



Dave Yost • Auditor of State

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Greenon Local School District, Clark County, (the District), as of and for the year ended June 30, 2010 which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Greenon Local School District, Clark County, as of June 30, 2010, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

February 14, 2011

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

The discussion and analysis of Greenon Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- Assets exceeded liabilities at the close of the most recent fiscal year by \$9.02 million. Of this amount, \$0.97 million is unrestricted for the School District's discretionary use.
- General revenues accounted for \$13.75 million in revenue or 80.93 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$3.24 million or 19.07 percent of total revenues of \$16.99 million.
- The School District had \$16.99 million in expenses related to governmental activities; only \$3.24 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$13.75 million were adequate to provide for these programs.
- Among major funds, the general fund had \$13.76 million in revenues and \$14.26 in expenditures. The permanent improvement capital projects fund had \$0.57 million in revenues and \$0.28 million in expenditures. With over \$1.63 million in assets, the permanent improvement fund is a major fund.

Overview of the Financial Statements

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

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

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

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

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

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

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

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

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

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

The School District adopts an annual appropriation budget for all of its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 15-18 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The basic fiduciary fund financial statements can be found on pages 19-20 of this report.

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

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net assets for 2009 to 2010.

**Table 1
Net Assets
(in Millions)**

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Assets:			
Current and Other Assets	\$8.98	\$8.97	\$0.01
Capital Assets (net acc depreciation)	6.72	6.61	0.11
Total Assets	<u>15.70</u>	<u>15.58</u>	<u>0.12</u>
Liabilities:			
Long-term Liabilities	(1.23)	(1.04)	(0.19)
Other Liabilities	(5.45)	(5.52)	0.07
Total Liabilities	<u>(6.68)</u>	<u>(6.56)</u>	<u>(0.12)</u>
Net Assets:			
Invested in Capital Assets (net of related debt)	6.70	6.56	0.14
Restricted for:			
Grants/Permanent Fund	0.06	0.01	0.05
State Mandates	0.03	0.03	0.00
Capital Improvements	1.26	0.98	0.28
Unrestricted	.97	1.44	(0.47)
Total Net Assets	<u>\$9.02</u>	<u>\$9.02</u>	<u>\$0.00</u>

Table 2 shows the change in revenue from fiscal year 2009 to 2010.

**Table 2
Revenues
(in Millions)**

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Revenues:			
Program Revenues:			
Charges for Services	\$1.35	\$1.29	\$0.06
Operating Grants	1.88	0.94	0.94
General Revenues:			
Property Taxes	5.78	6.69	(0.91)
Unrestricted Grants	7.94	8.50	(0.56)
Investment Earnings	0.02	0.08	(0.06)
Other	0.02	0.08	(0.06)
Total Revenues	<u>\$16.99</u>	<u>\$17.58</u>	<u>(\$0.59)</u>

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

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

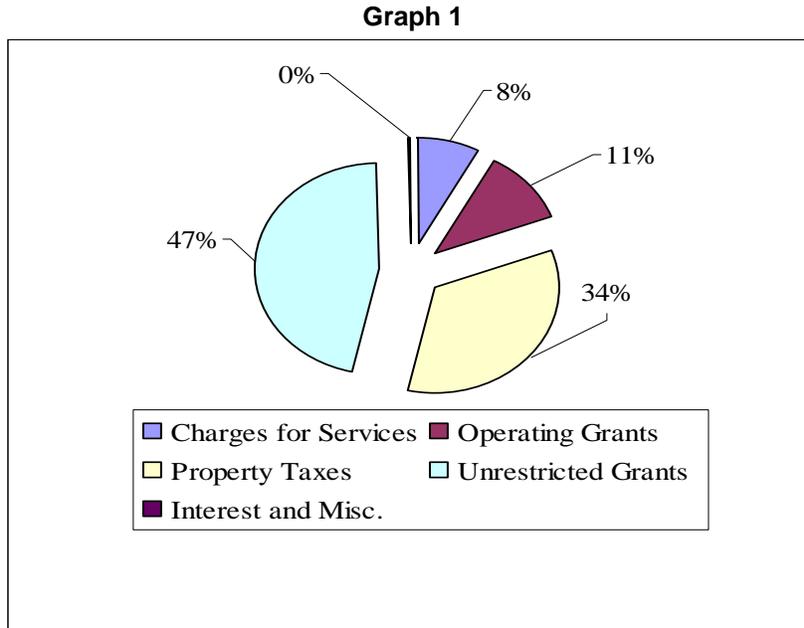


Table 3 shows the change in program expenses from 2009 to 2010.

