

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

Basic Financial Statements

Year Ended June 30, 2004



**Auditor of State
Betty Montgomery**

Board of Education
Green Local School District
Smithville, Ohio

We have reviewed the *Independent Auditor's Report* of the Green Local School District, Wayne County, prepared by Rea & Associates, Inc., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY
Auditor of State

June 7, 2005

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(Wayne County)
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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

March 31, 2005

The Board of Education
Green Local School District
Smithville, Ohio 44677

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Green Local School District, Ohio, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Green Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit

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

As stated in Note 3 Green Local School District, Ohio adopted Governmental Accounting Standards Board (GASB) Statements No. 34, Basic Financial Statements and Management's Discussion and Analysis, No. 37, Basic Financial Statements—and Management's Discussion and Analysis—For State and Local Governments: Omnibus, and No. 38, Certain Financial Statement Note Disclosures, GASB Statement No. 41, "Budgetary Comparison Schedules Perspective Difference," and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financials."

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 Green Local School District, Ohio, as of June 30, 2004, and the respective changes in financial position where applicable, thereof and the respective budgetary comparison for the general fund and emergency levy special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2005 on our consideration of Green Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Audit Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 9 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Rea & Associates, Inc.

Green Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

The discussion and analysis of the Green Local School District's (the School District's) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2004 are as follows:

- ❑ General Revenues accounted for \$9.4 million in revenue or 86% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for approximately \$1.5 million or 14% of total revenues of \$10.9 million.
- ❑ Total program expenses were \$11.4 million in Governmental Activities.
- ❑ In total, net assets of Governmental Activities decreased \$504,712, which represents a 35% decrease from 2003.
- ❑ Outstanding bond and note debt decreased from \$476,477 to \$358,871 through the payment of bond and note principal.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* excluding fiduciary funds using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- ❑ Governmental Activities – All of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation, food service operation and extracurricular activities.

Green Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the special revenue fund emergency levy.

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2004 compared to 2003:

(Table 1)
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Current and Other Assets	\$ 3,490,253	\$ 3,801,825
Capital Assets	2,665,771	2,931,951
Total Assets	6,156,024	6,733,776
Liabilities		
Long-Term Liabilities	1,335,134	1,434,389
Other Liabilities	3,879,164	3,852,949
Total Liabilities	5,214,298	5,287,338
Net Assets		
Invested in Capital		
Assets Net of Debt	2,306,900	2,931,951
Restricted	287,637	225,449
Unrestricted (Deficit)	(1,652,811)	(1,710,962)
Total Net Assets	\$ 941,726	\$ 1,446,438

Green Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

Total assets decreased by \$504,712. This decrease was caused primarily by the district spending \$238,874 more than it received and the district spent the \$270,000 spending reserve fund for budget stabilization.

Total liabilities decreased by approximately \$73,000, this amount immaterial.

Table 2 shows the changes in net assets for fiscal year 2004. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the District's financial status and possibly project future problems.

(Table 2)
Changes in Net Assets

<i>Program Revenues:</i>	
Charges for Services	\$ 1,018,400
Operating Grants	488,991
<i>General Revenue:</i>	
Property Taxes	3,593,543
Grants and Entitlements	5,606,776
Other	<u>163,296</u>
<i>Total Revenues</i>	10,871,006
 <i>Program Expenses</i>	
Instruction	6,505,966
Support Services	4,008,260
Extracurricular Activities	395,572
Interest and Fiscal Charges	27,539
Food Services	374,346
Uniform School Supplies	<u>64,035</u>
<i>Total Expenses</i>	<u>11,375,718</u>
 Increase (Decrease) in Net Assets	 <u><u>\$ (504,712)</u></u>

Green Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenue and expenditures over the next five years. In November of 2002, the School District successfully passed a four-year \$640,000 emergency levy. The School District has 32.75 mills in continuing operating levies reduced to 22.69 effective mills for Class I residential/agricultural real estate property.

Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental activity had total revenues of \$10.9 million and expenses of \$11.4 million. Comparisons to 2003 have not been made since they are not available.

(Table 3)
Governmental Activities

	2004	
	Total Cost of Service	Net Cost of Service
Instruction	\$ 6,505,966	\$ (5,667,182)
Support Services:		
Pupil and Instructional Staff	749,847	(695,121)
Board of Education, Administration		
Fiscal and Business	1,496,127	(1,464,800)
Operation and Maintenance of Plant	979,379	(979,379)
Pupil Transportation and Central	782,907	(758,724)
Extracurricular Activities	395,572	(269,969)
Interest Charges	27,539	(27,539)
Food Service Operations	374,346	1,973
Uniform Supplies	64,035	(7,586)
Total	\$ 11,375,718	\$ (9,868,327)

Property taxes made up 32.9% of total revenues for governmental activities for Green Local School District in fiscal year 2004. Program revenues for governmental activities provided 13.3% of governmental revenues with over 86.7% of all governmental activities supported through property taxes, grants and entitlements, and other general revenues. The 52.3% provided by the grants and entitlements portion of general revenues includes monies received from the Ohio Department of Education, State Foundation Program, and property tax relief such as the homestead exemptions and rollbacks provided by HB920. The community, through its willingness to provide property tax revenues and educational support for students, is by far the primary support for Green Local School District students, but this low wealth district depends heavily on financial support from the State of Ohio through its basic per pupil and Parity Aide funding.

