total Liabilities</i>	<u>64,822,457</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	19,018,149
Restricted for:	
Capital Projects	554,044
Debt Service	921,642
Other Purposes	231,198
Unrestricted	<u>(17,623,893)</u>
<i>Total Net Assets</i>	<u>\$ 3,101,140</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, 2010

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Total
<b>Governmental Activities</b>					
Current:					
Instruction:					
Regular	\$ 17,853,214	\$ 541,135	\$ 127,047	\$ 0	\$ (17,185,032)
Special	5,420,246	162,694	1,045,718	0	(4,211,834)
Vocational	146,469	0	0	0	(146,469)
Student intervention	67,495	0	0	0	(67,495)
Other	958,365	0	0	0	(958,365)
Support services:					
Pupils	2,378,960	328,241	788,223	0	(1,262,496)
Instructional staff	2,386,428	10,001	36,791	0	(2,339,636)
Board of education	37,061	0	0	0	(37,061)
Administration	2,735,105	66,547	0	0	(2,668,558)
Fiscal	1,171,937	56,254	0	0	(1,115,683)
Business	116,743	0	0	0	(116,743)
Operation and maintenance of plant	3,770,894	94,601	0	0	(3,676,293)
Pupil transportation	1,731,739	23,937	0	0	(1,707,802)
Central	25,557	0	0	0	(25,557)
Operation of non-instructional services	125,470	0	145,944	0	20,474
Food Service Operations	1,434,259	937,833	456,090	0	(40,336)
Extracurricular activities	1,142,719	282,436	0	373,098	(487,185)
Interest and fiscal charges	991,971	0	0	0	(991,971)
<b>Total Governmental Activities</b>	<b>\$ 42,494,632</b>	<b>\$ 2,503,679</b>	<b>\$ 2,599,813</b>	<b>\$ 373,098</b>	<b>(37,018,042)</b>
<b>General Revenues</b>					
Property Taxes Levied for:					
					16,342,198
					1,434,535
					2,999,433
					15,069,053
					11,284
					166,036
					<b>36,022,539</b>
					(995,503)
					4,096,643
					<b>\$ 3,101,140</b>

See accompanying notes to the basic financial statements.

**Green Local School District (Summit County)**

*Balance Sheet  
Governmental Funds  
June 30, 2010*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 917,165	\$ 780,162	\$ 1,134,970	\$ 2,832,297
Receivables:				
Taxes	17,460,664	3,204,834	1,459,762	22,125,260
Accounts	1,470	0	37	1,507
Intergovernmental	177,146	3,061	209,773	389,980
<i>Total Assets</i>	<u>\$ 18,556,445</u>	<u>\$ 3,988,057</u>	<u>\$ 2,804,542</u>	<u>\$ 25,349,044</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 102,036	\$ 19,304	\$ 51,897	\$ 173,237
Contracts Payable	0	371,029	0	371,029
Accrued Wages and Benefits	3,872,080	80,195	222,439	4,174,714
Intergovernmental Payable	1,039,169	51,078	68,774	1,159,021
Deferred Revenue	16,043,654	2,915,257	1,329,258	20,288,169
<i>Total Liabilities</i>	21,056,939	3,436,863	1,672,368	26,166,170
<b>Fund Balances</b>				
Reserved for Encumbrances	24,022	113,073	62,195	199,290
Reserved for Tax Revenue Unavailable for Appropriation	1,594,156	292,638	134,126	2,020,920
Undesignated, Unreserved Reported in:				
General Fund	(4,118,672)	0	0	(4,118,672)
Special Revenue Funds	0	0	188,149	188,149
Debt Service Fund	0	0	747,704	747,704
Capital Projects Fund	0	145,483	0	145,483
<i>Total Fund Balances</i>	<u>(2,500,494)</u>	<u>551,194</u>	<u>1,132,174</u>	<u>(817,126)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 18,556,445</u>	<u>\$ 3,988,057</u>	<u>\$ 2,804,542</u>	<u>\$ 25,349,044</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, 2010*

Total Governmental Fund Balances		\$	(817,126)
 <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.			41,866,810
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.			
SERS Reimbursement	\$	38,563	
Tuition		145,266	
Delinquent Property Taxes		599,455	783,284
Bond issuance costs reported as an expenditure in the funds are allocated as an expense over the life of the debt on an accrual basis.			232,164
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.			106,871
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.			
General Obligation Bonds		22,068,477	
Interest Payable		128,730	
Capital Lease Payable		510,184	
Compensated Absences		1,632,613	
Vacation Payable		148,770	
Severance Payable		759,316	
Unearned Revenue-Long Term (See Note 13)		13,822,773	(39,070,863)
 Net Assets of Governmental Activities			\$ 3,101,140