**Table 3
Total Program Expenses
(in millions)**

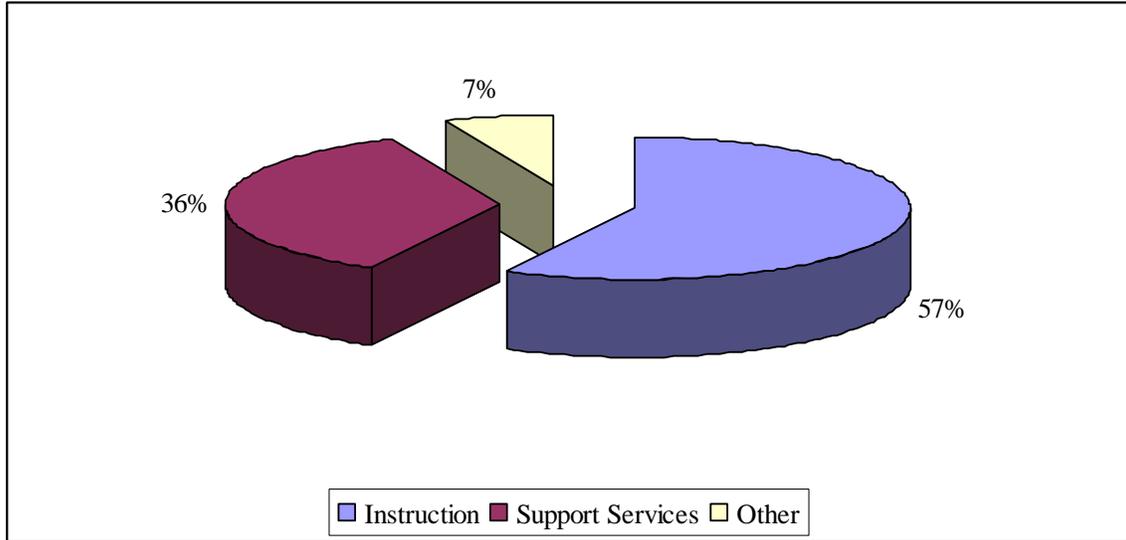
	<u>2010</u>	<u>2009</u>	<u>Change</u>
Program Expenses:			
Instruction:			
Regular	\$7.23	\$8.05	(\$0.82)
Special	1.67	1.52	0.15
Vocational	0.55	0.52	0.03
Other	0.40	0.41	(0.01)
Support Services:			
Pupil/Staff	1.00	1.07	(0.07)
Administration	1.49	1.53	(0.04)
Operation and Maintenance	1.50	1.50	0.00
Transportation	1.06	1.12	(0.06)
Other	0.98	0.88	0.10
Food Services/Latchkey	0.69	0.64	0.05
Extracurricular Activities	0.42	0.42	0.00
Interest and Fiscal Charges	0.00	0.01	(0.01)
Total Expenses	<u>16.99</u>	<u>17.67</u>	<u>(0.68)</u>
Net Change	0.00	(0.09)	<u>\$0.09</u>
Beginning Net Assets	9.02	9.11	
Ending Net Assets	<u>\$9.02</u>	<u>\$9.02</u>	

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

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

Graph 2



The Major Funds

The School District's major funds start on page 15. These funds are accounted for using the modified accrual basis of accounting, focusing on the near term financial resources of the District. The major funds are the general fund and the permanent improvement capital projects fund. Both accounted for 85.45% of the \$16.76 million in total revenue and 85.61% of the \$16.99 million in total expenses. The general fund and permanent improvement capital projects fund received a majority of their revenues from property taxes and intergovernmental revenues. Expenditures were more than revenues in the general fund creating a year end fund balance of \$1.57 million. Expenditures were less than revenues in the permanent improvement capital projects fund increasing the year end fund balance to \$1.26 million.

The general fund recognized \$1.49 million in current liabilities for fiscal year 2010. Accrued salaries and benefits accounted for 78.50% of those liabilities. Taxes receivable accounted for 99.57% of the \$4.73 million receivables in the general fund. However, the taxes receivable is offset by a deferred revenue because those taxes are not intended to finance the 2010 fiscal year.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

General Fund Budgetary

Table 4 compares the original and final general fund revenue budgets for the fiscal year ended June 30, 2010.

**Table 4
Original Budget versus Final Budget for General Fund Revenues**

	Budget		Variance
	Original	Final	
Revenues:			
Property Taxes	\$ 5,726,626	\$ 5,292,679	\$433,947
Intergovernmental	7,738,900	7,867,900	(129,000)
Other	705,300	705,300	
Total Revenues	\$14,170,826	\$13,865,879	\$304,947

The original revenue estimates come from the Tax Budget completed in January 2009. Real Estate tax collections had a slight increase over prior year, which is common in a reappraisal year, while Personal Property taxes decreased as expected. The phase-out of Personal Property taxes creates difficulty in making collection approximations. State revenue makes up the majority of the intergovernmental revenue. The State's Personal Property Reimbursement came in nearly \$200,000 higher than expected.

Actual revenues were slightly higher than what the final budget projected because the District received a property tax advance at the end of the year that was not part of the District's final budget. The Clark County Auditor sends the District an advance on or before June 30 each year unless the entity specifically states it does not want the advance. The net impact of the advances caused the actual revenue to be higher than final budgeted figures. All other actual revenues were slightly less than final budget figures.

Table 5 compares the original and final general fund expenditure budgets for the fiscal year ended June 30, 2010.

**Table 5
Original Budget versus Final Budget for General Fund Expenditures**

	Budget		Variance
	Original	Final	
Expenditures:			
Instruction	\$ 8,886,975	\$ 8,855,959	(\$ 31,016)
Support Services	5,703,818	5,574,496	(129,322)
Other	334,272	334,271	(1)
Total Expenditures	\$14,925,065	\$14,764,726	(\$160,339)

The original budget comes for the Tax Budget filed in January of 2009. Traditionally the tax budget expenditures include all possible needs for the future year. The Actual expenditures came in 1.78% lower than the Final approved budget. The majority of this variance is due to unspent allocations being maintained in the Final budget for year-end purchases of supplies and equipment not planned for in the original budget; however, most of this unspent money was not exhausted.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

Capital Assets

At the end of the year, the School District had \$6,726,164 invested in land, buildings, equipment, infrastructure, and vehicles less accumulated depreciation. Table 6 shows the breakdown of the individual classes for capital assets:

**Table 6
Capital Assets**

Class	2010	2009	Percentage Change
Land	\$ 84,740	\$ 84,740	0.00%
Buildings & Improvements	19,537,240	19,537,240	0.00%
Furniture and Equipment	3,176,515	3,189,461	(0.41%)
Vehicles	1,562,297	1,520,921	2.72%
Infrastructure	244,386	244,386	0.00%
Total at Historical Cost	24,605,178	24,576,748	0.12%
Accumulated Depreciation	(17,879,014)	(17,967,959)	(0.50%)
Capital Assets, Net	<u>\$6,726,164</u>	<u>\$6,608,789</u>	<u>1.77%</u>

The District reduced the amount of capital expenditures during the fiscal year although a bus was added. The District continues to spend money on maintaining the aging buildings, although those costs are typically considered maintenance and not capitalized. For more information on the District's capital assets, refer to Note 8 of the financial statements.

Debt Administration

The District issued \$232,945 of energy conservation notes commencing January, 2001, which had a balance of \$23,290 at June 30, 2010. The energy conservation notes retire in 2011 with semi-annual principal and interest payments being made from the cost savings realized in the general fund. For further information on the School District's obligations, refer to note 13 of the financial statements.

