



Dave Yost • Auditor of State

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Greenon Local School District
Clark County
500 South Xenia Drive
Enon, Ohio 45323

To the Board of Education:

Report on the Financial Statements

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, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during fiscal year 2013, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Columbus, Ohio

June 11, 2014

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**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

The discussion and analysis of the Greenon Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- In total, net position of governmental activities decreased \$237,012 which represents a 2.52% decrease from 2012.
- General revenues accounted for \$14,153,234 in revenue or 82.82% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions accounted for \$2,935,908 or 17.18% of total revenues of \$17,089,142.
- The School District had \$17,326,154 in expenses related to governmental activities; \$2,935,908 of these expenses were offset by program specific charges for services, operating grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$14,153,234 were not adequate to provide for these programs.
- The School District's major governmental funds are the general fund and the permanent improvement fund. The general fund had \$14,653,550 in revenues and \$15,118,392 in expenditures. During fiscal year 2013, the general fund's fund balance decreased \$464,842 from \$2,123,707 to \$1,658,865.
- The permanent improvement fund had \$722,748 in revenues and other financing sources and \$779,056 in expenditures. During fiscal year 2013, the permanent improvement fund balance decreased \$56,308 from \$1,231,835 to \$1,175,527.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position* and *statement of activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of the School District, the general fund and the permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The School District's statement of net position and statement of activities can be found on pages 17-18 of this report.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the permanent improvement fund.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-23 of this report.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 24 and 25. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Notes to the Basic 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. These notes to the basic financial statements can be found on pages 27-54 of this report.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole.

The table below provides a summary of the School District's net position at June 30, 2013 and June 30, 2012. Certain amounts at June 30, 2012 have been reclassified to conform to June 30, 2013's presentation.

Net Position		
	Governmental Activities 2013	Restated Governmental Activities 2012
Assets:		
Current and other assets	\$11,313,092	\$10,773,693
Capital assets, net	6,721,839	6,814,763
Total assets	18,034,931	17,588,456
Liabilities:		
Current liabilities	1,595,192	1,843,308
Long-term liabilities	1,042,414	1,198,710
Total liabilities	2,637,606	3,042,018
Deferred inflows of resources:		
Deferred inflows of resources	6,216,611	5,128,712
Net Position:		
Net investment in capital assets	6,672,112	6,737,537
Restricted	1,333,520	1,433,696
Unrestricted	1,175,082	1,246,493
Total net position	\$9,180,714	\$9,417,726

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the School District's assets exceeded liabilities plus deferred inflows of resources by \$9,180,714. Of this total, \$1,333,520 is restricted in use.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

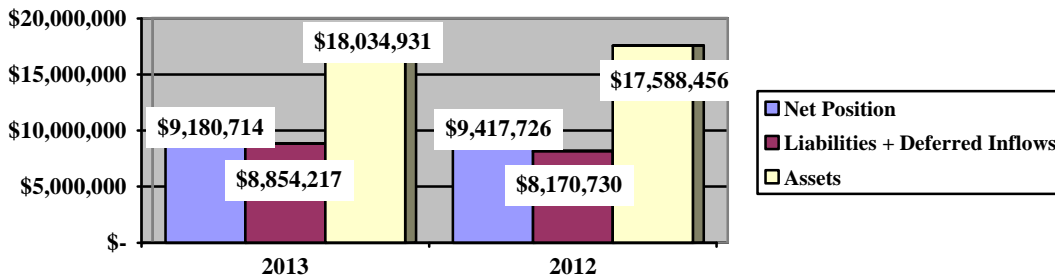
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

At year-end, capital assets represented 37.27% of total assets. Capital assets include land, buildings and improvements, furniture and equipment, vehicles and infrastructure. Net investment in capital assets at June 30, 2013, was \$6,672,112. These capital assets are used to provide services to the students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$1,333,520, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$1,175,082 may be used to meet the School District's ongoing obligations to the students and creditors.

The graph below shows the School District's assets, liabilities, deferred inflows of resources and net position at June 30, 2013 and June 30, 2012.

Governmental Activities



The table below shows the change in net position for fiscal year 2013 and 2012. Certain amounts for fiscal year 2012 have been reclassified to conform to fiscal year 2013's presentation.

	Change in Net Position	
	Governmental Activities 2013	Governmental Activities 2012
Revenues:		
Program revenues:		
Charges for services and sales	\$1,448,596	\$1,607,743
Operating grants and contributions	1,487,312	1,502,191
General revenues:		
Property taxes	7,081,372	6,322,564
Grants and entitlements	7,056,245	8,030,119
Investment earnings	11,461	12,569
Decrease in fair market value of investments	(7,589)	
Other	11,745	32,694
Total revenues	<u>17,089,142</u>	<u>17,507,880</u>

(Continued)

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

**Change in Net Position
(Continued)**

	Governmental Activities 2013	Governmental Activities 2012
Expenses:		
Program expenses:		
Instruction:		
Regular	7,423,651	7,265,831
Special	1,638,821	1,709,027
Vocational	240,045	404,318
Other	452,070	425,839
Support services:		
Pupil	874,902	1,019,143
Instructional staff	581,533	634,872
Board of education	136,894	113,208
Administration	1,225,038	1,500,244
Fiscal	482,956	512,100
Business	114,566	103,285
Operations and maintenance	1,508,533	1,409,036
Pupil transportation	1,176,105	1,193,858
Central	161,545	166,224
Operations of non-instructional services:		
Other non-instructional services	41,700	34,586
Food service operations	696,589	814,777
Extracurricular activities	569,737	561,925
Interest and fiscal charges	1,469	835
Total expenses	<u>17,326,154</u>	<u>17,869,108</u>
Transfers		<u>21,321</u>
Change in net position	(237,012)	(339,907)
Net position at beginning of year	<u>9,417,726</u>	<u>9,757,633</u>
Net position at end of year	<u>\$9,180,714</u>	<u>\$9,417,726</u>

Governmental Activities

Net position of the School District's governmental activities decreased \$237,012. Total governmental expenses of \$17,326,154 were offset by program revenues of \$2,935,908 and general revenues of \$14,153,234. Program revenues supported 16.94% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 82.73% of total governmental revenue.