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, 2010*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 16,484,688	\$ 3,025,423	\$ 1,453,030	\$ 20,963,141
Intergovernmental	13,576,053	580,515	3,518,781	17,675,349
Investment income	11,276	0	9	11,285
Tuition and fees	833,498	0	0	833,498
Extracurricular activities	0	0	587,085	587,085
Rentals	14,108	0	0	14,108
Charges for services	270	0	937,946	938,216
Gifts and donations	0	17,000	2,100	19,100
Miscellaneous	143,652	0	7,900	151,552
<i>Total Revenues</i>	<u>31,063,545</u>	<u>3,622,938</u>	<u>6,506,851</u>	<u>41,193,334</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	15,275,797	14,805	579,448	15,870,050
Special	4,165,957	0	971,935	5,137,892
Vocational	154,185	161	0	154,346
Student intervention	67,495	0	0	67,495
Other	958,562	0	0	958,562
Support services:				
Pupils	1,553,311	0	839,521	2,392,832
Instructional staff	841,199	1,712,849	231,480	2,785,528
Board of education	37,061	0	0	37,061
Administration	2,182,988	60,390	298,287	2,541,665
Fiscal	992,492	62,569	64,746	1,119,807
Business	189,089	0	0	189,089
Operation and maintenance of plant	2,808,212	450,630	0	3,258,842
Pupil transportation	1,499,189	136,592	21,310	1,657,091
Central	18,161	0	0	18,161
Operation of non-instructional services	0	0	125,470	125,470
Food service operations	0	0	1,384,222	1,384,222
Extracurricular activities	788,527	40,407	290,076	1,119,010
Capital outlay	0	1,546,718	0	1,546,718
Debt service:				
Principal retirement	0	234,512	1,070,001	1,304,513
Interest and fiscal charges	0	421,538	442,613	864,151
<i>Total Expenditures</i>	<u>31,532,225</u>	<u>4,681,171</u>	<u>6,319,109</u>	<u>42,532,505</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	(468,680)	(1,058,233)	187,742	(1,339,171)
<b>Other Financing Sources (Uses):</b>				
Proceeds from sales of capital assets	100	0	0	100
Transfers in	0	0	104,518	104,518
Transfers out	(104,518)	0	0	(104,518)
<i>Total Financing Sources and (Uses)</i>	<u>(104,418)</u>	<u>0</u>	<u>104,518</u>	<u>100</u>
<i>Net Change in Fund Balance</i>	(573,098)	(1,058,233)	292,260	(1,339,071)
<i>Fund balance (deficit) at beginning of year</i>	<u>(1,927,396)</u>	<u>1,609,427</u>	<u>839,914</u>	<u>521,945</u>
<i>Fund balance (deficit) at end of year</i>	<u>\$ (2,500,494)</u>	<u>\$ 551,194</u>	<u>\$ 1,132,174</u>	<u>\$ (817,126)</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, 2010*

Net Change in Fund Balances - Total Governmental Funds	\$	(1,339,071)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 1,899,746	
Current Year Depreciation	<u>(2,054,522)</u>	(154,776)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Unearned revenue	356,098	
Tuition	145,266	
SERS Reimbursement	38,563	
Grants	(8,694)	
Delinquent Property Taxes	<u>(186,975)</u>	344,258
 Governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
		(23,216)
 Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Bond Principal	1,070,001	
Learning Center	218,903	
Capital Leases	<u>15,609</u>	1,304,513
 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.		
Amortization of Refunding Loss	(9,903)	
Amortization of Premium on Debt	34,029	
(Increase) decrease in Interest Payable	(128,730)	
(Increase) decrease in Compensated Absences Payable	(224,317)	
(Increase) decrease in Vacation Payable	8,224	
(Increase) decrease in Severance Payable	<u>(107,701)</u>	(428,398)
 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>(698,813)</u>
Change in Net Assets of Governmental Activities	\$	<u>(995,503)</u>