Green Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

General Fund Budgeting Highlights

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

During the course of fiscal year 2004, there were minor amendments to the School District's total general fund budget. The School District uses site-based budgeting and the budgeting system which are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budgeted revenues and other financing sources were \$9.454 million, above original budget estimates of \$9.437 million. The actual revenues and other financing sources were \$10.9 million, which was \$1.446 million higher than the final budgeted revenues. The variance between the original budgeted revenue, final budgeted revenue, and actual revenues is the area of adjustments for initial Governmental Accounting Standards Board Statements No. 34 standard reporting.

General fund original appropriations and other financing uses of \$10.665 million were increased to \$10.886 million in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$11.4 million.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School District had \$2.7 million invested in land, buildings, equipment, vehicle, library and textbooks. Table 4 shows fiscal year 2004 balances net of depreciation.

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

	<u>Governmental Activities</u>
	2004
Land	\$ 66,992
Land Improvements	26,356
Buildings and Improvements	1,749,909
Furniture and Equipment	396,627
Vehicles	425,887
	\$ 2,665,771
Totals	

The approximately \$266,180 decrease in capital assets was attributable to depreciation expense exceeding additional purchases and disposals.

Green Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

Debt

At June 30, 2004, the School District had \$110,000 in bonds outstanding with \$110,000 due within one year. During fiscal year 2004, \$100,000 of general obligation bonds were retired. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt, at June 30

	2004	2003
General Obligation Bonds:		
Energy Conservation	\$ 110,000	\$ 210,000

The proceeds of the 1995 bond issues were utilized for HB 264 Energy Conservation projects including the replacement of elementary and middle school boilers and lighting.

At June 30, 2004, the School District had \$248,870 in notes outstanding with \$18,681 due within one year. During fiscal year 2004, \$17,606 of notes were retired. Table 6 summarizes bonds outstanding.

(Table 6)
Outstanding Debt, at June 30

	2004	2003
General Obligation Notes:		
Energy Conservation	\$ 248,870	\$ 266,476

The proceeds of the 1999 issuance of notes were utilized for HB 264 Energy Conservation projects including the replacement of high school boilers and lighting.

Current Issues

Green Local School District has continued to maintain the highest standards of service to our students, parents and community. Our 2004 report card from the State of Ohio has bestowed the rank of "EXCELLENT" by virtue of obtaining 17 out of 18 proficiency standards. It is a credit to our students, parents, teachers, and administrators who value the highest educational standards.

The School District is always presented with challenges and opportunities. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. We have limited local industry, but are experiencing some residential growth as farmland is being subdivided into development opportunities.

The recent failure of a very important bond issue to participate in the Expedited Ohio School Facilities Commission plan to build three new schools and remodel the current high school into a middle school facility at a proportional 69% state funding and 31% local funding is an example of a challenge as well as an opportunity. The Board of Education continues to research an acceptable community plan to take advantage of this opportunity. Another example of a challenge is seen in low interest rates being very good for issuing debt, but not attractive for maintaining investment revenues.

Green Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

And finally, action of the local and state governments continue to impact the School District. Recent legislation in Ohio eliminates inventory tax over the next ten years with no provision to replace this lost revenue source plus the School District loses approximately \$20,000 annually due to a decrease in tangible personal property taxes. These changes by the State government are intended to increase statewide business opportunities.

Green Local School District receives approximately 69% of its general fund revenue from the State of Ohio. The School District does receive additional revenue for increased enrollment, but 2004 showed a decrease in enrollment. Future projections also show a decreased enrollment that will in turn decrease our State share. The enrollment is artificially leveled by acceptance of open enrollment students from neighboring districts to the extent that the teacher/student ratio remains constant.

The School District has a history of local property tax support from its constituents. Since 1964, only 5 out of 33 ballot issues have failed in the Green Local School District (Wayne County). The last emergency levy was passed in November, 2002 for \$640,000 for four years. The five-year forecast projects a deficit in fiscal year 2007 of approximately \$400,000. With House Bill 920 current levies do not provide inflationary revenue growth as valuation increases, with the exception of inside millage and new construction. Thus, as a School District nearing the 20 mill floor and facing a decline in State Foundation level of support, the Board of Education must now debate a request for new tax increases to maintain a constant level of service.

The School District has cut \$249,000 from its budget in order to maintain a positive balance in fiscal year 2005 by not replacing three retiring teachers and three support staff members, reductions in health care premiums negotiations, and by monitoring instructional supplies and equipment, leaves of absence, fieldtrips, and utility usage.

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Joanna Haberbush, Treasurer of Green Local School District, Post Office Box 438, Smithville, OH 44677.