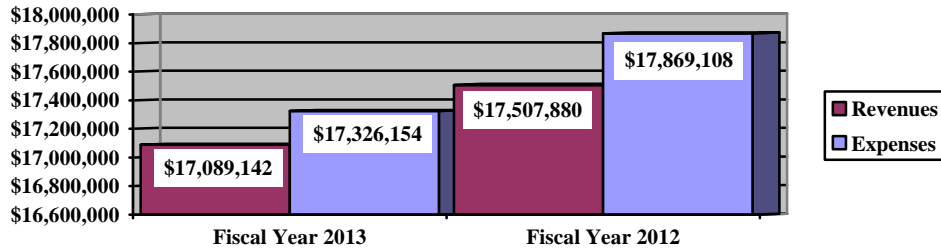
The largest expense of the School District is for instructional programs. Instruction expenses totaled \$9,754,587 or 56.30% of total governmental expenses for fiscal year 2013.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

The graph below presents the School District's governmental activities revenues and expenses for fiscal year 2013 and 2012.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. The total cost of services represents the total cost the School District incurred to provide the service and the net cost of services represents the cost of the service after applying specific program revenues attributable to that service.

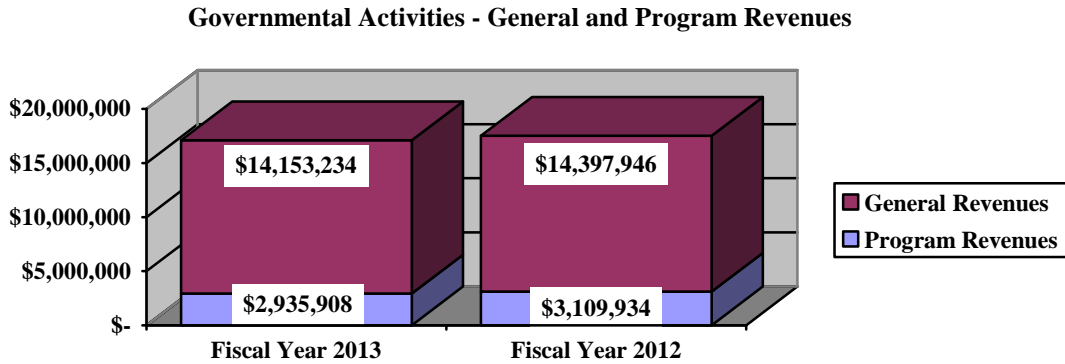
Governmental Activities				
	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Program expenses:				
Instruction:				
Regular	\$7,423,651	\$6,546,780	\$7,265,831	\$6,299,759
Special	1,638,821	836,040	1,709,027	1,133,639
Vocational	240,045	158,801	404,318	400,318
Other	452,070	430,692	425,839	353,398
Support services:				
Pupil	874,902	866,146	1,019,143	705,709
Instructional staff	581,533	423,945	634,872	605,699
Board of education	136,894	136,894	113,208	113,208
Administration	1,225,038	1,224,326	1,500,244	1,500,244
Fiscal	482,956	482,956	512,100	512,100
Business	114,566	8,595	103,285	103,285
Operations and maintenance	1,508,533	1,502,203	1,409,036	1,398,504
Pupil transportation	1,176,105	1,162,476	1,193,858	1,193,858
Central	161,545	154,345	166,224	159,024
Operations of non-instructional services:				
Other non-instructional services	41,700	(2,595)	34,586	34,586
Food service operations	696,589	91,442	814,777	21,942
Extracurricular activities	569,737	365,731	561,925	223,066
Interest and fiscal charges	1,469	1,469	835	835
Total expenses	\$17,326,154	\$14,390,246	\$17,869,108	\$14,759,174

The dependence upon tax and other general revenues for governmental activities is apparent, 81.73% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.06%. The School District's taxpayers and unrestricted grants and entitlements are by far the primary support for School District's students.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

The graph below presents the School District's governmental activities revenues for fiscal year 2013 and 2012.



The School District's Funds

The School District's governmental funds reported a combined fund balance of \$2,899,168, which is less than last year's total of \$3,475,216. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and June 30, 2012.

	Fund Balance June 30, 2013	Fund Balance June 30, 2012	Change	Percentage Change	
General	\$1,658,865	\$2,123,707	(\$464,842)	(21.89)	%
Permanent Improvement	1,175,527	1,231,835	(56,308)	(4.57)	%
Other Governmental	64,776	119,674	(54,898)	(45.87)	%
Total	\$2,899,168	\$3,475,216	(\$576,048)	(16.58)	%

General Fund

The School District's general fund balance decreased \$464,842.

Revenues of the general fund increased \$113,729 or 0.78%. The most significant increase was in the area of taxes which increased \$380,901 or 6.36%. This increase is primarily due to fluctuations in the amounts of taxes that are available for advance from the County Auditor at fiscal year-end. Intergovernmental revenue decreased \$204,893 due to a decrease in tangible personal property tax reimbursements received from the State. Tuition decreased \$61,538 due to lower open enrollment and lower special education tuition.

Expenditures of the general fund increased \$391,001 or 2.65%. This increase was primarily the result of wage increases for employees.

The table that follows assists in illustrating the financial activities of the general fund.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

	2013 Amount	2012 Amount	Change	Percentage Change
Revenues:				
Taxes	\$6,367,885	\$5,986,984	\$380,901	6.36 %
Earnings on investments	7,040	9,236	(2,196)	(23.78) %
Intergovernmental	7,315,857	7,520,750	(204,893)	(2.72) %
Tuition	698,524	760,062	(61,538)	(8.10) %
Other revenues	264,244	262,789	1,455	0.55 %
Total	14,653,550	14,539,821	113,729	0.78 %
Expenditures:				
Instruction	9,193,778	9,049,793	143,985	1.59 %
Support services	5,575,204	5,330,186	245,018	4.60 %
Extracurricular activities	349,410	347,412	1,998	0.58 %
Total	\$15,118,392	\$14,727,391	\$391,001	2.65 %

Permanent Improvement Fund

The permanent improvement fund had \$722,748 in revenues and other financing sources and \$779,056 in expenditures. During fiscal year 2013, the permanent improvement fund balance decreased \$56,308 from \$1,231,835 to \$1,175,527.

General Fund Budgeting Highlights

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

During the course of fiscal year 2013, the School District did not amend its general fund revenues budget. For the general fund, original and final budgeted revenues and other financing sources were \$14,818,780. Actual revenues and other financing sources for fiscal year 2013 was \$14,628,624. This represents a \$190,156 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$14,256,371, which were increased to \$15,169,439 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2013 totaled \$15,245,092, which was \$75,653 more than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the School District had \$6,721,839 invested in land, buildings and improvements, furniture and equipment, vehicles and infrastructure. This entire amount is reported in governmental activities.