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, 2010*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Taxes	\$ 15,476,429	\$ 17,609,609	\$ 16,772,060	\$ (837,549)
Intergovernmental	15,970,433	14,534,333	13,576,053	(958,280)
Investment Income	13,265	12,072	11,276	(796)
Tuition and Fees	1,160,442	1,056,092	986,462	(69,630)
Rentals	16,596	15,104	14,108	(996)
Miscellaneous	171,496	156,074	145,784	(10,290)
<i>Total Revenues</i>	<u>32,808,661</u>	<u>33,383,284</u>	<u>31,505,743</u>	<u>(1,877,541)</u>
<b>Expenditures:</b>				
Current:				
Instruction	21,913,829	21,824,573	20,646,432	1,178,141
Support Services				
Pupils	1,659,001	1,651,996	1,562,445	89,551
Instructional Staff	989,480	985,312	929,708	55,604
Board of Education	39,435	39,268	37,161	2,107
Administration	2,389,743	2,379,712	2,237,321	142,391
Fiscal	1,112,985	1,105,165	1,005,641	99,524
Business	204,105	203,262	188,086	15,176
Operation and Maintenance of Plant	3,097,059	3,084,386	2,826,765	257,621
Pupil Transportation	1,649,326	1,642,598	1,500,610	141,988
Central	14,445	14,384	13,612	772
Extracurricular Activities	839,430	835,883	791,033	44,850
<i>Total Expenditures</i>	<u>33,908,838</u>	<u>33,766,539</u>	<u>31,738,814</u>	<u>2,027,725</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,100,177)	(383,255)	(233,071)	150,184
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	118	107	100	(7)
Refund of Prior Year Expenditures	7,431	6,763	6,317	(446)
Refund of Prior Year Receipts	0	0	0	0
Transfers Out	(110,913)	(110,444)	(104,518)	5,926
<i>Total Other Financing Sources (Uses)</i>	<u>(103,364)</u>	<u>(103,574)</u>	<u>(98,101)</u>	<u>5,473</u>
<i>Net Change in Fund Balance</i>	(1,203,541)	(486,829)	(331,172)	155,657
<i>Fund Balance (Deficit) at Beginning of Year</i>	975,350	975,350	975,350	0
Prior Year Encumbrances Appropriated	228,191	228,191	228,191	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 0</u>	<u>\$ 716,712</u>	<u>\$ 872,369</u>	<u>\$ 155,657</u>

See accompanying notes to the basic financial statements.

**Green Local School District (Summit County)**

*Statement of Fund Net Assets*

*Proprietary Funds*

*June 30, 2010*

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	Governmental Activities Internal Service Fund
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 475,579
<i>Total Assets</i>	<u>475,579</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	1,836
Claims Payable	366,872
<i>Total Liabilities</i>	<u>368,708</u>
<b>Net Assets</b>	
Unrestricted	<u>106,871</u>
<i>Total Net Assets</i>	<u><u>\$ 106,871</u></u>

See accompanying notes to the basic financial statements.

**Green Local School District (Summit County)**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2010*

	Governmental Activities - Internal Service Fund
<hr/>	
<b>Operating Revenues:</b>	
Charges for services	\$ 4,647,097
<i>Total Operating Revenues</i>	<u>4,647,097</u>
<b>Operating Expenses:</b>	
Purchased services	741,320
Materials and supplies	29,837
Claims	<u>4,574,753</u>
<i>Total Operating Expenses</i>	<u>5,345,910</u>
<i>Change in Net Assets</i>	(698,813)
<i>Net Assets (Deficit) Beginning of Year</i>	<u>805,684</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>\$ 106,871</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, 2010*

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	Governmental Activities - Internal Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows From Operating Activities:</b>	
Cash Received from Charges for Services	\$ 4,647,097
Cash Paid for Administrative Costs	(769,321)
Cash Paid for Claims	<u>(4,697,317)</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>(819,541)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(819,541)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>1,295,120</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 475,579</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</b>	
Operating Income (Loss)	\$ (698,813)
Adjustments:	
Increase (Decrease) in Liabilities	
Accounts Payable	1,836
Claims Payable	<u>(122,564)</u>
<i>Total Adjustments</i>	<u>(120,728)</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ (819,541)</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, 2010*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 142,035
Accounts Receivable	<u>10</u>
<i>Total Assets</i>	<u>\$ 142,045</u>
<b>Liabilities</b>	
Accounts Payable	\$ 3,763
Undistributed Monies	<u>138,282</u>
<i>Total Liabilities</i>	<u>\$ 142,045</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, 2010*

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**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 294 noncertificated employees and 308 certificated full-time teaching personnel who provide services to 4,292 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.