Green Local School District (Wayne County)

Statement of Net Assets

June 30, 2004

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 294,935
Receivables:	
Taxes	3,181,986
Accounts	13,332
Nondepreciable Capital Assets	66,992
Depreciable Capital Assets (Net)	<u>2,598,779</u>
<i>Total Assets</i>	<u>6,156,024</u>
Liabilities	
Accounts Payable	35,800
Accrued Wages and Benefits	997,196
Intergovernmental Payable	272,262
Deferred Revenue	2,573,906
Long Term Liabilities:	
Due Within One Year	239,356
Due Within More Than One Year	<u>1,095,778</u>
<i>Total Liabilities</i>	<u>5,214,298</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,306,900
Restricted for:	
Capital Projects	42,023
Other Purposes	245,614
Unrestricted	<u>(1,652,811)</u>
<i>Total Net Assets</i>	<u>\$ 941,726</u>

See accompanying notes to the basic financial statements.

Green Local School District (Wayne County)
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 4,740,310	\$ 554,716	\$ 46,674	\$ (4,138,920)
Special	1,001,640	0	219,695	(781,945)
Vocational	249,690	0	17,699	(231,991)
Other	514,326	0	0	(514,326)
Support services:				
Pupils	387,075	0	18,995	(368,080)
Instructional staff	362,772	0	35,731	(327,041)
Board of education	105,218	0	25,628	(79,590)
Administration	1,035,433	0	8,962	(1,026,471)
Fiscal	355,476	0	(3,263)	(358,739)
Operation and maintenance of plant	979,379	0	0	(979,379)
Pupil transportation	630,489	0	12,183	(618,306)
Central	152,418	0	12,000	(140,418)
Food Service Operations	374,346	281,632	94,687	1,973
Uniform Supplies	64,035	56,449	0	(7,586)
Extracurricular activities	395,572	125,603	0	(269,969)
Debt service:				
Interest and fiscal charges	27,539	0	0	(27,539)
Total Governmental Activities	\$ 11,375,718	\$ 1,018,400	\$ 488,991	(9,868,327)

General Revenues

Property Taxes Levied for:

General Purposes	3,501,672
Capital Outlay	91,871

Grants and Entitlements not Restricted to Specific Programs	5,606,776
Investment Earnings	11,068
Miscellaneous	152,228

Total General Revenues 9,363,615

Change in Net Assets (504,712)

Net Assets Beginning of Year (Restated Note 3) 1,446,438

Net Assets End of Year \$ 941,726

See accompanying notes to the basic financial statements.

Green Local School District (Wayne County)
Balance Sheet
Governmental Funds
June 30, 2004

	General	Emergency Levy Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 51,646	\$ 0	\$ 233,145	\$ 284,791
Cash and Cash Equivalents:				
Restricted Cash	10,144	0	0	10,144
Receivables:				
Taxes	2,513,294	589,284	79,408	3,181,986
Accounts	26	0	13,306	13,332
Interfund	16,076	0	1,149	17,225
<i>Total Assets</i>	<u>\$ 2,591,186</u>	<u>\$ 589,284</u>	<u>\$ 327,008</u>	<u>\$ 3,507,478</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 17,708	\$ 0	\$ 18,092	\$ 35,800
Accrued Wages and Benefits	982,217	0	14,979	997,196
Interfund Payable	0	0	17,225	17,225
Intergovernmental Payable	176,353	0	2,725	179,078
Deferred Revenue	2,093,093	490,760	66,132	2,649,985
<i>Total Liabilities</i>	3,269,371	490,760	119,153	3,879,284
Fund Balances				
Fund Balance:				
Reserved for Encumbrances	29,797	0	24,099	53,896
Reserved for Tax Revenue Unavailable for Appropriation	420,201	98,523	13,276	532,000
Reserved for Capital Improvements/Maintenance	10,144	0	0	10,144
Undesignated, Unreserved Reported in:				
General Fund	(1,138,327)	0	0	(1,138,327)
Special Revenue Funds	0	1	154,016	154,017
Capital Projects Funds	0	0	16,464	16,464
<i>Total Fund Balances</i>	<u>(678,185)</u>	<u>98,524</u>	<u>207,855</u>	<u>(371,806)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 2,591,186</u>	<u>\$ 589,284</u>	<u>\$ 327,008</u>	<u>\$ 3,507,478</u>

See accompanying notes to the basic financial statements.

Green Local School District (Wayne County)
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 June 30, 2004*

Total Governmental Fund Balances		\$ (371,806)
<i>Amounts reported for governmental activities in the statement of net assets are different because.</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		2,665,771
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Delinquent Property Taxes	76,079	76,079
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	(358,871)	
Compensated Absences	(873,123)	
Early Retirement Incentive	(103,140)	
Intergovernmental Payable	(93,184)	(1,428,318)
Net Assets of Governmental Activities		\$ 941,726

See accompanying notes to the basic financial statements.