The following table shows June 30, 2013 balances compared to June 30, 2012. Certain amounts at June 30, 2012 have been reclassified between capital asset categories.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

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

	Governmental Activities	
	2013	2012 (Restated)
Land	\$84,740	\$84,740
Buildings and improvements	4,717,121	4,782,696
Furniture and equipment	874,187	892,458
Vehicles	887,187	886,505
Infrastructure	158,604	168,364
Total	<u>\$6,721,839</u>	<u>\$6,814,763</u>

The overall decrease in capital assets of \$92,924 is due to depreciation expense of \$226,489 and disposals (net of depreciation) of \$28,901 exceeding capital outlays of \$162,466 in the fiscal year.

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

Debt Administration

At June 30, 2013, the School District had \$49,727 in general obligation bonds outstanding. Of this total, \$28,162 is due within one year and \$21,565 is due within more than one year.

The following table summarizes the bonds payable outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities	Governmental Activities
	2013	2012
General obligation bonds	<u>\$49,727</u>	<u>\$77,226</u>

See Note 13 to the basic financial statements for additional information on the School District's debt administration.

For the Future

Local Funding

Due to declining enrollment; aged and inadequate facilities; and due to the need to achieve operational efficiencies, the School District was seeking to construct two new facilities in a partnership with the Ohio School Facilities Commission: a PK-6 elementary/primary building, and a 7-12 Jr. High/High School. Had the issue passed, the School District would have been able to consolidate from four existing facilities to two grade level buildings. School District leadership saw this as a strategically sound move that would have put the School District on a firm financial foundation for years to come.

Despite the levy failure, School District Leadership still sees its overall goals described above (addressing declining enrollment; replacing/renovating aged and inadequate facilities; and achieving operational efficiencies) as being relevant and necessary.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

Consequently, the Board of Education passed the required resolutions in January and February of 2013 to have an issue placed on the May 7, 2013 ballot. Based on the results of the November 6, 2012 levy though, the School District modified its strategy to be responsive to voter feedback. The District will attempt to construct a segment of its overall master facilities plan, via the OSFC/OFCC segmentation option. The School District attempted to pass a 4.95 mill bond issue combined with a .50% earned income tax. The 4.95 mill bond issue will be used to issue about \$26 million in debt to finance construction of a new 7-12 junior high/high school, and to renovate and upgrade Indian Valley Middle School (which would house grades 3-6), and to renovate Enon Elementary (for grades K-2). The OFCC would match the District's share with an anticipated \$13.3 million. The .50% earned income tax, which would only be for five-year increments, would address the District's operational needs. This levy did not pass.

Over the past couple of years, the School District has allowed a 5.5 mill current expense levy to expire. This was a strategic move that will allow the School District to get to the 20 mill floor for both residential/agricultural, and for commercial/industrial. In this way, the School District will get growth out of its levy collections as the property values in the School District increase.

The School District also moved 3 mills of inside operating millage to the permanent improvement fund (to begin for 2012 collect 2013). Consequently, a 3 mill (currently collecting about 2 effective mills) outside permanent improvement levy will expire on December 31, 2012. Because of the "roll up" of the general fund, general fund collections stay the same, and permanent improvement collections will increase due to increased millage. This also allowed the School District to pledge its necessary maintenance fund proceeds (.5 mills) in the event it builds new facilities with the Ohio School Facilities Commission.

In May 2014, the School District is planning on going on the ballot for a new emergency operating levy. During that time, the School District will also need to renew their other two emergency levies.

The School District is planning to consolidate into 3 buildings for the 2014-2015 school year. The Enon Elementary will house Pre K through 1, the Indian Valley Middle School will house grades 2 through 6 and Greenon High School will house grades 7 through 12.

Finally, as discussed in the next section, the *significant reduction* in state funding will require the School District to aggressively manage its costs.

State Funding

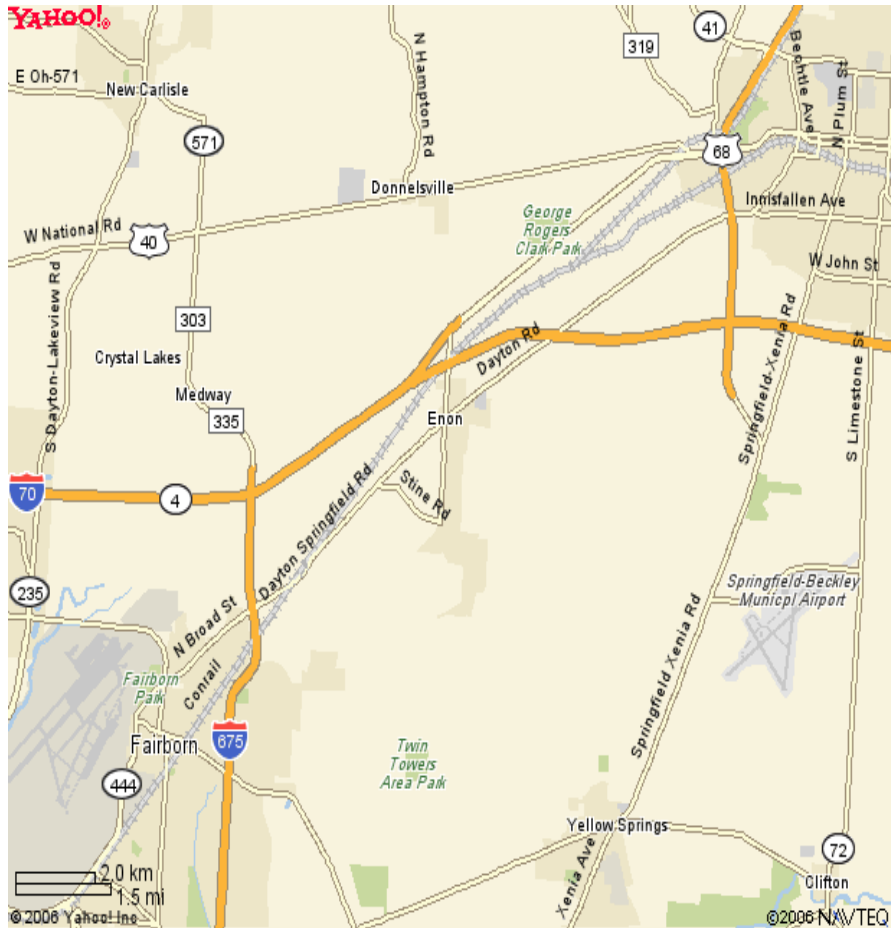
As discussed earlier, declining enrollment has been an impetus to move from four buildings to three. The declining enrollment is also affecting state funding. As it moves forward the next few fiscal years, the School District will be on the state guarantee—that is, due to declining enrollment, each year's state funding will be a guaranteed percentage of the prior year. For this reason, state funding will be at best stagnant, with the potential for a slight decline. Additionally, the School District lost about \$375,000 in Ed Jobs funding after fiscal year 2012. Combined with a loss in tangible personal property reimbursements of about \$475,000 over the 2011 and 2012 fiscal years, the School District faces significant challenges with state funding as it moves forward. It is for precisely these reasons that the ballot issue on May 7th is so critical.