The School District is associated with two organizations which are defined as jointly governed organizations. These organizations are the Northeast Ohio Network for Educational Technology and the Interval Opportunity School. These organizations are presented in Note 16 to the basic financial statements.

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) 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 proprietary fund provided they do not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification.

The most significant of the School District's accounting policies are described below.

***A. Basis of Presentation***

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

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

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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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 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 fiscal 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 funds focus 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.

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:

## Green Local School District (Summit County)

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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***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 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.

### ***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.

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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

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

**Deferred Revenue** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the 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.

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.

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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During fiscal year 2010, the School District had investments in STAROhio, (the State Treasurer's Investment Pool) and a repurchase agreement. See Note 5 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, 2010.

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 2010 amounted to \$11,276, which included \$8,425 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 may include amounts required by statute to be set-aside for the purchase of textbooks and other instructional material, the acquisitions or construction of capital assets, and for budget stabilization. See Note 18 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.

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 \$2,000. 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 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:

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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Description	Governmental Activities Estimated Lives
Buildings and Improvements	10 - 40 Years
Furniture and Equipment	5 - 20 Years
Vehicles	8 - 20 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 Payable" on the basic financial statements.

Sick leave benefits are accrued as a liability using the termination percentage 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 and compensated absences 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.

***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.



**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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***K. Fund Balance Reserves and Designations***

The School District reserves and designates 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 and property taxes.

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

***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.

***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 2010.

***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.

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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***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 2010.

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.

***Q. Changes in Accounting Principles***

For the year ended June 30, 2010, the School District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments," and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies."

GASB Statement No. 51 establishes standards of accounting and financial reporting for intangible assets for all state and local governments. Inconsistencies in the accounting and financial reporting for intangible assets, particularly in the areas of recognition, initial measurement, and amortization, have occurred in practice due to the absence of sufficiently specific authoritative guidance that addresses these questions. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

**NOTE 3 – FUND DEFICITS**

Fund balances at June 30, 2010 included the following individual fund deficits:

	<u>Fund Balance</u>
General Fund	\$ 2,500,494
Nonmajor Governmental Funds:	
Food Service	99,822
Title VI-B	59,591
Fiscal Stabilization	2,724
Miscellaneous Federal Grants	1,962

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 4 – 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).

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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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.

<b>Net Change in Fund Balance</b>	
	<u>General</u>
GAAP Basis	\$ (573,098)
Net Adjustment for Revenue Accruals	448,515
Net Adjustment for Expenditure Accruals	(161,795)
Encumbrances (Budget Basis)	<u>(44,794)</u>
Budget Basis	<u>\$ (331,172)</u>

**NOTE 5 – DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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;
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;

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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.

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 uninsured public deposits. The face value of the pooled collateral must equal at least 105% of uninsured 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 \$6,100 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 \$1,260,656. Based on criteria described in GASB 40, "Deposits and Investments Risk Disclosure", as of June 30, 2010, 100% of the bank balance of \$1,255,196 was covered by FDIC.

**Investments** – Investments are reported at fair value, based on stated market rates at June 30, 2010. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. As of June 30, 2010, 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	\$ 2,180,000	\$ 2,180,000	99.86%
AAAm	STAROhio	3,155	3,155	0.14%
	Total	\$ 2,183,155	\$ 2,183,155	100.00%

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**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.

**Custodial Credit Risk** - For an investment, custodial risk is that risk that, in the event of the failure of the counterparty, the School District will no longer be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**Credit Risk** – The School District's investment credit ratings are summarized above. The School District's investments in the federal agency securities that underlie the School District's repurchase agreement were rated Aaa by 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.

**NOTE 6 – PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. First half tax collections are received by the School District in the second half of the fiscal year. Second half distributions occur in a new fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located within the School District. Real Property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, 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 alternative payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. All property is required to be revalued every six years. Public utility property taxes are assessed at 35% of true value and public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006 – 2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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 year-end are available to finance the current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property and public utility taxes, which became measurable as of year-end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at year-end is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available as an advance at year-end was \$1,594,156 in the general fund, \$134,126 in the bond retirement debt service fund, and \$292,638 in the capital project funds and is recognized as revenue on the fund financial statements.

On the accrual basis, collectible delinquent property taxes have been recorded as revenue on the statement of activities.