Green Local School District (Wayne County)
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Emergency Levy Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,827,522	\$ 677,335	\$ 89,972	\$ 3,594,829
Intergovernmental	5,495,087	75,526	525,154	6,095,767
Investment income	9,871	0	1,197	11,068
Tuition and fees	524,538	0	77,402	601,940
Extracurricular activities	0	0	134,828	134,828
Charges for services	0	0	281,632	281,632
Miscellaneous	4,241	(13)	148,000	152,228
<i>Total Revenues</i>	8,861,259	752,848	1,258,185	10,872,292
Expenditures:				
Current:				
Instruction:				
Regular	3,831,251	689,475	218,557	4,739,283
Special	783,128	0	243,434	1,026,562
Vocational	232,843	0	14,233	247,076
Other	514,326	0	0	514,326
Support services:				
Pupils	360,732	0	15,189	375,921
Instructional staff	324,670	0	34,267	358,937
Board of education	70,974	0	34,244	105,218
Administration	959,470	0	10,024	969,494
Fiscal	306,512	11,141	8,458	326,111
Operation and maintenance of plant	794,038	0	0	794,038
Pupil transportation	569,684	0	10,605	580,289
Central	140,254	0	12,000	152,254
Food Service Operations	0	0	354,049	354,049
Uniform Supplies	0	0	64,035	64,035
Extracurricular activities	268,192	0	134,728	402,920
Capital outlay	2,564	0	9,389	11,953
Debt service:				
Principal retirement	0	0	117,606	117,606
Interest and fiscal charges	0	0	27,539	27,539
<i>Total Expenditures</i>	9,158,638	700,616	1,308,357	11,167,611
<i>Excess of Revenues Over (Under) Expenditures</i>	(297,379)	52,232	(50,172)	(295,319)
Other Financing Sources (Uses):				
Transfers in	102,513	0	145,145	247,658
Transfers out	(181,383)	0	(66,275)	(247,658)
<i>Total Financing Sources and (Uses)</i>	(78,870)	0	78,870	0
<i>Net Change in Fund Balance</i>	(376,249)	52,232	28,698	(295,319)
<i>Fund balance (deficit) at beginning of year - (Restated Note 3)</i>	(301,936)	46,292	179,157	(76,487)
<i>Fund balance (deficit) at end of year</i>	\$ (678,185)	\$ 98,524	\$ 207,855	\$ (371,806)

See accompanying notes to the basic financial statements.

Green Local School District (Wayne County)
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds	\$	(295,319)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Fixed Asset Additions	88,382	
Current Year Depreciation	<u>(141,486)</u>	(53,104)
Net effect of transactions involving sale of capital assets are not reflected in the funds.		(213,076)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	<u>(1,286)</u>	(1,286)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Bond Principal		117,606
Some expenses reported in the statement of net activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	(62,335)	
Early Retirement Incentive	27,403	
Pension Obligation	<u>(24,601)</u>	(59,533)
Change in Net Assets of Governmental Activities	\$	<u>(504,712)</u>

See accompanying notes to the basic financial statements.

Green Local School District (Wayne County)
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 2,547,386	\$ 2,678,688	\$ 2,590,201	\$ (88,487)
Intergovernmental	5,404,255	5,682,811	5,495,087	(187,724)
Investment Income	9,691	10,191	9,854	(337)
Tuition and Fees	515,868	542,457	524,538	(17,919)
Rentals	2,155	2,266	2,191	(75)
Miscellaneous	1,208	1,270	1,228	(42)
<i>Total Revenues</i>	<u>8,480,563</u>	<u>8,917,683</u>	<u>8,623,099</u>	<u>(294,584)</u>
Expenditures:				
Current				
Instruction	5,227,991	5,244,981	5,317,892	(72,911)
Support Services				
Pupils	271,884	275,922	276,559	(637)
Instructional Staff	332,964	337,910	338,690	(780)
Board of Education	65,573	66,547	66,701	(154)
Administration	840,279	852,760	854,728	(1,968)
Fiscal	231,922	235,367	235,910	(543)
Operation and Maintenance of Plant	778,390	789,952	791,775	(1,823)
Pupil Transportation	557,146	565,422	566,727	(1,305)
Central	137,883	139,931	140,254	(323)
Extracurricular Activities	256,645	260,457	261,058	(601)
Capital Outlay	1,734	1,760	1,764	(4)
<i>Total Expenditures</i>	<u>8,702,411</u>	<u>8,771,009</u>	<u>8,852,058</u>	<u>(81,049)</u>
Excess of Revenues Over (Under) Expenditures	(221,848)	146,674	(228,959)	(375,633)
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	848	848	848	0
Refund of Prior Year Expenditures	33,286	33,286	33,286	0
Advances In	4,544	4,544	4,544	0
Advances Out	(17,225)	(17,225)	(17,225)	0
Operating Transfers In	102,513	102,513	102,513	0
Operating Transfers Out	(181,383)	(181,383)	(181,383)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(57,417)</u>	<u>(57,417)</u>	<u>(57,417)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(279,265)	89,257	(286,376)	(375,633)
<i>Fund Balance (Deficit) at Beginning of Year</i>	231,688	231,688	231,688	0
Prior Year Encumbrances Appropriated	68,972	68,972	68,972	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 21,395</u>	<u>\$ 389,917</u>	<u>\$ 14,284</u>	<u>\$ (375,633)</u>

See accompanying notes to the basic financial statements.