Contacting the 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 District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. Bradley McKee, Treasurer, Greenon Local School District, 500 South Xenia Drive, Enon, OH 45323.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**



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**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2013**

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$3,501,782
Cash in segregated accounts	2,644
Receivables:	
Property taxes	7,608,617
Accounts	1,622
Accrued interest	1,624
Intergovernmental	155,984
Prepayments	34,251
Materials and supplies inventory	6,568
Capital assets:	
Non-depreciable capital assets	84,740
Depreciable capital assets, net	6,637,099
Capital assets, net	<u>6,721,839</u>
Total assets	<u>18,034,931</u>
Liabilities:	
Accounts payable	20,002
Accrued wages and benefits payable	1,209,637
Pension obligation payable	321,883
Intergovernmental payable	43,469
Accrued interest payable	201
Long-term liabilities:	
Due within one year	233,765
Due in more than one year	808,649
Total liabilities	<u>2,637,606</u>
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	<u>6,216,611</u>
Total deferred inflows of resources	<u>6,216,611</u>
Net position:	
Net investment in capital assets	6,672,112
Restricted for:	
Capital projects	1,202,883
Locally funded programs	8,915
State funded programs	5,970
Federally funded programs	20,123
Student activities	25,149
Other purposes	70,480
Unrestricted	1,175,082
Total net position	<u><u>\$9,180,714</u></u>

See accompanying notes to the basic financial statements.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental activities:				
Instruction:				
Regular	\$7,423,651	\$767,258	\$109,613	(\$6,546,780)
Special	1,638,821	26,851	775,930	(836,040)
Vocational	240,045		81,244	(158,801)
Other	452,070		21,378	(430,692)
Support services:				
Pupil	874,902		8,756	(866,146)
Instructional staff	581,533	1,461	156,127	(423,945)
Board of education	136,894			(136,894)
Administration	1,225,038		712	(1,224,326)
Fiscal	482,956			(482,956)
Business	114,566	103,552	2,419	(8,595)
Operations and maintenance	1,508,533	6,330		(1,502,203)
Pupil transportation	1,176,105		13,629	(1,162,476)
Central	161,545		7,200	(154,345)
Operation of non-instructional services:				
Other non-instructional services	41,700	44,295		2,595
Food service operations	696,589	301,038	304,109	(91,442)
Extracurricular activities	569,737	197,811	6,195	(365,731)
Interest and fiscal charges	1,469			(1,469)
Total governmental activities	\$17,326,154	\$1,448,596	\$1,487,312	(14,390,246)
General revenues:				
Property taxes levied for:				
				6,448,311
General purposes				29,101
Debt service				603,960
Capital outlay				
Grants and entitlements not restricted				
to specific programs				7,056,245
Investment earnings				11,461
Decrease in fair market value of investments				(7,589)
Miscellaneous				11,745
Total general revenues				14,153,234
Change in net position				(237,012)
Net position at beginning of year				9,417,726
Net position at end of year				\$9,180,714

See accompanying notes to the basic financial statements.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$2,124,694	\$1,112,932	\$264,156	\$3,501,782
Cash in segregated accounts			2,644	2,644
Property taxes	6,968,393	640,224		7,608,617
Accounts	1,523		99	1,622
Accrued interest	1,624			1,624
Interfund loans	127,849			127,849
Intergovernmental	50,163		105,821	155,984
Prepayments	33,988		263	34,251
Materials and supplies inventory			6,568	6,568
Total assets	<u>9,308,234</u>	<u>1,753,156</u>	<u>379,551</u>	<u>11,440,941</u>
Liabilities:				
Accounts payable	20,002			20,002
Accrued wages and benefits payable	1,083,806	4,338	121,493	1,209,637
Compensated absences payable	119,261			119,261
Early retirement incentive payable	57,076			57,076
Interfund loans payable			127,849	127,849
Intergovernmental payable	41,244	26	2,199	43,469
Pension obligation payable	293,411	1,584	26,888	321,883
Total liabilities	<u>1,614,800</u>	<u>5,948</u>	<u>278,429</u>	<u>1,899,177</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	5,673,503	543,108		6,216,611
Delinquent property tax revenue not available	336,344	28,573		364,917
Accrued interest not available	1,624			1,624
Intergovernmental revenue not available	23,098		36,346	59,444
Total deferred inflows of resources	<u>6,034,569</u>	<u>571,681</u>	<u>36,346</u>	<u>6,642,596</u>
Fund balances:				
Non-spendable:				
Materials and supplies inventory			6,568	6,568
Prepays	33,988		263	34,251
Restricted:				
Capital improvements		1,175,527		1,175,527
Trust funds			24,836	24,836
Targeted academic assistance			14,749	14,749
Other purposes			20,259	20,259
Extracurricular activities			24,886	24,886
Latchkey programs			45,644	45,644
Committed:				
Underground storage tank	11,000			11,000
Assigned:				
Student instruction	5,532			5,532
Student and staff support	61,642			61,642
Subsequent year's appropriations	731,958			731,958
Unassigned	814,745		(72,429)	742,316
Total fund balances	<u>1,658,865</u>	<u>1,175,527</u>	<u>64,776</u>	<u>2,899,168</u>
Total liabilities, deferred inflows and fund balances	<u>\$9,308,234</u>	<u>\$1,753,156</u>	<u>\$379,551</u>	<u>\$11,440,941</u>

See accompanying notes to the basic financial statements.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013**