For the Future

Local Funding

On November 2, 2010, the voters of the Greenon Local School District approved a 7.009 mill levy for the emergency operating needs of the district. This levy will generate about \$1.8 million per year beginning January 1, 2011, and expiring December 31, 2015. In the short term (i.e. the next two to three fiscal years), this funding will reverse the deficit spending and begin to increase the general fund cash reserves. However, uncertainties in state funding and increasing costs make long term projections a bit more sobering.

Within the next fiscal year, the district will need to decide if it intends to renew the 5.5 mill current expense levy that is currently collecting at 5.19 effective mills (res/ag). The downside to allowing the levy to expire (especially since the 2010 residential/agricultural property valuation tentatively proposed by the Clark County auditor calls for a 2% decrease in valuation) is that the district could lose the equivalent of about 1.5 mills of real estate collections (res/ag) and about .19 mills of commercial/industrial millage. [Note: The district WILL NOT lose the full effective millage due to the fact that the auditor would have to "roll up" the millage from the 1976 current expense levy to re-establish the district at the statutory limit of 20 mills.] This would create a loss of about \$172,000 in FY 12, and an additional loss of \$175,000 in FY 13.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

The upside to allowing the levy to expire is that the district will get to the 20 mill floor for both residential/agricultural, and for commercial/industrial. In this way, the district will get growth out of its levy collections as the property values in the district increase. Though the forecast currently assumes the lapsing of this current expense levy and the resulting decline in real estate revenue in FY 12-13, the benefits of getting to the floor, in combination with the potential for an inside millage move (see below), will allow almost all of the district's revenue to be derived from levies that either allow growth or do not contribute to the 20 mill floor calculation.

The renewal of the \$500,000 emergency levy (currently collecting at about 1.97 mills) is crucial to the long term financial health of the district. This crucial levy WILL have to be renewed by November of 2011, or the district will lose this vital funding.

As the district moves forward, it should also consider the option of moving inside millage from operating expense to permanent improvement. In this way, outside millage will be rolled up to again re-establish the district at the 20 mill floor. The benefit of this move would be to allow the permanent improvement levy (currently collecting at 2.142 effective res/ag mills), which is levied OUTSIDE the 10 mill limitation, to lapse as well. The district could move about 2.15 mills of inside millage to the PI levy. Consequently, general fund collections stay the same, as do permanent improvement collections.

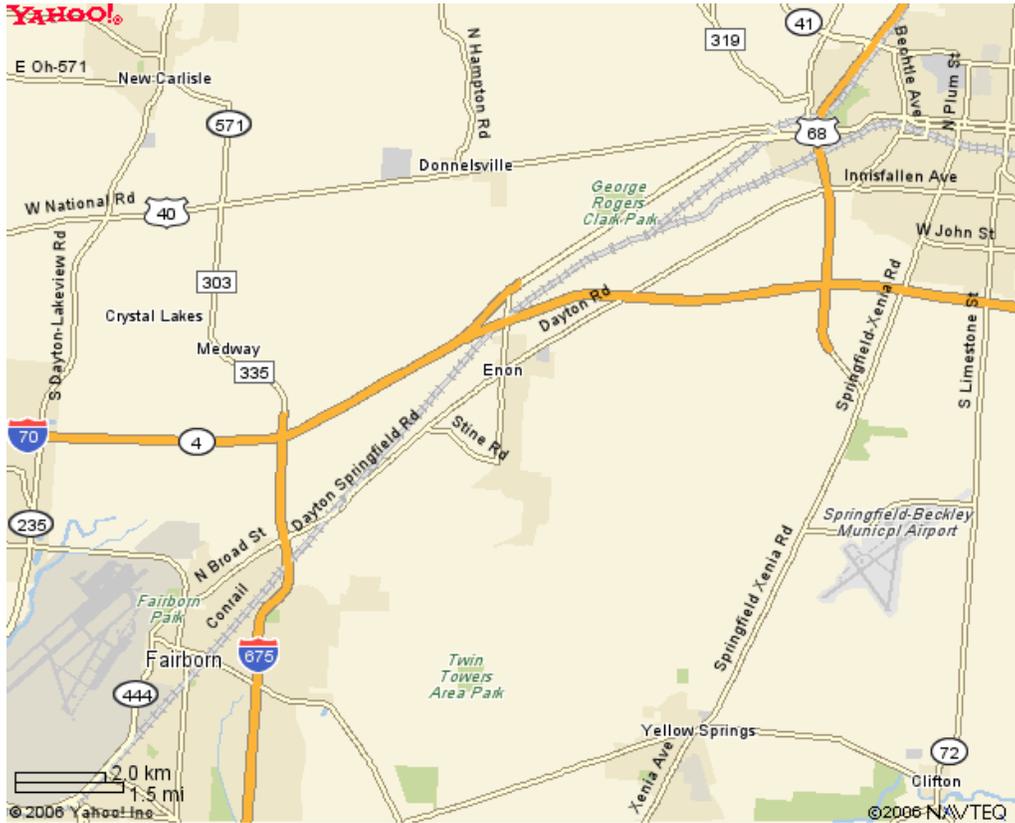
State Funding

The district is forecasted to remain on the guarantee for the foreseeable future. In 2013-2014, when the district is forecasted to go back on the formula, it should be noted that there is a growth cap of .75% that will limit any increases. It is important to also realize that the future of state funding is up in the air. The November 2nd election also saw a change in Ohio's governor. The candidate elect has stated his opposition to the OEBM funding formula that the state uses to fund schools. Notwithstanding the change in state leadership, the district is anticipating less revenue from the state as stimulus funding is exhausted by the end of the 2010-2011 school year. In fact, this decrease could be as great as 10%-15%. As the new governor develops the next biennial budget, it will be critical for the district to stay apprised of this legislation and to begin to prepare for its impact as early as possible.