Green Local School District (Wayne County)
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Emergency Levy - Special Revenue
 For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 617,492	\$ 625,090	\$ 625,090	\$ 0
Intergovernmental	74,608	75,526	75,526	0
<i>Total Revenues</i>	<u>692,100</u>	<u>700,616</u>	<u>700,616</u>	<u>0</u>
Expenditures:				
Current				
Instruction	629,823	689,509	689,474	35
Support Services				
Fiscal	10,177	11,142	11,142	0
<i>Total Expenditures</i>	<u>640,000</u>	<u>700,651</u>	<u>700,616</u>	<u>35</u>
Excess of Revenues Over (Under) Expenditures	52,100	(35)	0	35
<i>Fund Balance (Deficit) at Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 52,100</u>	<u>\$ (35)</u>	<u>\$ 0</u>	<u>\$ 35</u>

See accompanying notes to the basic financial statements.

Green Local School District (Wayne County)
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2004

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ <u>62,217</u>
Liabilities	
Accounts Payable	\$ 352
Undistributed Monies	<u>61,865</u>
<i>Total Liabilities</i>	<u>\$ 62,217</u>

See accompanying notes to the basic financial statements.

Green Local School District (Wayne County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 1 – Description of the School District

The Green Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under a locally-elected five member board form of government and provides educational services as authorized and mandated by state and federal agencies. Average daily membership on, or as of, October 1, 2003, was 1,383. The School District employs 104 certificated and 59 non-certificated employees.

Reporting Entity

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

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

Management believes the financial statements included in the report represent all of the funds of the School District over which the School District has the ability to exercise direct operating control.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

Green Local School District (Wayne County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

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

B. Fund Accounting

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

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

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

Emergency Levy – Special Revenue Fund A fund provided to account for the proceeds of a special levy. Such levy is necessary to satisfy a district's emergency needs or to prevent school closings.

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

Green Local School District (Wayne County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non fiduciary assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

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

Fiduciary funds are reported using the economic resources measurement focus and are excluded from the Government-Wide Financial Statements.

D. Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District

Green Local School District (Wayne County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Cash and Cash Equivalents

To improve cash management, 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 Cash Equivalents" on the financial statements.

During fiscal year 2004, investments were limited to repurchase agreements and certificates of deposit. These nonparticipating investment contracts are reported at cost.

The District has also invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

For presentation on the financial statements, investments of the cash management pool and investments with maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$9,871, which includes \$4,911 assigned from other School District funds.

Green Local School District (Wayne County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts required by statute to be set aside for the purchase of textbooks and capital improvements. See Note 19 for additional information regarding set-asides.

G. Capital Assets

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 Years
Buildings and Improvements	10 - 50 Years
Furniture and Fixtures	5 - 20 Years
Vehicles	8 Years
Library and Textbooks	6 Years

H. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Green Local School District (Wayne County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Sick leave benefits are accrued as a liability using the termination method. The liability includes the employees who are eligible to receive termination benefits and those the School District had 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 entire compensated absence liability is reported on the government-wide financial statements.

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

I. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

J. Net Assets

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

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

K. Fund Balance Reserves

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

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

Green Local School District (Wayne County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

L. Interfund Activity

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

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2004.

N. 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.

O. Budgetary Data

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

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

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

Green Local School District (Wayne County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

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

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

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

Note 3 – Change in Accounting Principle and Restatement of Fund Balances/Net Assets

Changes in Accounting Principles For fiscal year 2004, the School District has implemented GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 41, “Budgetary Comparison Schedules - Perspective Differences”, and GASB Interpretation No. 6 “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

GASB 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

Green Local School District (Wayne County)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Restatement of Prior Year Fund Balance It was determined that the revenues generated by the enterprise funds were not sufficient to cover the costs of the program. Additionally, there was no debt pledged nor were any laws or regulations requiring cost be recovered through fees and charges. Therefore, it was determined that special revenue fund type is a more appropriate classification. Accordingly, effective July 1, 2003, the entire enterprise fund type has been eliminated and reclassified to the special revenue fund type. These restatements had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. Additionally, the historical cost of capital assets as of June 30, 2003 was restated because of a change in the capitalization threshold due to the new reporting model. The capital assets historical cost decreased \$295,473 due to this change. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Emergency Levy	Nonmajor	Governmental Activities Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances, June 30, 2003	\$ (301,936)	\$ 46,292	\$ 197,009	\$ (58,635)
Fund Reclassification	0	0	(17,852)	(17,852)
Restated Fund Balances, June 30, 2003	<u>\$ (301,936)</u>	<u>\$ 46,292</u>	<u>\$ 179,157</u>	<u>(76,487)</u>
GASB 34 Adjustments:				
Capital Assets Historical costs				6,854,897
Capital Assets Accumulated Depreciation				(3,922,946)
Compensated Absences				(810,788)
Intergovernmental Payables				(68,583)
Early Retirement Incentives				(130,543)
Long-Term (Deferred) Assets				77,365
Long-Term Debt				<u>(476,477)</u>
Governmental Activities Net Assets, June 30, 2003				<u>\$ 1,446,438</u>

	Business-Type Activities
	<u> </u>
Net Assets, June 30, 2003	\$ (17,852)
Fund Reclassification	17,852
Adjusted Net Assets, June 30, 2003	<u>\$ 0</u>