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 691,069,540	98.07%	\$ 701,024,290	98.02%
Public Utility	220	0.00%	240	0.00%
Tangible Personal Property	13,596,884	1.93%	14,183,625	1.98%
	<u>\$ 704,666,644</u>	<u>100.00%</u>	<u>\$ 715,208,155</u>	<u>100.00%</u>

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2010, consisted of taxes, 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.

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

Intergovernmental Receivables as of June 30, 2010:

Governmental Activities:	
General Fund	\$ 177,146
Permanent Improvements	3,061
Food Service	49,992
Auxilliary Services	12,688
Title VI-B	22,227
Title I	87,846
Improving Teacher Quality	37,020
Total Governmental Activities	<u><u>\$ 389,980</u></u>

**NOTE 8 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance 6/30/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2010</u>
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 1,031,143	\$ 0	\$ 0	\$ 1,031,143
Total Capital Assets, not being depreciated	<u>1,031,143</u>	<u>0</u>	<u>0</u>	<u>1,031,143</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and improvements	54,767,414	1,482,797	0	56,250,211
Furniture and equipment	4,783,794	416,949	0	5,200,743
Vehicles	2,641,637	0	0	2,641,637
Total Capital Assets, being depreciated	<u>62,192,845</u>	<u>1,899,746</u>	<u>0</u>	<u>64,092,591</u>
Less Accumulated Depreciation:				
Buildings and improvements	(16,935,937)	(1,372,381)	0	(18,308,318)
Furniture and equipment	(2,509,545)	(566,874)	0	(3,076,419)
Vehicles	(1,756,920)	(115,267)	0	(1,872,187)
Total Accumulated Depreciation	<u>(21,202,402)</u>	<u>(2,054,522)</u>	<u>0</u>	<u>(23,256,924)</u>
Total Capital Assets being depreciated, net	<u>40,990,443</u>	<u>(154,776)</u>	<u>0</u>	<u>40,835,667</u>
<i>Governmental Activities Capital Assets, Net</i>	<u><u>\$42,021,586</u></u>	<u><u>\$ (154,776)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$41,866,810</u></u>



**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 1,455,055
Special Instruction	10,006
Administration	108,421
Operation and Maintenance	384,355
Pupil Transportation	53,965
Extracurricular Activities	21,700
Food Services	<u>21,020</u>
Total Depreciation	<u><u>\$ 2,054,522</u></u>

**NOTE 9 – 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 2010, the School District contracted with Netherlands Insurance for property and inland marine, liability insurance, and fleet insurance. Insurance settlements have not exceeded insurance coverage in each of the past three years, nor has there been a significant reduction in coverage from the prior year.

Coverage provided by Netherlands is as follows:

Building and Contents-Replacement cost (\$1,000 deductible)	\$ 117,429,001
Inland Marine Coverage (\$1,500 deductible)	1,900,000
Boiler and Machinery (\$1,000 deductible)	1,100,000
Crime Insurance	50,000
Automobile Liability	1,000,000
Uninsured Motorists – per accident	50,000
General Liability:	
Per Occurrence	3,000,000
Total Per Year	5,000,000
Commercial Liability	3,000,000

***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.

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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***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 \$925,000 per fiscal year with a \$75,000 stop-loss per individual participant. Claims in excess of this aggregate stop loss are insured by private carriers.

The claims liability of \$366,872 reported in the fund at June 30, 2010 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 2009 and 2010 is as follows:

	Balance <u>Beginning of Year</u>	Current Year <u>Claims</u>	Claims <u>Payments</u>	Balance <u>End of Year</u>
2009	\$ 371,136	\$ 4,155,668	\$ (4,037,368)	\$ 489,436
2010	\$ 489,436	\$ 4,574,753	\$ (4,697,317)	\$ 366,872

**NOTE 10 – 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%.

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**NOTE 11 – 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, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

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. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78% of annual covered salary was the portion used to fund pension obligations. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The School District’s contributions to SERS for the years ended June 30, 2010, 2009 and 2008 were \$760,721, \$578,936, and \$544,924, respectively; 38% has been contributed for fiscal year 2010 and 100% for the fiscal years 2009 and 2008. \$515,929 represents the unpaid contributions for fiscal year 2010, 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 Ohio”), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://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 Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5% of earned compensation among various investment accounts. 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 DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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A DB or Combined Plan member with five or more years of 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, 2010, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2009 (the latest information available), the portion used to fund pension obligations was also 13%. 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 employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2010, 2009 and 2008 were \$2,258,262, \$2,389,006, and \$2,107,969, respectively; 82% has been contributed for fiscal year 2010 and 100% for the fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$31,024 made by the School District and \$51,820 made by the plan members.