Contacting the School District's Financial Management

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

Greenon Local School District
Clark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited



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**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Primary Government Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$3,689,668
Cash in Segregated Accounts	2,476
Receivables:	
Property Taxes	5,142,538
Accounts	4,376
Accrued Interest	748
Intergovernmental	90,156
Materials and Supplies Inventory	5,074
Prepaid Items	11,961
Restricted Cash and Cash Equivalents	32,397
Non-depreciable Capital Assets	84,740
Depreciable Capital Assets	6,641,424
Total Assets	15,705,558
 Liabilities:	
Payables:	
Accounts	28,276
Intergovernmental	341,871
Interest	219
Salaries and Employee Benefits	1,357,339
Unearned Revenue	3,724,081
Non-current Liabilities:	
Due within one year	175,227
Due in more than one year	1,058,275
Total Liabilities	6,685,288
 Net Assets:	
Invested in capital assets, net of related debt	6,702,874
Restricted for:	
Permanent Fund Principal	15,439
Grants	39,317
State Mandates	32,397
Capital Improvements	1,260,309
Unrestricted	969,934
Total Net Assets	\$9,020,270

See accompanying notes to the basic financial statements.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$7,232,282	\$585,404	\$64,815	(\$6,582,063)
Special	1,664,684		1,106,507	(558,177)
Vocational	546,839		3,600	(543,239)
Other	403,540			(403,540)
Support Services:				
Pupils	620,789		360,268	(260,521)
Instructional Staff	381,702	9,533	4,419	(367,750)
Board of Education	117,656			(117,656)
Administration	1,491,491			(1,491,491)
Fiscal	494,386			(494,386)
Business	191,727	192,213		486
Operation and Maintenance of Plant	1,501,600	11,851		(1,489,749)
Pupil Transportation	1,059,062			(1,059,062)
Central	178,156		87,935	(90,221)
Food Service	661,868	411,877	259,168	9,177
Latchkey	29,973	35,315		5,342
Extracurricular Activities	412,674	107,792		(304,882)
Interest and Fiscal Charges	1,904			(1,904)
Total Primary Government	<u>\$16,990,333</u>	<u>\$1,353,985</u>	<u>\$1,886,712</u>	(13,749,636)
General Revenues:				
Property Taxes:				
				5,782,459
				7,936,026
				14,311
				21,379
				<u>13,754,175</u>
				4,539
				<u>9,015,731</u>
				<u>\$9,020,270</u>

See accompanying notes to the basic financial statements.

**Greenon Local School District
Clark County, Ohio
Balance Sheet - Governmental Funds
June 30, 2010**

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$2,152,280	\$1,200,960	\$336,428	\$3,689,668
Cash in Segregated Accounts	0	0	2,476	2,476
Receivables:				
Property and Other Taxes	4,714,610	427,928	0	5,142,538
Accounts	1,847	0	2,529	4,376
Interfund	5,800	0	0	5,800
Accrued Interest	748	0	0	748
Intergovernmental	0	0	90,156	90,156
Prepaid Items	11,961	0	0	11,961
Materials and Supplies Inventory	0	0	5,074	5,074
Restricted Assets:				
Cash and Cash Equivalents	32,397	0	0	32,397
Total Assets	\$6,919,643	\$1,628,888	\$436,663	\$8,985,194
Liabilities and Fund Balances				
Liabilities				
Payables:				
Accounts	\$26,491	\$0	\$1,785	\$28,276
Due to Local Governments	294,576	0	47,295	341,871
Salaries and Employee Benefits	1,172,052	0	185,287	1,357,339
Interfund	0	0	5,800	5,800
Deferred Revenue	3,855,685	368,579	45,229	4,269,493
Total Liabilities	5,348,804	368,579	285,396	6,002,779
Fund Balances:				
Designated for:				
Budget Stabilization	218,555	0	0	218,555
Reserved for:				
Encumbrances	20,028	112,308	4,564	136,900
Property Taxes	858,925	59,349	0	918,274
Budget Stabilization	32,397	0	0	32,397
Unreserved, reported in:				
General	440,934	0	0	440,934
Special Revenue	0	0	146,703	146,703
Capital Projects	0	1,088,652	0	1,088,652
Total Fund Balances	1,570,839	1,260,309	151,267	2,982,415
Total Liabilities and Fund Balances	\$6,919,643	\$1,628,888	\$436,663	\$8,985,194

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities - June 30, 2010

Total Governmental Fund Balances \$2,982,415

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 6,726,164

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 545,412

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (1,233,721)

Net Assets of Governmental Activities **\$9,020,270**

See accompanying notes to the basic financial statements

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property Taxes	\$5,319,737	\$451,990		\$5,771,727
Intergovernmental	7,823,085	112,941	\$1,669,255	9,605,281
Charges for Services			447,192	447,192
Tuition and Fees	585,404		535	585,939
Interest	9,623	4,279	409	14,311
Rent			11,851	11,851
Gifts and Donations	11,851		3,249	15,100
Extracurricular Activities			300,005	300,005
Miscellaneous	8,491		6,786	15,277
Total Revenues	<u>13,758,191</u>	<u>569,210</u>	<u>2,439,282</u>	<u>16,766,683</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,085,341		65,553	7,150,894
Special	775,470		861,105	1,636,575
Vocational	521,849		3,600	525,449
Other	388,506		15,009	403,515
Support Services:				
Pupils	239,066		383,168	622,234
Instructional Staff	280,868	103,390	35,960	420,218
Board of Education	117,610			117,610
Administration	1,452,931		19,606	1,472,537
Fiscal	495,200	18,845		514,045
Business	9,777		181,841	191,618
Operation and Maintenance of Plant	1,334,543	51,644		1,386,187
Pupil Transportation	1,142,052	3,800		1,145,852
Central	94,271		84,620	178,891
Operation of Non-Instructional Services			684,274	684,274
Extracurricular Activities	300,795		111,479	412,274
Capital Outlay		106,289		106,289
Debt Service:				
Principal Retirement	23,295			23,295
Interest and Fiscal Charges	2,342			2,342
Total Expenditures	<u>14,263,916</u>	<u>283,968</u>	<u>2,446,215</u>	<u>16,994,099</u>
Net Change in Fund Balances	(505,725)	285,242	(6,933)	(227,416)
Fund Balances - beginning	2,076,564	975,067	158,200	3,209,831
Fund Balances - ending	<u>\$1,570,839</u>	<u>\$1,260,309</u>	<u>\$151,267</u>	<u>\$2,982,415</u>

See accompanying notes to the basic financial statements.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Net Change in Governmental Fund Balances	(\$227,416)
 Amounts reported in governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	117,375
Repayment of long-term obligations is reported as an expenditure in governmental funds, then the repayment reduces long-term liabilities in the statement of net assets. In the current year, this amount is:	23,295
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	228,189
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(136,904)</u>
Change in net assets of governmental activities	<u><u>\$4,539</u></u>

See accompanying notes to the basic financial statements.