Note 4 – Fund Deficits

Fund balances/net assets at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
General Fund	\$ 678,185
Nonmajor Governmental Funds:	
Food Services	3,919
Title I	2,943

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

Green Local School District (Wayne County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 5 – Budgetary Basis of Accounting

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

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

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

Net Change in Fund Balance

	General	Emergency Levy
GAAP Basis	\$ (376,249)	\$ 52,232
Net Adjustment for Revenue Accruals	(199,483)	(52,232)
Net Adjustment for Expenditure Accruals	336,411	0
Adjustment for Encumbrances	<u>(47,055)</u>	<u>0</u>
Budget Basis	<u>\$ (286,376)</u>	<u>\$ 0</u>

Note 6 – Deposits and Investments

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

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

Green Local School District (Wayne County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

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

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

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

1. United States Treasury bills, notes, bonds, or any other obligations 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 other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed 30 days in securities listed above that mature within five years from the date of settlement;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25 % of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Green Local School District (Wayne County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

The following information classifies deposits and investments by categories of custodial risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits - At fiscal year-end, the carrying amount of the School District's deposits was \$196,750 and the bank balance was \$211,968. The School District also has \$125 in petty cash funds. Of the bank balance:

1. \$100,000 was covered by federal depository insurance.
2. \$111,968 was covered by collateral held by a qualified third party trustee not in the name of Green Local School District.

Investments – GASB Statement No. 3 requires the School District's investments to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents, and investments on the combined basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Government Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications of deposits and investment presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement #9	\$ 357,152	\$ 0
Investments of the Cash Management Pool:		
STAROhio	(160,277)	(160,277)
Cash on hand	(125)	0
GASB Statement #3	<u>\$ 196,750</u>	<u>\$ (160,277)</u>

Green Local School District (Wayne County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at 25 % of true value for capital assets and 24 % of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Green Local School District (Wayne County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

The School District receives property taxes from Wayne County. The Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004, was \$420,201 in the General Fund, \$98,523 in the Emergency Fund, and \$13,276 in the Permanent Improvement Capital Projects Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2004 taxes were collected are:

The property valuation consisted of:	
Real Property - 2004	
Residential/Agricultural	\$ 93,292,990
Commerical/Agricultural	10,529,880
Public Utilities	71,370
Manufactured Homes	167,080
Tangible Personal Property - 2003	
General	5,364,073
Public Utilities	4,922,280
Total valuation	<u>\$ 114,347,673</u>

Note 8 - Receivables

Receivables at June 30, 2004, consisted of taxes and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

Green Local School District (Wayne County)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Restated Balance 6/30/03	Additions	Reductions	Balance 6/30/04
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 66,992	\$ 0	\$ 0	\$ 66,992
 <i>Capital Assets, being depreciated:</i>				
Land Improvements	361,205	0	(18,706)	342,499
Buildings and Improvements	3,548,406	0	(215,053)	3,333,353
Furniture and Equipment	1,513,109	30,894	(207,500)	1,336,503
Vehicles	1,365,185	57,488	(611,200)	811,473
	<u>6,787,905</u>	<u>88,382</u>	<u>(1,052,459)</u>	<u>5,823,828</u>
Total Capital Assets, being depreciated				
 Less Accumulated Depreciation:				
Land Improvements	(334,849)	0	18,706	(316,143)
Buildings and Improvements	(1,697,540)	(92,362)	206,458	(1,583,444)
Furniture and Equipment	(1,045,698)	(32,428)	138,250	(939,876)
Vehicles	(844,859)	(16,696)	475,969	(385,586)
	<u>(3,922,946)</u>	<u>(141,486)</u>	<u>839,383</u>	<u>(3,225,049)</u>
Total Accumulated Depreciation				
Total Capital Assets being depreciated, net	<u>2,864,959</u>	<u>(53,104)</u>	<u>(213,076)</u>	<u>2,598,779</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,931,951</u>	<u>\$ (53,104)</u>	<u>\$ (213,076)</u>	<u>\$ 2,665,771</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 83,584
Special	73
Support Services:	
Pupil	1,982
Instructional Staff	647
Administration	1,854
Fiscal	405
Operation and Maintenance of Plant	22,406
Pupil Transportaion	16,696
Central	164
Operation of non instructional	1,384
Extracurricular Activities	12,291
	<u> </u>
Total Depreciation	<u>\$ 141,486</u>

Green Local School District (Wayne County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 10 – 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. The School District has a comprehensive property and casualty policy with Selective Insurance Company. The deductible is \$1,000 per incident on the property and \$250 per incident on equipment. All vehicles are also insured with the Selective Insurance Company and have a \$500 deductible. All board members, administrators, and employees are covered under a school district liability policy with the Ohio School Plan. The limits of this coverage are \$1,000,000 per occurrence and \$3,000,000 per aggregate. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. All the board members and the superintendent have a \$20,000 position bond with the Travelers Casualty and Surety Company of America.

The treasurer is covered under a surety bond in the amount of \$20,000. This bond is provided by the Travelers Casualty and Surety Company of America.