**NOTE 12 – POSTEMPLOYMENT BENEFITS**

***A. School Employees Retirement System***

The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by SERS for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan included hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocated the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, .46% of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School's contributions for the years ended June 30, 2010, 2009 and 2008 were \$27,381, \$264,948 and \$248,666, respectively.

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was .76%. The School District contributions for the fiscal years 2010, 2009 and 2008 were \$4,239, \$47,767, and \$39,263, respectively.

**B. State Teachers Retirement System**

The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Ohio law authorized STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for fiscal years ended June 30, 2010, 2009 and 2008 were \$173,712, \$173,679 and \$162,151, respectively.

**NOTE 13- LONG TERM OBLIGATIONS**

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

	Outstanding 6/30/2009	Additions	Reductions	Outstanding 6/30/2010	Amounts Due in One Year
Long Term Obligations:					
General Obligation Bonds					
Facilities Improvements (1994) 5.906%, 4/94 - 12/19	\$ 1,035,001	\$ 0	\$ 1,035,001	\$ 0	\$ 0
2009 Bond Refunding					
2.0% - 5.0% - 6/09 - 12/19	13,365,000	0	35,000	13,330,000	1,185,000
Refunding Loss	(108,937)	0	(9,903)	(99,034)	0
Premium on Debt Issuance	374,317	0	34,029	340,288	0
Total General Obligation Bonds	<u>14,665,381</u>	<u>0</u>	<u>1,094,127</u>	<u>13,571,254</u>	<u>1,185,000</u>
Leaming Center Obligation					
Learning Center - 2005 2% to 5% , 6/05 - 12/32	<u>8,716,126</u>	<u>0</u>	<u>218,903</u>	<u>8,497,223</u>	<u>228,420</u>
Total Long Term Obligations	<u>23,381,507</u>	<u>0</u>	<u>1,313,030</u>	<u>22,068,477</u>	<u>1,413,420</u>
Unearned Revenue	14,178,871	0	356,098	13,822,773	371,580
Severance	651,615	374,906	267,205	759,316	317,174
Compensated Absences	1,408,296	328,673	104,356	1,632,613	107,561
Capital Lease	<u>525,793</u>	<u>0</u>	<u>15,609</u>	<u>510,184</u>	<u>269,289</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 40,146,082</u>	<u>\$ 703,579</u>	<u>\$ 2,056,298</u>	<u>\$ 38,793,363</u>	<u>\$ 2,479,024</u>

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

General obligation bonds will be paid from the debt service fund. The Learning Center debt will be paid from the permanent improvement 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 School District entered into a Cooperative Agreement for a 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 School District is responsible for constructing, maintaining, and insuring the facilities. While the School 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 School District agrees to pay the remaining annual debt service. The School District portion of the debt is \$9,517,500.

The School District has capitalized the total cost of 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 known as the Intermediate School).

On June 24, 2009, the School District issued \$13,365,000 in refunded general obligation bonds which mature in December 2019. The proceeds were used to refund \$13,375,000 of the School District's outstanding facilities improvement bonds.

These refunding bonds were issued with a premium of \$374,317 which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization recorded for June 30, 2010 was \$34,029. The issuance costs of \$265,380 have been reported as prepaid expenses and are being amortized to interest expense over the life of the loan. The amortization recorded for June 30, 2010 was \$9,903. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$108,937. The amount of defeased debt at June 30, 2010, is \$12,330,000.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2010 are as follows:

Fiscal Year	General Obligation Bonds		
	Principal	Interest	Total
2011	\$ 1,413,420	\$ 831,747	\$ 2,245,167
2012	1,439,131	801,251	2,240,382
2013	1,466,745	769,409	2,236,154
2014	1,511,262	729,215	2,240,477
2015	1,550,780	687,811	2,238,591
2016 - 2020	8,636,407	2,564,119	11,200,526
2021 - 2025	1,833,071	1,196,898	3,029,969
2026 - 2030	2,303,236	714,979	3,018,215
2031 - 2033	1,673,171	128,153	1,801,324
	<u>\$ 21,827,223</u>	<u>\$ 8,423,582</u>	<u>\$ 30,250,805</u>

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**NOTE 14 – CAPITAL LEASES**

Capital lease obligations relate to equipment which is leased under a long-term agreement. In fiscal year 2009, the School District entered into leases for copiers. These leases meet the criteria of the capital lease as they transfer benefits and risks of ownership to the lessee. Capital lease payments in the governmental funds have been reclassified and are reflected as debt service in the basic financial statements for the permanent improvement fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2010.