**GREENON LOCAL SCHOOL DISTRICT
CLARK 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**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$5,726,626	\$5,292,679	\$5,721,609	\$428,930
Intergovernmental	7,738,900	7,867,900	7,823,085	(44,815)
Tuition and Fees	600,500	620,500	586,182	(34,318)
Interest	65,000	45,000	13,843	(31,157)
Rent	11,800	11,800	11,851	51
Miscellaneous	28,000	28,000	17,243	(10,757)
Total Revenues	<u>14,170,826</u>	<u>13,865,879</u>	<u>14,173,813</u>	<u>307,934</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,161,707	7,137,708	7,068,018	69,690
Special	773,443	792,651	770,269	22,382
Vocational	528,375	530,075	521,655	8,420
Other	423,450	395,525	398,898	(3,373)
Support Services:				
Pupils	437,924	320,285	303,373	16,912
Instructional Staff	324,014	316,349	301,137	15,212
Board of Education	119,525	174,684	153,279	21,405
Administration	1,544,653	1,531,185	1,522,759	8,426
Fiscal	515,967	516,147	501,675	14,472
Business	10,000	10,000	9,388	612
Operation and Maintenance of Plant	1,470,918	1,434,018	1,368,268	65,750
Pupil Transportation	1,165,227	1,166,079	1,156,680	9,399
Central	115,590	105,749	98,874	6,875
Extracurricular Activities	308,627	308,626	301,498	7,128
Debt Service:				
Principal Retirement	23,295	23,295	23,295	
Interest and Fiscal Charges	2,350	2,350	2,342	8
Total Expenditures	<u>14,925,065</u>	<u>14,764,726</u>	<u>14,501,408</u>	<u>263,318</u>
Deficiency of Revenues Under Expenditures	(754,239)	(898,847)	(327,595)	571,252
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	10,000	10,000	12,491	2,491
Advances In	14,105	14,105	14,105	
Advances Out	(15,000)	(15,000)	(5,800)	9,200
Transfers Out	(15,000)			
Total Other Financing Sources (Uses)	<u>(5,895)</u>	<u>9,105</u>	<u>20,796</u>	<u>11,691</u>
Net Change in Fund Balance	<u>(760,134)</u>	<u>(889,742)</u>	<u>(306,799)</u>	<u>582,943</u>
Fund Balances at Beginning of Year (Restated)	2,501,390	2,501,390	2,501,390	
Prior Year Encumbrances Appropriated	100	100	100	
Fund Balance at End of Year	<u>\$1,741,356</u>	<u>\$1,611,748</u>	<u>\$2,194,691</u>	<u>\$582,943</u>

See accompanying notes to the basic financial statements.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010**

	Private-Purpose Trust Fund	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$21,823	\$55,743
Total Assets	21,823	55,743
Liabilities:		
Accounts Payable		59
Due to Students		55,684
Total Liabilities		55,743
Net Assets:		
Principal Reserved	15,439	
Held in trust for benefit of students	6,384	
Total Net Assets	\$21,823	\$0

See accompanying notes to the basic financial statements.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Private-Purpose Trust Fund</u>
Additions:	
Investment Earnings:	
Interest	<u>\$47</u>
Deductions:	
Scholarships	<u>1,000</u>
Change in Net Assets	(953)
Net Assets - Beginning of Year	<u>22,776</u>
Net Assets - End of Year	<u><u>\$21,823</u></u>

See accompanying notes to the basic financial statements.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District participates in five jointly governed organizations and two insurance purchasing pools. These organizations are the Miami Valley Educational Computer Association (MVECA), the Southwestern Ohio Educational Purchasing Council (SOEPC), the Southwestern Ohio Instructional Technology Association (SOITA), the Clark County Family and Children First Council (FCF), Springfield/Clark Career Technology Center, the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), and the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan, respectively. These organizations are presented in Notes 14 and 15 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and Fund Financial Statements

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

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

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

B. Measurement Focus, Basis Of Accounting, And Financial Statement Presentation

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

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

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

1. Fund Accounting

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

2. Governmental Funds

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

The District reports the following major governmental funds:

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

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

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Fund

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

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

C. Budgetary Process

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

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

1. Tax Budget

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

2. Estimated Resources

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

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations:

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

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

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

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

4. Encumbrances

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

5. Lapsing of Appropriations

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

D. Cash and Investments

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

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District has segregated bank accounts for monies held separate from the School District's central bank account. These interest bearing depository accounts are presented on the statement of net assets and governmental fund balance sheet as "Cash in Segregated Accounts" since they are not required to be deposited into the School District treasury.

During fiscal year 2010, the School District had investments in governmental securities.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$9,623, which includes \$3,245 assigned from other School District funds. The permanent improvement capital projects, food service and special trust special revenue funds and private purpose trust funds also received interest of \$4,279, \$380, \$29 and \$47, respectively.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and the expenditure is reported in the year in which services are consumed.

F. Inventory

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

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 16 for additional information regarding set-asides.

H. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, vehicles, and infrastructure are reported on the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual amounts were not available. Donated capital assets are recorded at an estimated fair market value at the date of donation. The School District reviewed possible infrastructure assets (roads, bridges, culverts, etc.), which could be required to be capitalized. The School District reports the waste water treatment plant as infrastructure.

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

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

I. Compensated Absences

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount normally due for payment during the current year. Matured leave payable in the fund financial statements represents the entire current portion. These amounts are reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, although the School District had none for the fiscal year. The entire liability is reported on the government-wide statement of net assets.