B. Workers' Compensation

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The School District is a member of the Shakley Group Rating System. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

C. Employee Medical Benefits

Medical and prescription coverage is provided as a Comprehensive Major Medical program through Medical Mutual with the Wayne County Schools Consortium. Monthly family premiums are \$813.00 and monthly single premiums are \$301,552 for Administrative and Certified Staff in addition to Classified Staff who qualify with an average 25 hours per work week. Employee premium share is 13% as protected by a premium only 125 plan.

Dental coverage is provided through Oasis Trust as administered by CoreSource. Monthly premiums are \$71.00 for family or single coverage. Employee premium share is 13% by a premium only 125 plan.

Note 11 - Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute 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 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the

Green Local School District (Wayne County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

remainder being use to fund health care benefits; for fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$174,432, \$170,280, and \$167,484 respectively; 51% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002.

B. State Teachers Retirement System

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

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

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10% of their annual covered salaries. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

Green Local School District (Wayne County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$683,568, \$663,648, and \$662,016 respectively. Contributions to the DC and Combined Plans for fiscal year 2004 were \$2,006 made by the School District and \$4,489 made by the plan members. \$121,316 represents the unpaid contribution for fiscal year 2004, and is recorded as a liability within the respective funds, 18% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

Note 12 - Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$48,826 during the 2004 fiscal year.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, the health care costs paid by STRS were \$368,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2003, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$115,846.

Green Local School District (Wayne County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,803 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS had approximately 62,000 participants currently receiving health care benefits.

Note 13 – Other Employee Benefits

A. Life Insurance

The School District provides term life insurance to employees through Medical Life Insurance Company in the amount of \$35,000 for all eligible employees. Employees with less than an average 25-hour work week are eligible for \$17,000 term life insurance. Term life insurance is provided at a rate of \$.17/\$1,000/month.

B. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators, who are contracted to work no less than 12 months, earn 10 to 20 days of vacation per year depending upon length of service. Teachers and Administrators who work less than 12 months do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-quarter days per month cumulated to a limit of 242 days. Upon retirement, certified and classified employees with 10 years or more of service to the School District may receive severance for 25% of accrued and unused sick leave.

Green Local School District (Wayne County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 14 - Long - Term Obligations

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

	Outstanding 6/30/2003	Additions	Reductions	Outstanding 6/30/2004	Due in One Year
Governmental Activities:					
General Obligation Bonds:					
Energy Conservation 5.95%	\$ 210,000	\$ 0	\$ 100,000	\$ 110,000	\$ 110,000
Total General Obligation Bonds	210,000	0	100,000	110,000	110,000
Notes Payable:					
Perm Improvements - 5.75%	266,477	0	17,606	248,871	18,244
Total Notes Payable	266,477	0	17,606	248,871	18,244
Compensated Absences	879,371	29,127	35,375	873,123	7,972
Early Retirement Incentive	130,543	68,839	96,242	103,140	103,140
Total Governmental Activities Long-Term Liabilities	<u>\$ 1,486,391</u>	<u>\$ 97,966</u>	<u>\$ 249,223</u>	<u>\$ 1,335,134</u>	<u>\$ 239,356</u>

Outstanding general obligation bonds consists of school building construction issues.

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the general fund and respective funds.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2004 are as follows:

Fiscal Year Ending June 30, 2004	Notes Payable			General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 18,244	\$ 14,351	\$ 32,595	\$ 110,000	\$ 6,600	\$ 116,600
2006	19,293	13,302	32,595	0	0	0
2007	20,403	12,192	32,595	0	0	0
2008	21,576	11,019	32,595	0	0	0
2009	22,817	9,778	32,595	0	0	0
2010 - 2014	135,336	27,639	162,975	0	0	0
2015 - 2019	11,202	685	11,887	0	0	0
Total	<u>\$ 248,871</u>	<u>\$ 88,966</u>	<u>\$ 337,837</u>	<u>\$ 110,000</u>	<u>\$ 6,600</u>	<u>\$ 116,600</u>

Green Local School District (Wayne County)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Note 15 - Deferred Revenue

Deferred revenue consisted of the following:

	<u>Statement of Net Assets</u>	<u>Balance Sheet</u>
Property Taxes Receivable	\$ 2,573,906	\$ 2,649,985

Note 16 - Interfund Transfers

Interfund balances at June 30, 2004, consist of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 16,076	\$ 0
Capital Projects	1,149	0
Special Revenue Fund:		
Food Service	0	17,225
	<u>\$ 17,225</u>	<u>\$ 17,225</u>

Note 17 - Jointly Governed Organizations

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 22 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports TCCSA based upon a per pupil charge dependent upon the software package utilized. The TCCSA council of governments consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by an executive committee chosen from the general membership of the TCCSA council of governments. The executive committee consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Ashland - Wayne County Education Services Center, which serves as fiscal agent, located at 2534 Burbank Road, Wooster, Ohio 44691. During the year ended June 30, 2004, the District paid approximately \$31,446 to TCCSA for basic service charges.

Note 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at year end.