Total governmental fund balances	\$2,899,168
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Amounts reported for governmental activities on the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,721,839
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.	
Property taxes receivable	\$364,917
Accrued interest receivable	1,624
Intergovernmental receivable	59,444
Total	425,985

Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(201)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
General obligation bonds	(49,727)
Compensated absences	(801,612)
Retirement incentives	(14,738)
Total	(866,077)

Net position of governmental activities	\$9,180,714
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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, 2013**

	General	Permanent Improvement	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Property taxes	\$6,367,885	\$595,362	\$29,101	\$6,992,348
Tuition	698,524			698,524
Earnings on investments	7,040	2,797	155	9,992
Charges for services			301,038	301,038
Extracurricular	145,936		156,526	302,462
Classroom materials and fees	95,947			95,947
Rental income	6,330			6,330
Contributions and donations	7,782		12,110	19,892
Contract services			44,295	44,295
Other local revenues	15,838			15,838
Intergovernmental - state	7,303,419	113,057	17,932	7,434,408
Intergovernmental - federal	12,438		1,082,422	1,094,860
Decrease in fair market value of investments	(7,589)			(7,589)
Total revenues	<u>14,653,550</u>	<u>711,216</u>	<u>1,643,579</u>	<u>17,008,345</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,260,356	172,505	68,790	7,501,651
Special	1,175,196		526,987	1,702,183
Vocational	323,099		1,877	324,976
Other	435,127		16,943	452,070
Support services:				
Pupil	850,735		21,269	872,004
Instructional staff	405,718	29,446	136,426	571,590
Board of education	137,805			137,805
Administration	1,273,666	2,041	709	1,276,416
Fiscal	476,770	10,916		487,686
Business	112,774			112,774
Operations and maintenance	1,190,178	138,590		1,328,768
Pupil transportation	1,016,254	188,325	437	1,205,016
Central	111,304	47,320	3,352	161,976
Operation of non-instructional services:				
Other non-instructional services		6,208	35,492	41,700
Food service operations			689,475	689,475
Extracurricular activities	349,410	31,576	167,619	548,605
Facilities acquisition and construction		152,129		152,129
Debt service:				
Principal retirement			27,499	27,499
Interest and fiscal charges			1,602	1,602
Total expenditures	<u>15,118,392</u>	<u>779,056</u>	<u>1,698,477</u>	<u>17,595,925</u>
Excess of expenditures over revenues	(464,842)	(67,840)	(54,898)	(587,580)
Other financing sources:				
Sale/loss of assets		11,532		11,532
Total other financing sources		<u>11,532</u>		<u>11,532</u>
Net change in fund balances	(464,842)	(56,308)	(54,898)	(576,048)
Fund balances at beginning of year	2,123,707	1,231,835	119,674	3,475,216
Fund balances at end of year	<u>\$1,658,865</u>	<u>\$1,175,527</u>	<u>\$64,776</u>	<u>\$2,899,168</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, 2013**

Net change in fund balances - total governmental funds (\$576,048)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$162,466	
Current year depreciation	<u>(226,489)</u>	
Total		(64,023)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (28,901)

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

Property taxes	89,024	
Earnings on investments	1,624	
Intergovernmental	<u>8,546</u>	
Total		99,194

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were: 27,499

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following item resulted in less interest being reported in the statement of activities:

Decrease in accrued interest payable		133
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Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

305,134

Change in net position of governmental activities (\$237,012)

See accompanying notes to the basic financial statements.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
From local sources:				
Property taxes	\$6,615,472	\$6,615,472	\$6,409,827	(\$205,645)
Tuition	760,062	760,062	699,368	(60,694)
Earnings on investments	7,854	7,854	8,412	558
Extracurricular	40,362	40,362	40,607	245
Classroom materials and fees	96,028	96,028	95,185	(843)
Rental income	10,532	10,532	6,330	(4,202)
Contributions and donations	1,133	1,133	5,700	4,567
Other local revenues	5,641	5,641	7,980	2,339
Intergovernmental - state	7,255,758	7,255,758	7,303,419	47,661
Intergovernmental - federal			12,438	12,438
Total revenues	<u>14,792,842</u>	<u>14,792,842</u>	<u>14,589,266</u>	<u>(203,576)</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,752,717	7,183,310	7,286,790	(103,480)
Special	1,082,962	1,151,984	1,154,765	(2,781)
Vocational	302,296	323,954	310,933	13,021
Other	368,259	391,845	424,912	(33,067)
Support services:				
Pupil	757,100	806,291	817,807	(11,516)
Instructional staff	491,245	522,420	447,618	74,802
Board of education	113,102	120,345	126,859	(6,514)
Administration	1,382,439	1,470,500	1,403,607	66,893
Fiscal	490,834	522,270	489,029	33,241
Business	2,892	3,077	3,144	(67)
Operations and maintenance	1,179,708	1,255,264	1,191,888	63,376
Pupil transportation	921,725	980,758	1,011,527	(30,769)
Central	104,233	110,909	108,112	2,797
Extracurricular activities	306,859	326,512	340,252	(13,740)
Total expenditures	<u>14,256,371</u>	<u>15,169,439</u>	<u>15,117,243</u>	<u>52,196</u>
Excess (deficiency) of revenues over (under) expenditures	<u>536,471</u>	<u>(376,597)</u>	<u>(527,977)</u>	<u>(151,380)</u>
Other financing sources (uses):				
Refund of prior year's expenditures	25,938	25,938	39,358	13,420
Advances (out)			(127,849)	(127,849)
Total other financing sources (uses)	<u>25,938</u>	<u>25,938</u>	<u>(88,491)</u>	<u>(114,429)</u>
Net change in fund balance	562,409	(350,659)	(616,468)	(265,809)
Fund balance at beginning of year (restated)	2,630,008	2,630,008	2,630,008	
Prior year encumbrances appropriated	35,178	35,178	35,178	
Fund balance at end of year	<u>\$3,227,595</u>	<u>\$2,314,527</u>	<u>\$2,048,718</u>	<u>(\$265,809)</u>

See accompanying notes to the basic financial statements.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$540	\$57,337
Total assets	540	57,337
Liabilities:		
Accounts payable		121
Due to students		57,216
Total liabilities		\$57,337
Net position:		
Held in trust for scholarships	540	
Total net position	\$540	

See accompanying notes to the basic financial statements.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$3
Total additions	3
Change in net position	3
Net position at beginning of year	537
Net position at end of year	\$540

See accompanying notes to the basic financial statements.

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**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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.