Year	Amount
2011	\$ 273,986
2012	251,822
Total Minimum Lease Payments	525,808
Less Amount Representing Interest	15,624
Present Value of Minimum Lease Payments	\$ 510,184

The assets being acquired have been capitalized in the governmental activities in the amount of \$788,429, which is the present value of the minimum lease payments at the inception of each lease.

**NOTE 15 – INTERFUND TRANSACTIONS**

The following is a summarized breakdown of the School District's transfers for fiscal year 2010:

Fund	Transfers In	Transfers Out
General Fund	\$ 0	\$ 104,518
Nonmajor Governmental Funds	104,518	0
	\$ 104,518	\$ 104,518

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.

General fund transferred \$102,075 to the EMIS fund and \$2,443 to the District Managed Student Activities to cover operating costs.

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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**NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS**

***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 School District's continued participation and no equity interest exists. The School District made contributions in the amount of \$105,552 for fiscal year 2010.

***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 17 - 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, 2010.

**Litigation**

The School District is not party to any legal proceedings.

**NOTE 18 – STATUTORY RESERVES**

The School District is required by State statute to annually set-aside monies for the purchase of textbooks and other instructional materials, and for capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may only be used to reduce the set-aside requirements of future years for the purchase of textbooks and/or instructional materials. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the other set-asides. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.



**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

Effective April 10, 2001, Senate Bill 345 amended Ohio Revised Code 5705.29 effectively eliminating the requirement for the School District to establish and maintain a budget stabilization reserve. By resolution, the Board can eliminate the reserve in accordance with the Act. As of June 30, 2010 the Board has acted on the Senate Bill and eliminated the reserve.

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, 2009	\$ 283,642	\$ 0	\$ 0	\$ 283,642
Set-Aside Carryover Balance as of June 30, 2009	0	0	(13,166)	(13,166)
Current Year Set-Aside Requirement	0	697,920	697,920	1,395,840
Board Elimination	(283,642)	0	0	(283,642)
Qualifying Disbursements	0	(1,981,887)	(844,470)	(2,826,357)
Total	<u>\$ 0</u>	<u>\$ (1,283,967)</u>	<u>\$ (159,716)</u>	<u>\$ (1,443,683)</u>
Cash Balance Carried Forward to FY 2011	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Amount to be Restricted for Set-Asides				<u>\$ 0</u>

The School District may use any negative amount in the textbooks set-aside to reduce set-aside requirements of future fiscal years. Amounts remaining at the fiscal year-end are represented by a reserve fund balance presented on the balance sheet. 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 19 – SUBSEQUENT EVENT**

In September 2010, the School District ceased being self-insured for health care and joined the Stark County Schools Council of Governments Health Benefits Program (“Council”), which is a shared risk pool. The Council is governed by an assembly which consists of one representative from each participant (usually the superintendent or designee). The assembly elects officers for two-year terms to serve as the Board of Directors. The assembly exercises control over the operation of the consortium. All consortium revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. Financial information can be obtained by writing to the Stark County Educational Service Center, 2100 38<sup>th</sup> Street NW, Canton, OH 44709.



December 9, 2010

To the Board of Education  
Green Local School District  
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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Green Local School District (the "School District), Summit County, Ohio, as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 9, 2010. 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 the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Green Local School District  
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  
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

We noted certain matters that we reported to management of the School District in a separate letter dated December 9, 2010.

This report is intended solely for the information and use of management, board of education, 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.