Green Local School District (Wayne County)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

B. Litigation

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

C. School Funding

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "the Ohio General Assembly to enact a school funding scheme that is thorough and efficient". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

Note 19 – Subsequent Events

On July 19, 2005, the Board approved the purchase of four school buses for approximately \$56,600 each. On the same date, the Board also approved a roofing lease proposal to finance the Smithville High School roof replacement cost of \$77,000 over a five year period.

Note 20 - Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Budget Stabilizaion
Set-Aside Carryover Balance as of June 30, 2003	\$ 0	\$ (60,717)	\$ 274,452
Current Year Set-Aside Requirement	184,771	184,771	0
Current Year Offsets	0	0	(274,452)
Qualifying Disbursements	(174,627)	(128,167)	0
Total	<u>\$ 10,144</u>	<u>\$ (4,113)</u>	<u>\$ 0</u>

The School District had qualifying disbursements during the year that reduced the textbook reserve set-asides below zero. These extra amounts may be used to reduce the set-aside requirement in future fiscal years.

Green Local School District (Wayne County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 21- Financial Conditions Concerns

The General Fund Balance Sheet has a deficit balance of \$678,185 and the budgetary General Fund has a \$21,395 fund balance.

The School District has a history of local property tax support from its constituents. Since 1964, only 5 out of 33 ballot issues have failed in the Green Local School District (Wayne County). The last emergency levy was passed in November, 2002 for \$640,000 for four years. The five-year forecast projects a deficit in fiscal year 2007 of approximately \$400,000. With House Bill 920 current levies do not provide inflationary revenue growth as valuation increases, with the exception of inside millage and new construction. Thus, as a School District nearing the 20 mill floor and facing a decline in State Foundation level of support, the Board of Education must now debate a request for new tax increases to maintain a constant level of service.

The School District has cut \$249,000 from its budget in order to maintain a positive balance in fiscal year 2005 by not replacing three retiring teachers and three support staff members, reductions in health care premiums negotiations, and by monitoring instructional supplies and equipment, leaves of absence, fieldtrips, and utility usage.

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

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

March 31, 2005

To the Board of Education
Green Local School District
Smithville, Ohio 44272

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Green Local School District as of and for the year ended June 30, 2004, which collectively comprise the District's basis financial statements and have issued our report thereon dated March 31, 2005, which included an explanatory paragraph regarding the accounting change to GASB 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Green Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that we have reported to management of Green Local School District in a separate letter dated March 31, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Green Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Green Local School District in a separate letter dated March 31, 2005.

This report is intended solely for the information and use of the Board of Education, management, and others within the district and is not intended to be and should not be used by anyone other than those specified parties.

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

March 31, 2005

The Board of Education
Green Local School District
Smithville, Ohio 44272

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

Compliance

We have audited the compliance of Green Local School District with the type of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Green Local School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Green Local School District's management. Our responsibility is to express an opinion on Green Local School District's compliance based on our audit.

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

In our opinion, Green Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control over Compliance

The management of Green Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Green Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses

Schedule of Expenditures of Federal Awards - Non-GAAP Budgetary Basis

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Green Local School District as of and for the year ended June 30, 2004, and have issued our report thereon dated March 31, 2005, which included an explanatory paragraph regarding the accounting change to GASB 34. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Rea & Associates, Inc.

GREEN LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Program Amount	Federal Receipts	Federal Disbursements	Non-Cash Disbursements
U. S. Department of Education (Passed Through State Department of Education):						
Title 1	84.010	C1-S1-03	\$ 105,781	\$ 0	\$ 30,863	\$ 0
Title 1	84.010	C1-S1-04	97,484	97,484	78,463	0
<i>Total Title 1</i>				97,484	109,326	0
IDEA Part B	84.027	6B-SF-03P	126,660	0	23,436	0
IDEA Part B	84.027	6B-SF-04P	158,550	158,550	140,001	0
<i>Total IDEA Part B</i>				158,550	163,437	0
Title V	84.298	C2-S1-04	7,288	7,288	7,288	0
Title IV-A	84.186	DR-S1-04	5,367	5,367	5,367	0
Title II-A	84.367	TR-S1-04	44,310	44,310	44,310	0
Title II-D	84.318	TJ-S1-04	2,542	2,542	2,542	0
Assistive Tech Infusion Program	84.352	AT-S1-03	1,209	1,209	1,209	0
Total U.S. Department of Education				316,750	333,479	0
U. S. Department of Health & Human Services (Passed Through State Department of MRDD):						
Medical Assistance Program/CAFS	93.778			24,877	24,877	0
U. S. Department of Agriculture (Passed Through State Department of Education):						
Nutrition Cluster:						
Food Distribution Program (A)	10.550			50,729	0	50,729
National School Lunch Program (B)	10.555			89,969	89,969	0
Special Milk Program (B)	10.556			1,940	1,940	0
Total U.S. Department of Agriculture: Nutrition Cluster				142,638	91,909	50,729
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ 484,265</u>	<u>\$ 450,265</u>	<u>\$ 50,729</u>

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

**GREEN LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	IDEA Part B, 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?	Yes

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

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted



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Betty Montgomery**

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GREEN LOCAL SCHOOL DISTRICT

WAYNE 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
JUNE 21, 2005**