The basic financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, 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; or (3) 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 (4) 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the School District has no component units. The basic financial statements of the reporting entity include only those of the School District (the primary government).

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 15 and 16 to the basic financial statements.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position 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*.

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 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 School 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 School District.

1. Fund Accounting

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

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, deferred outflows of resources, liabilities and deferred inflows of resources is reported as fund balance.

The School 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.

Other governmental funds of the School District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

3. Fiduciary Fund

Fiduciary fund reporting focuses on net position and changes in net position. The School 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 School 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 School District's policy to use the restricted resources first, and then unrestricted resources, as they are needed.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 1. Revenues - Exchange and Non-exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. 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.

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

- 2. Deferred Inflows of Resources and Deferred Outflows of Resources**

A deferred inflow of resources is an acquisition of net position by the School District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the School District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows of resources. Grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows of resources on the governmental fund financial statements.

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

- 3. Expenses/Expenditures** - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as inter-governmental revenue.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. 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, 2013
(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 object expenditure level in the General fund and fund level of expenditures for all other funds, 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, seven 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 and actual (non-GAAP budgetary basis) - 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 School 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 year-end are reported as assigned fund balance in the general fund and within the other funds respective fund balance classifications.

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.

E. 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 position and governmental fund balance sheet.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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 position 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 2013, the School District investments were limited to Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities and discount notes, Federal National Mortgage Association (FNMA) securities, US Treasury Notes, and a US Government money market. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The School District Treasurer has determined the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$7,040, which includes \$1,705 assigned from other School District funds. The permanent improvement capital projects, food service, special trust and Myers trust special revenue funds and private purpose trust funds also received interest of \$2,797, \$129, \$26 and \$3, respectively.

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 when purchased.

On the fund financial statements, reported materials and supplies inventory is equally offset by a non-spendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net position.

G. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, a non-spendable fund balance is recorded by an amount equal to the carrying value of the asset on the fund financial statements.

H. Capital Assets and Depreciation

Capital assets, which includes land, buildings and improvements, furniture and 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 \$2,500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual amounts were not available. Donated capital assets are recorded at an estimated fair market value at the date of donation. The School District reviewed possible infrastructure assets (roads, bridges, culverts, etc.), which could be required to be capitalized. The School District reports the waste water treatment plant as infrastructure.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Vehicles, Furniture and Equipment	5-20
Infrastructure	25

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. The entire liability is reported on the government-wide statement of net position.

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 an obligation when they will be liquidated with current resources. However, general obligation bonds, 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.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable". These amounts are eliminated in the governmental type activities columns of the statement of net position. The School District had interfund loans payable at June 30, 2013. See Note 5.

L. Interfund Transactions

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

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for the special trust fund and the latchkey fund (non-major governmental funds).

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

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable - The non-spendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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.

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2013, the School District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the School District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the School District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the School District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. For the School District, the implementation of GASB Statement No. 65 has changed (1) the classification of certain items, including the deferral of property taxes levied for the subsequent fiscal year, previously reported as liabilities to *deferred inflows of resources*, (2) the classification of unamortized deferred charges on debt refunding transactions from a reduction of liabilities to *deferred outflows of resources*, and (3) the reporting of debt issuance costs to an expense in the period incurred rather than amortized over the term of the related debt issuance.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School District.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

3 ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2013 included the following individual fund deficits:

Food service	\$24,199
Title VI-B IDEA	31,278
Title I	5,841
Title II-A	4,543

The general fund is liable for any deficits in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

C. Budgetary Prior Period Adjustment

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The School District has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2012 is as follows:

Budgetary Basis	General Fund
Balance at June 30, 2012	\$2,693,363
Funds budgeted elsewhere	(63,355)
Restated balance at July 1, 2012	\$2,630,008

4. DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all School District deposits was \$2,003,569. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$2,081,396 of the School District's bank balance of \$2,425,329 was exposed to custodial credit risk as discussed below, while \$343,933 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

B. Investments

As of June 30, 2013, the School District had the following investments and maturities:

Investment type	Fair Value	Investment Maturities			
		6 months or less	7 to 12 months	19 to 24 months	Greater than 24 months
FHLB	\$635,255	\$ 465,191	\$80,022	\$90,042	
FHLMC	109,693				\$109,693
FHLMC discount notes	154,897		154,897		-
FNMA	494,369	75,220			419,149
US Treasury Note	155,103		155,103		
US Government money market	6,773	6,773			
Total	\$1,556,090	\$547,184	\$390,022	\$90,042	\$528,842

The weighted average of maturity of investments is 1.49 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the School District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The School District's investments in federal agency securities and US Treasury Note were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned the US Government money market an AAAM money market rating. The School District has no policy dealing with credit risk beyond the requirements of State statute.

**GREENON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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 agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and led 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 that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School District at June 30, 2013:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of total</u>
FHLB	\$635,255	40.82
FHLMC	109,693	7.05
FHLMC discount notes	154,897	9.95
FNMA	494,369	31.77
US Treasury Note	155,103	9.97
US Government money market	6,773	0.44
Total	<u>\$1,556,090</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2013:

Cash and investments per note disclosure:	
Carrying amount of deposits	\$2,003,569
Cash in segregated accounts	2,644
Investments	<u>1,556,090</u>
Total	<u>\$3,562,303</u>

Cash and investments per statement of net position:	
Governmental activities	\$3,504,426
Private-purpose trust funds	540
Agency funds	<u>57,337</u>
Total	<u>\$3,562,303</u>

5. INTERFUND TRANSACTIONS

Interfund loans receivable/payable consisted of the following at June 30, 2013, as reported on the fund statement:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Non-major governmental funds	<u>\$127,849</u>

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

5. INTERFUND TRANSACTIONS (Continued)

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide statement of net position.