*Hea & Associates, Inc.*



December 9, 2010

To the Board of Education  
Green Local School District  
Green, Ohio 44232

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of Green Local School District (the "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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The School District's major federal programs are 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 each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the 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 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the board of education, 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.*

**GREEN LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Year	Federal Receipts	Federal Disbursements
<b>U. S. Department of Education</b>				
<b>(Passed through the Ohio Department of Education):</b>				
<i>Title I Cluster</i>				
Title I - FY10	84.010	2010	\$ 353,882	\$ 345,730
Title I - FY09	84.010	2009	63,207	72,460
Title I - ARRA	84.389	2010	<u>178,382</u>	<u>160,886</u>
Total Title I Cluster			595,471	579,076
<i>Special Education Cluster</i>				
IDEA-B - FY10	84.027	2010	762,557	743,489
IDEA-B - FY09	84.027	2009	1,844	29,168
IDEA-B - ARRA	84.391	2010	<u>375,304</u>	<u>388,811</u>
Total IDEA-B			1,139,705	1,161,468
Early Childhood Special Education	84.173	2010	10,970	11,043
Early Childhood Special Education	84.173	2009	0	841
Early Childhood Special Education- ARRA	84.392	2010	<u>17,269</u>	<u>13,661</u>
Total Early Childhood Special Education			28,239	25,545
<i>Total Special Education Cluster</i>			<u>1,167,944</u>	<u>1,187,013</u>
Title IV-A Safe and Drug-Free Schools - FY10	84.186	2010	<u>16,781</u>	<u>8,515</u>
Total Title IV-A			16,781	8,515
Title V Innovative Grants - FY09	84.298	2009	<u>1,956</u>	<u>1,513</u>
Total Title V			1,956	1,513
Title II-D Technology - FY10	84.318	2010	3,955	3,955
Title II-D Technology - FY09	84.318	2009	<u>2,087</u>	<u>0</u>
Total Title II-D			6,042	3,955
Title II-A - FY10	84.367	2010	76,157	87,421
Title II-A - FY09	84.367	2009	<u>23,848</u>	<u>12,050</u>
Total Title II-A			100,005	99,471
State Fiscal Stabilization Fund - ARRA	84.394	2010	696,502	654,549
Total U. S. Department of Education			<u>2,584,701</u>	<u>2,534,092</u>
<b>U. S. Department of Agriculture</b>				
<b>(Passed through the Ohio Department of Education):</b>				
<i>National School Lunch Program</i>				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program (B)	10.555	2010	68,646	68,646
Cash Assistance:				
National School Lunch Program FY10 (B)	10.555	2010	<u>311,055</u>	<u>311,055</u>
Total National School Lunch Program			379,701	379,701
Total U. S. Department of Agriculture			<u>379,701</u>	<u>379,701</u>
Total Federal Assistance			<u>\$ 2,964,402</u>	<u>\$ 2,913,793</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

GREEN LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2010

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B: NATIONAL SCHOOL LUNCH PROGRAM

Reimbursement monies are commingled with local receipts and state grants. It is assumed federal moneys are expended first.

Food Distribution Program nonmonetary assistance is reported in the schedule of expenditures of federal awards at the entitlement value of the commodities received and disbursed. At June 30, 2010, the School District had no significant food commodities inventory.

NOTE C: The School District generally must spend federal assistance within 15 months of receipt (funds must be obligated by June 30<sup>th</sup> and spent by September 30<sup>th</sup>). However, with the Ohio Department of Education's (ODE) approval, a School District can transfer unspent federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. During fiscal year 2010, ODE authorized the following transfers:

CFDA Number	Program Title	Pass- Through Entity Number (or Grant Year)	Transfers Out	Transfers In
84.186	Safe and Drug Free Schools	2009	\$4,977	
84.186	Safe and Drug Free Schools	2010		\$4,977
84.367	Title II-A	2009	9,902	
84.367	Title II-A	2010		9,902
84.173	Early Childhood Special Education	2009	730	
84.173	Early Childhood Special Education	2010		730

**GREEN LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010**

**1. SUMMARY OF AUDITOR'S RESULTS**

A-133 Ref.  
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any significant deficiencies in internal control 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 weaknesses reported for major federal programs?	No
(d) (1) (iv)	Were there any significant deficiencies in internal control 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(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list): Special Education Cluster Title I Cluster State Fiscal Stabilization Fund	CFDA # 84.027,84.173,84.391,84.392 84.010, 84.389 84.394
(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**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**NONE**



**GREEN LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133, SECTION .315(b)  
JUNE 30, 2010**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</b>
2009-001	ORC 5705.39-Appropriations exceeding estimated resources.	Yes	
2009-002	ORC 5705.41(B) – Expenditures exceeding appropriations.	Yes	
2009-003	Significant Deficiency – Lack of control over the purchasing process. Superintendent and Treasurer did receive sufficient information when approving requisitions.	Yes	

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# Dave Yost • 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  
FEBRUARY 8, 2011**