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Interfund Transactions

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

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Assets

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

M. Fund Balance Reserves

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

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

N. Fund Designations

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

O. Estimates

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

P. Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenues. On governmental fund financial statements, receivables that will not be collected with the available period have also been reported as deferred revenue.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Exchange/Non-Exchange Transactions

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

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

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

R. Reconciliation Of Government-Wide And Fund Financial Statements

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

The governmental fund balance sheets includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$1,233,721) difference are as follows:

Special Termination Benefit Payable	(\$ 55,040)
Energy Conservation Bonds Payable	(23,290)
Accrued Interest Payable	(219)
Compensated Absences	(1,155,172)
Net Adjustment to reduces <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	(\$1,233,721)

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of the \$6,726,164 difference are as follows:

Capital Assets	\$24,605,178
Accumulated Depreciation	(17,879,014)
Net Adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$ 6,726,164

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

An element of that reconciliation states that "Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this (\$136,904) are as follows:

Change in Leave Balances	(\$ 94,990)
Change in Interest on Bonds	438
Change in Termination Benefits	<u>(42,352)</u>
Net Adjustment – current financial resources focus to reduce <i>fund balance</i> – <i>total governmental funds</i> to arrive at <i>net assets</i> – <i>governmental activities</i>	<u><u>(\$136,904)</u></u>

Another element of that reconciliation states that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$117,375 are as follows:

Current Capital Additions	\$131,271
Loss on Asset Disposals	242,278
Depreciation Expense	<u>(256,174)</u>
Net Adjustment – capital assets to increase <i>fund balance</i> – <i>total governmental funds</i> to arrive at <i>net assets</i> – <i>governmental activities</i>	<u><u>\$117,375</u></u>

3. ACCOUNTABILITY

At June 30, 2010, the Other Grants, District Managed Activities, Fiscal Stabilization Grant, Title II Grant and Reducing Class Size special revenue funds had a deficit fund balances of \$797, \$754, \$1,410, \$16,423 and \$1,052, respectively. The deficits were created by application of generally accepted accounting principles. The general fund provides cash to the funds; however that does not happen until needed.

4. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	
General Fund	
<hr/>	
GAAP Basis	(\$505,725)
Revenue Accruals	428,113
Expenditure Accruals	(217,464)
Encumbrances	(20,028)
Advances	8,305
Budget Basis	<u><u>(\$306,799)</u></u>

The beginning fund balance was restated to account for property tax advance that was received in the bank during fiscal year 2009 but was not booked by the District until fiscal year 2010.

5. DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

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

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio).
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

A. Deposits

At fiscal year-end, the carrying value of the School District's deposits was \$2,253,986 and the bank balance was \$2,381,163. \$500,000 of the School District's deposits was insured by federal depository insurance. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$1,881,163 of the School District's bank balance of \$2,381,163 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

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

B. Investments

As of June 30, 2010, the School District had the following investments.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

	<u>Carrying and Fair Value</u>	<u>Maturity (years)</u>	<u>Credit Risk- Rating</u>
Federal Home Loan Bank Notes	\$1,010,062	1.04	Aaa/AAA
Federal National Mortgage Association Notes	529,835	0.84	Aaa/AAA
First American Treasury Money Market fund	8,224	< 1	AAAm
Total	<u>\$1,548,121</u>		

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

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes and Federal Home Loan Bank Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk - The School District places no limit on the amount it may invest in any one issuer. The School District's investment in Federal National Mortgage Association Notes represents 34.22% of the School District's total investments, and Federal Home Loan Bank Notes represents 65.24% of the School District's total investments.

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Property tax revenue received during calendar 2010 for real and public utility property taxes represents collections of calendar 2009 taxes. Property tax payments received during calendar 2010 for tangible personal property (other than public utility property) are for calendar 2009 taxes.

2010 real property taxes are levied after April 1, 2009 on the assessed value listed as of January 1, 2009, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2010 real property taxes are collected in and intended to finance fiscal year 2010.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2010 public utility property taxes became a lien on December 31, 2009, are levied after April 1, 2010, and are collected in 2010 with real property taxes.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

6. PROPERTY TAXES (Continued)

2010 tangible personal property taxes are levied after April 1, 2009, on the value as of December 31, 2009. Collections are made in 2010. Tangible personal property assessments are six and one-quarter percent of true value.

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$249,044,880	95.66%	\$249,648,910	96.90%
Public Utility	7,145,790	2.74	7,302,780	2.83
Tangible Personal Property	4,162,032	1.60	686,000	0.27
Total Assessed Value	<u>\$260,352,702</u>	<u>100.00%</u>	<u>\$257,637,690</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$39.67		\$39.67	

The School District receives property taxes from Clark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2010, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2010, was \$918,274. \$858,925 was available to the general fund and \$59,349 was available to the permanent improvement capital projects fund.

7. RECEIVABLES

Receivables at June 30, 2010, consisted of taxes, accounts, and intergovernmental grants. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

7. RECEIVABLES (Continued)

Intergovernmental Receivables	Amounts
Non-major Governmental Funds	
Food Service Federal Subsidy	\$29,966
Title VI-B Grant	25,000
Title II-D Grant	348
Title I Grant	29,252
Reducing Class Size Grant	5,590
Total Intergovernmental Receivable	\$90,156

8. CAPITAL ASSETS

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

	Balance 6/30/09	Increases	Decreases	Balance 6/30/10
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 84,740			\$ 84,740
Capital Assets, being depreciated:				
Buildings and Improvements	19,537,240			19,537,240
Furniture and Equipment	3,189,461	\$ 52,168	(\$ 65,114)	3,176,515
Vehicles	1,520,921	79,103	(37,727)	1,562,297
Infrastructure	244,386			244,386
Total at Historical Cost	24,576,748	131,271	(102,841)	24,605,178
Accumulated Depreciation:				
Buildings and Improvements	(15,184,463)			(15,184,463)
Furniture and Equipment	(2,003,132)	(248,737)	307,706	(1,944,163)
Vehicles	(780,364)	(7,437)	37,413	(750,388)
Total Accumulated Depreciation	(17,967,959)	(256,174)	345,119	(17,879,014)
Governmental Activities Capital Assets, Net	\$ 6,608,789	(\$124,903)	\$242,278	\$6,726,164

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$98,400
Special	55
Vocational	632
Other	482
Support Services:	
Pupils	363
Instructional Staff	30,017
Board of Education	873
Administration	2,532
Fiscal	1,019
Business	2,070
Operation and Maintenance of Plant	19,658
Pupil Transportation	80,161
Central	2,799
Food Services	9,532
Extracurricular Activities	7,581
Total Depreciation Expense	\$256,174

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

9. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2010, the School District contracted with Employer's Mutual Casualty Company.