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 tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market 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. Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$958,546 in the general fund and \$68,543 in permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2012 was \$1,000,516 in the general fund and \$40,882 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow of resources.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

6. PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$241,926,660	96.76	\$244,665,170	96.66
Public utility personal	8,099,780	3.24	8,464,360	3.34
Total	<u>\$250,026,440</u>	<u>100.00</u>	<u>\$253,129,530</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation				
General	\$41.45		\$35.31	
Permanent improvement	4.00		3.00	

7. RECEIVABLES

Receivables at June 30, 2013, consisted of taxes, accounts, accrued interest and intergovernmental grants. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Intergovernmental receivables:	
General fund:	
SERS refund	\$23,098
BWC refund	27,065
Non-major governmental funds:	
BWC refund	682
Agriculture Education 5th Quarter	1,863
School Improvement Sub A, Title I	11,000
Title I	61,680
Title VI-B IDEA	28,976
Title II-A	1,620
Total intergovernmental receivables	<u>155,984</u>
Accounts receivable	1,622
Accrued interest receivable	1,624
Total receivables	<u><u>\$159,230</u></u>

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013 was as follows. The beginning balances of the assets classes were restated to properly classify assets in the correct asset class. This restatement had no effect on net position.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

8. CAPITAL ASSETS (Continued)

	Restated Balance 06/30/12	Additions	Deductions	Balance 06/30/13
Capital assets, not being depreciated:				
Land	\$84,740			\$84,740
Total capital assets, not being depreciated	<u>84,740</u>			<u>84,740</u>
Capital assets, being depreciated:				
Buildings and improvements	20,097,800			20,097,800
Furniture and equipment	2,332,413	\$59,459	(\$12,749)	2,379,123
Vehicles	1,546,771	103,007	(115,018)	1,534,760
Infrastructure	244,006			244,006
Total capital assets, being depreciated	<u>24,220,990</u>	<u>162,466</u>	<u>(127,767)</u>	<u>24,255,689</u>
Less: accumulated depreciation:				
Buildings and improvements	(15,315,104)	(65,575)		(15,380,679)
Furniture and equipment	(1,439,955)	(70,718)	5,737	(1,504,936)
Vehicles	(660,266)	(80,436)	93,129	(647,573)
Infrastructure	(75,642)	(9,760)		(85,402)
Total accumulated depreciation	<u>(17,490,967)</u>	<u>(226,489)</u>	<u>98,866</u>	<u>(17,618,590)</u>
Governmental activities capital assets, net	<u>\$6,814,763</u>	<u>\$(64,023)</u>	<u>\$(28,901)</u>	<u>\$6,721,839</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$45,404
Support services:	
Instructional staff	7,738
Board of education	740
Administration	180
Fiscal	797
Business	1,792
Operations and maintenance	35,368
Pupil transportation	79,933
Central	344
Extracurricular	45,256
Food service operations	8,937
Total depreciation expense	<u>\$226,489</u>

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 2013, the School District contracted with the Southwestern Ohio EPC Liability/Property/Fleet Program.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

9. RISK MANAGEMENT (Continued)

Insurance coverage provided includes the following:

General Liability:

Per Occurrence	\$1,000,000
Total Per Year	3,000,000
Total Per Year for Pool	350,000,000
Automobile Liability (\$1,000 Deductible)	1,000,000
Property Insurance (\$1,000 Deductible) for Member	1,000,000
Total Per Year for Pool	350,000,000
School Board Legal Liability (\$5,000)	1,000,000
Boiler/Machinery (\$3,500 Deductible) for Pool	250,000,000
Excess Liability (in excess of underlying \$1,000,000 for member)	5,000,000
Site Pollution Legal Liability (\$25,000 Deductible)	1,000,000

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 2013, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control and actuarial services to the GRP.

10. PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

**GREENON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

10. PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$298,314, \$291,391 and \$336,652, respectively; 71.32 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System of Ohio

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 website at www.strsoh.org, under "Publications".

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, 2013
(Continued)**

10. PENSION PLANS (Continued)

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$952,526, \$914,149 and \$969,718, respectively; 83.73 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$8,697 made by the School District and \$6,212 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The School District's liability is 6.2 percent of wages paid.

11. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. 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 monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, 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, 2013
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. 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 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The 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 School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$37,621, \$57,554 and \$85,632, respectively; 71.32 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$16,851, \$17,208 and \$21,664, respectively; 71.32 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System of Ohio

Plan Description - The School District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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, under "Publications" 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 2013, 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, 2013, 2012 and 2011 were \$73,271, \$70,319 and \$74,594, respectively; 83.73 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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. For classified personnel, upon retirement, payment is made for 25% of the first 160 days and 22% of the days in excess of 160 but not to exceed a total of 64 days. For certified personnel, upon retirement, payment is made for 25% of the first 160 days and 22.2% of the days in excess of 160 but not to exceed a total of 67 days.

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 2013 and in previous years, 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. In fiscal year 2013, anyone who was eligible to retire had to give written notice by March 30, 2013, 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 2013 were as follows:

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

	<u>Interest Rate</u>	<u>Balance 6/30/2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/2013</u>	<u>Amounts Due in One Year</u>
General Obligation Bonds:						
Series 2012 GO Bonds	2.36%	\$77,226		\$(27,499)	\$ 49,727	\$28,162
Total General Obligation Bonds		<u>77,226</u>		<u>(27,499)</u>	<u>49,727</u>	<u>28,162</u>
Other Long-term Obligations:						
Compensated absences		1,034,932	\$100,412	(214,471)	920,873	148,527
Termination benefits		86,552	14,738	(29,476)	71,814	57,076
Total Other Long-term Obligations		<u>1,121,484</u>	<u>115,150</u>	<u>(243,947)</u>	<u>992,687</u>	<u>205,603</u>
Total		<u>\$1,198,710</u>	<u>\$115,150</u>	<u>\$(271,446)</u>	<u>\$1,042,414</u>	<u>\$233,765</u>

General Obligation Bonds - In 2012, Greenon Local School District issued \$84,000 in un-voted general obligation bonds for the purpose of acquisition of equipment for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The bonds were issued for a three year period with final maturity during fiscal year 2015. The bond will be retired from the debt service fund (a non-major governmental fund).

The following is a summary of the future debt service requirements to maturity for the general obligation bonds and loans:

<u>Fiscal Year Ending June 30,</u>	<u>2009 GO Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$28,162	\$940	\$ 29,102
2015	21,565	260	21,825
Total	<u>\$49,727</u>	<u>\$1,200</u>	<u>\$50,927</u>

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

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that un-voted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The code additionally states that un-voted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the School District. The assessed valuation used in determining the School District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the School District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2013, are a voted debt margin of \$22,731,931 and an un-voted debt margin of \$253,130.

**GREENON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

14. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance	
	General fund
Budget basis	(\$616,468)
Net adjustment for revenue accruals	(52,957)
Net adjustment for expenditure accruals	102,127
Net adjustment for other sources/uses	88,491
Funds budgeted elsewhere	(2,759)
Adjustment for encumbrances	16,724
GAAP basis	(\$464,842)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund, the district agency fund and the underground storage tank fund.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Educational Computer Association – The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark, Clinton, Fayette, Greene, Madison 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 \$67,734 for services provided during the fiscal year. Financial information can be obtained from Thor Sage, Executive Director, at MVECA at 330 East 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 130 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 \$50,650 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.

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 position 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 2013, the School District did not make any payments to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePala, who serves as Interim Director, at 150 East Sixth Street, Franklin, Ohio 45005.

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

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The Board of Trustees is comprised of eighteen representatives of each the members of the FCF, including the Superintendent of the Clark County Educational Service Center, who was appointed by the Superintendents of the Clark County schools. All members are obligated to pay all dues as established by the FCF to aid the financing of the operations and programs of the FCF. The Greenon Local School District does not pay any dues since the Clark County Educational Service Center represents the School District. Any member withdrawing from the FCF must give one hundred eighty days written notice to the FCF after formal action of the member's governing board. To obtain financial information, write to the Clark County Family and Children First Council, Charles Patterson, 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 2013. To obtain financial information, write to the Springfield/Clark County Career Technology Center, Anthony Fraley, who servers as Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4239.

16. INSURANCE PURCHASING POOL

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

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

17. SET-ASIDES

The School District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

17. SET-ASIDES (Continued)

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

	Capital Improvements	Budget Stabilization
Set-aside balance June 30, 2012		\$28,436
Current year set-aside requirement	\$316,487	
Current year qualifying expenditures		(28,436)
Current year offsets	(659,859)	
Total	(\$343,372)	\$0
 Balance carried forward to fiscal year 2014	\$0	\$0
 Set-aside balance June 30, 2013	\$0	\$0

18. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

The School District is party to legal proceedings. At this time, the School District is of the opinion that ultimate disposition of claims will not have a material effect on the financial position of the School District.

19. OTHER COMMITMENTS

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the School District's commitments for encumbrances in the governmental funds were as follows:

Fund	Year-End Encumbrances
General fund	\$16,724

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Expenditures</u>	<u>Non-Cash Expenditures</u>
U.S. Department of Agriculture					
<i>Passed through Ohio Department of Education</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$59,864		\$59,864	
National School Lunch Program	10.555	231,416	\$66,824	231,416	\$66,824
Total Child Nutrition Cluster		<u>291,280</u>	<u>66,824</u>	<u>291,280</u>	<u>66,824</u>
Total U.S. Department of Agriculture		<u>291,280</u>	<u>66,824</u>	<u>291,280</u>	<u>66,824</u>
U.S. Department of Education					
<i>Passed through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	289,828		316,167	
Special Education - Grants to States	84.027	369,918		346,208	
Educational Technology State Grants	84.318	1,766			
Improving Teacher Quality State Grants	84.367	50,225		47,639	
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395	55,890		49,464	
Education Jobs Fund	84.410	9,364		8,699	
<i>Direct Aid</i>					
Impact Aid	84.041	1,494		1,494	
Total U.S. Department of Education		<u>778,485</u>		<u>769,671</u>	
Total Federal Financial Assistance		<u>\$1,069,765</u>	<u>\$66,824</u>	<u>\$1,060,951</u>	<u>\$66,824</u>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (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 program 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 AUDITOR'S 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 South Xenia Drive
Enon, Ohio 45323

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 11, 2014, wherein we noted the District adopted provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

June 11, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 South Xenia Drive
Enon, Ohio 45323

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Greenon Local School District's (the District) compliance with the applicable 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, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Greenon Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2013-001. This finding did not require us to modify our compliance opinion on each major federal program.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2013-001 to be a material weakness.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

June 11, 2014

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(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?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies: CFDA #84.010 Special Education – Grants to States: CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

NONCOMPLIANCE AND MATERIAL WEAKNESS – REPORTING

Finding Number	2013-001
CFDA Title and Number	84.010 – Title I Grants to Local Educational Agencies 84.027 – Special Education – Grants to States
Federal Award Number / Year	2013
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Office of Management and Budget (OMB) Circular A-133 Subpart C, §__.310(b) Schedule of Expenditures of Federal Awards, states that the auditee shall prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

1. List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
2. For Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
3. Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
4. Include notes that describe the significant accounting policies used in preparing the schedule.
5. To the extent practical, pass-through entities should identify in the schedule the total amount provided to sub-recipients from each Federal program.
6. Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

The District has the ultimate responsibility for ensuring proper reporting of all federal dollars on the Schedule of Federal Awards Receipts and Expenditures. The District's fiscal year 2013 schedule contained the following errors, of which all were corrected in the Schedule of Federal Awards Receipts and Expenditures:

**FINDING NUMBER 2013-001
(Continued)**

- Non-cash receipts and expenditures for the Nutrition Cluster donated commodities, in the amount of \$66,824, were not included on the schedule.
- Receipts and expenditures were not properly allocated between the School Breakfast Program and the National School Lunch Program, as the entire amount was reported under the National School Lunch Program. School Breakfast Program receipts and expenditures were \$59,864 and National School Lunch Program receipts and expenditures were \$231,416. These two programs should be reported separately because they have different CFDA numbers.
- Receipts for the Special Education Cluster were overstated by \$102,582 and receipts for the Title I Cluster were understated by \$102,582.
- A portion of the Title I expenditures were shown with an incorrect CFDA number. The CFDA number shown was 84.388, but should have been 84.010.
- Due to the nature of the Impact Aid Program, federal expenditures should equal federal revenues for the program; however, revenues were shown as \$1,494 and expenditures were shown as \$2,414

To reduce the risk of inaccurate reporting of federal revenues and expenditures and noncompliance with OMB Circular A-133, Subpart C, §__.310(b), due care should be taken in the preparation of the Schedule of Federal Awards Receipts and Expenditures. The Schedule should be reviewed after preparation and agreed to the District's underlying accounting records and other information for accuracy.

Officials' Response:

We did not receive a response from District officials regarding this finding.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Material Weakness – Financial Statement Errors	No	The issue related to the private purpose trust fund has not been resolved; this issue has been repeated as a management letter comment. All other issues have been resolved.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-001	Due to the timing of change in Treasurer at fiscal year-end, postings were not reviewed until after the close of the year-end and corrected at that time. Accurate preparation of the federal schedule will coincide with year-end close-out procedures in the future.	7/14/14	Brad McKee

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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
JULY 17, 2014**