Insurance coverage provided includes the following:

General Liability:	
Per occurrence	\$1,000,000
Total per year	3,000,000
Automobile Liability (\$250 deductible)	1,000,000
Property Insurance (\$5,000 deductible)	36,571,501
Inland Marine (\$250 deductible)	250,000

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

B. Workers' Compensation

For fiscal year 2010, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control and actuarial services to the GRP.

10. DEFINED BENEFIT PENSION PLANS

A. State Employees Retirement System

Plan Description - 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 under **Employers/Audit Resources**.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and School District is required to contribute 14% of annual covered payroll. 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the years ended June 30, 2010, 2009, and 2008 were \$194,516, \$162,863, and \$160,689, respectively; 55 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,029,204, \$1,020,085, and \$913,654 respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$14,034 made by the School District and \$10,024 made by the plan members.

11. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40 for most participants, but could as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50. 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 is .76%. School District contributions for the years ended June 30, 2010, 2009 and 2008 were \$11,567, \$11,825 and \$11,591, respectively; 55 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2010, the health care allocation is .46%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. School District contributions assigned to health care for the years ended June 30, 2010, 2009, and 2008 were \$41,620, \$109,307, and \$73,410; 55 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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 under **Employers/Audit Resources**.

B. State Teachers Retirement System

Plan Description – 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 or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes 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 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$79,170, \$78,468, and \$70,281 respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 270 days for classified personnel and 280 days for certified personnel. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 64 days for classified personnel and 67 days for certified personnel.

B. Insurance Benefits

The School District has elected to provide employee medical/surgical benefits through United Healthcare of Ohio. The Board pays 85 percent of the monthly premium for certified and classified employees. Dental insurance is provided by the School District to most employees through Delta Dental. Vision insurance is provided by the School District to most employees through Vision Service Plan. The Board pays 80 percent for certified employees and 85 percent for classified employees of the dental and vision insurance. The School District provides life insurance and accidental death and dismemberment insurance to most employees through Sunlife Financial.

C. Special Termination Benefits

For fiscal year 2010, the School District offered eligible certified employees a special termination benefit. To be eligible, the employee must meet the requirements set forth by the State Teachers Retirement System. Anyone who was eligible to retire had to give written notice by March 30, 2010, of intention to retire. Those who did retire, were eligible to receive a special termination benefit equal to 40% of their base pay for the current contract year. Payment to an eligible employee is made in two equal installments, the first of which will occur in the September immediately following the employee's retirement and the second of which will occur one year later. Alternatively, they may elect to receive the entire 40% one year later in September.

13. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	<u>Amount Outstanding 6/30/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/10</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Energy Conservation Loan, 2001 5.64%	\$ 46,585		\$ 23,295	\$ 23,290	\$ 23,290
Compensated Absences	1,068,536	\$692,524	605,888	1,155,172	96,897
Special Termination Benefit	12,688	55,040	12,688	55,040	55,040
Total Governmental Activities	<u>\$1,127,809</u>	<u>\$747,564</u>	<u>\$641,871</u>	<u>\$1,233,502</u>	<u>\$175,227</u>

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

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

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

The School District's overall legal debt margin was \$23,187,392, the energy conservation loan debt margin was \$2,295,449 with an unvoted debt margin of \$257,638 at June 30, 2010.

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

Fiscal year Ending June 30,	Principal	Interest	Total
2011	\$23,290	\$1,314	\$24,604

14. JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Educational Computer Association – The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MVECA consists of six representatives from the member districts elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid MVECA \$45,289 for services provided during the fiscal year. Financial information can be obtained from Dean Reineke, Executive Director, at MVECA at 330 Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Council – The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 124 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During the fiscal year, the School District paid \$109,351 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Southwestern Ohio Instructional Technology Association – The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2009, the School District paid \$2,800 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

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

The Board of Trustees is comprised of eighteen representatives of each the members of the FCF, including the Superintendent of the Clark County Educational Service Center, who was appointed by the Superintendents of the Clark County schools. All members are obligated to pay all dues as established by the FCF to aid the financing of the operations and programs of the FCF. The Greenon Local School District does not pay any dues since the Clark County Educational Service Center represents the School District. Any member withdrawing from the FCF must give one hundred eighty days written notice to the FCF after formal action of the member's governing board. To obtain financial information, write to the Clark County Family and Children First Council, Robert Suver, who serves as Director, at 1345 Lagonda Avenue, Springfield, Ohio 45502.

Springfield/Clark Career Technology Center – The Springfield/Clark Career Technology Center (CTC) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one or two representatives from each of the eight participating school districts' and educational service center's elected boards, which possess its own budgeting and taxing authority. One member is appointed from the following: Clark-Shawnee Local School District, Greenon Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District, and the Clark County Educational Service Center. Two members are appointed from the Springfield City School District. The School District made no financial contributions to the CTC during fiscal year 2010. To obtain financial information, write to the Springfield/Clark County Career Technology Center, Pam Mustovich, who servers as Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4239.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

15. INSURANCE PURCHASING POOL

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

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

16. SET-ASIDE CALCULATIONS

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

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

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2009	(\$1,587,651)		\$32,397
Current Year Set-aside Requirement	319,827	\$319,827	
Offset for Permanent Improvement Receipts	(191,738)	(375,081)	
Qualifying Disbursements	(120,789)	(163,275)	
Subtotal	<u>(1,580,351)</u>	<u>(218,529)</u>	<u>32,397</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>(1,580,351)</u>		<u>32,397</u>
Set-aside Reserve Balances as of June 30, 2010	<u>\$ 0</u>	<u>\$ 0</u>	<u>32,397</u>
Total Restricted Cash and Cash Equivalents			<u>\$32,397</u>

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

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

17. CONTINGENCIES

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

18. INTERFUND TRANSACTIONS

The General Fund advanced \$5,800 to non-major special revenue funds to cover costs incurred in those funds where revenues had not been received at fiscal year end. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

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**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture					
<i>Passed through Ohio Department of Education</i>					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555		\$57,786		\$57,786
Cash Assistance:					
School Breakfast Program	10.553	\$38,671		\$38,671	
National School Lunch Program	10.555	184,880		184,880	
Total Child Nutrition Cluster		<u>223,551</u>	<u>57,786</u>	<u>223,551</u>	<u>57,786</u>
Total U.S. Department of Agriculture		<u>223,551</u>	<u>57,786</u>	<u>223,551</u>	<u>57,786</u>
U.S. Department of Education					
<i>Passed through Ohio Department of Education</i>					
Title I, Part A Cluster:					
Title I Grants to Local Educational Agencies	84.010	276,568		269,786	
ARRA-Title I Grants to Local Educational Agencies, Recovery Act	84.389	96,730		84,875	
Total Title I, Part A Cluster		<u>373,298</u>		<u>354,661</u>	
Special Education Cluster:					
Special Education Grants to States:					
Special Education Grants to States	84.027	361,401		350,130	
ARRA - Special Education Grants to States, Recovery Act	84.391	225,656		201,765	
Total Special Education Grants to States		<u>587,057</u>		<u>551,895</u>	
<i>Passed through Clark County Educational Service Center</i>					
Special Education Preschool Grants:					
Special Education Preschool Grants	84.173	10,291		10,291	
ARRA - Special Education-Preschool Grants, Recovery Act	84.392	12,885		12,885	
Total Special Education Preschool Grants		<u>23,176</u>		<u>23,176</u>	
Total Special Education Cluster		<u>610,233</u>		<u>575,071</u>	
<i>Passed through Ohio Department of Education</i>					
Safe and Drug Free Schools and Communities State Grants	84.186	5,468		6,089	
Educational Technology State Grants	84.318	1,971		1,771	
Improving Teacher Quality State Grants	84.367	61,833		59,663	
ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act	84.394	434,058		372,636	
Total U. S. Department of Education		<u>1,486,861</u>		<u>1,369,891</u>	
Total Federal Financial Assistance		<u>\$1,710,412</u>	<u>\$57,786</u>	<u>\$1,593,442</u>	<u>\$57,786</u>

The accompanying notes are an integral part of this schedule

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Greenon Local School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Greenon Local School District, Clark County, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the 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, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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 over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 14, 2011.

We intend this report solely for the information and use of management, the audit committee, Board of Education, and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

February 14, 2011



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Greenon Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Greenon Local School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Greenon Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance 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 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2010-001. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The District's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

February 14, 2011

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(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 noncompliance 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?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Title I, Part A Cluster: <ul style="list-style-type: none"> • Title I Grants to Local Educational Agencies CFDA 84.010 • ARRA – Title I Grants to Local Educational Agencies, Recovery Act CFDA 84.389 Special Education Cluster: <ul style="list-style-type: none"> • Special Education Grants to States CFDA 84.027 • ARRA – Special Education Grants to States, Recovery Act CFDA 84.391 • Special Education Preschool Grants CFDA 84.173 • ARRA – Special Education Preschool Grants, Recovery Act CFDA 84.392 State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act CFDA 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. FINDING FOR FEDERAL AWARDS

1. Title I Eligibility Determination

Finding Number	2010-001
CFDA Title and Number	Title I, Part A Cluster: <ul style="list-style-type: none"> • Title I Grants to Local Educational Agencies CFDA 84.010 • ARRA – Title I Grants to Local Educational Agencies, Recovery Act CFDA 84.389
Federal Award Number / Year	2010
Federal Agency	U. S. Department of Education
Pass-Through Agency	Ohio Department of Education

Significant Deficiency

Title I Grants to Local Educational Agencies grant funds were to be used to provide services and benefits to eligible children based upon their test score and ranking. The student with the lowest overall test scores should have been serviced first.

Total overall scores per the ranking did not agree with the students' actual scores for all of the Enon Elementary Kindergarten students that were tested because:

1. The teacher entered the ranking score as the kindergarten diagnostic instrument (KDI) score on the multi-criteria instead of the actual KDI score.
2. The readiness observation score per the ranking sheet did not agree with the actual student's score on the multi-criteria form.

This resulted in all Enon kindergarten students' total scores being incorrect on the multi-criteria forms. The District re-evaluated and corrected the forms after identification of the issue by the Auditor of State. District's reevaluation found one student being serviced before three other students with lower scores.

The District should use due care when recording students' test scores on the multi-criteria form. Also, a second person should verify the scoring before ranking the students for eligibility for Title I services. These procedures will help verify the proper students are receiving services and help prevent unauthorized expenditures of Title I grants or possible questioned costs.

Officials' Response:

See Corrective Action Plan, page 54.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Finding For Recovery – Rebecca Minard for \$2,861	Yes	
2009-002	ORC 9.38 – not depositing within 24 hours	No	Partially Corrected; Repeated in Management Letter
2009-003	Athletic Tickets Procedures – Dept lacked written procedures causing forms not to be completed correctly, inaccurate deposits and revenue.	No	Partially Corrected; Presented in Management Letter

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2010**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-001	Per the recommendation from the Auditor of State, Management will use greater care when recording students' test scores on the multi-criteria form. This will be accomplished by requiring a second person to verify the scoring before ranking the students for selection of services. This procedure will help ensure the proper students are receiving services and help prevent unauthorized expenditures of Title I grants or possible questioned costs.	Ongoing process that will be instituted immediately (February 10, 2011)	Enon ES Principal (currently Mike Weaver); Hustead ES Principal (currently Brian Kuhn)



Dave Yost • Auditor of State

GREENON LOCAL SCHOOL DISTRICT

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 31, 2011**