

Green Local School District  
Scioto County  
Single Audit  
July 1, 2003 Through June 30, 2004  
Fiscal Year Audited Under GAGAS: 2004

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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**Auditor of State  
Betty Montgomery**

Board of Education  
Green Local School District  
4070 Gallia Pike  
Franklin Furnace, Ohio 45629

We have reviewed the Independent Auditor's Report of the Green Local School District, Scioto County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period July 1, 2003 to 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

April 15, 2005

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**Green Local School District**

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Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board  
Green Local School District  
4070 Gallia Pike  
Franklin Furnace, Ohio 45629

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Green Local School District (the District), Scioto County, 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 the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2004, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3 to the basic financial statements, the District implemented Governmental Accounting Standards Board (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*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

February 28, 2005



Green Local School District  
Scioto County, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not available. Subsequent reports will include the comparative information.

**FINANCIAL HIGHLIGHTS**

- The School District's assets exceeded its liabilities at June 30, 2004 by \$1,787,787.
- The School District's net assets of governmental activities decreased \$487,690.
- General revenues accounted for \$2,952,951 in revenue or 47 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$3,322,795 or 53 percent of total revenues of \$6,275,746.
- The School District had \$6,763,436 in expenses related to governmental activities; \$3,322,795 of these expenses was offset by program specific charges for services and sales and operating grants and contributions.

**USING THIS ANNUAL FINANCIAL REPORT**

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the Green Local School District's financial situation as a whole and also give a detailed view of the School District's financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

Green Local School District  
Scioto County, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004

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**REPORTING THE SCHOOL DISTRICT AS A WHOLE**

The analysis of the School District as a whole begins with the Statement of Net Assets and the Statement of Activities. These reports provide information that will help the reader to determine whether the School District is financially improving or declining as a result of the year's financial activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes to those assets. This change informs the reader whether the School District's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the School District's financial well-being. Some of these factors include the condition of capital assets, and required educational support services to be provided.

In the Statement of Net Assets and the Statement of Activities, the School District has only one kind of activity.

- Governmental Activities. All of the School District's programs and services are reported here including instruction and support services.

**REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

The analysis of the School District's funds begins on page 7. Fund financial statements provide detailed information about the School District's major fund – not the School District as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the School District is meeting legal responsibilities for use of grants. The School District's major fund is the General Fund.

**Governmental Funds.** All 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 the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily 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 to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational support services. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Green Local School District  
 Scioto County, Ohio  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2004

**THE SCHOOL DISTRICT AS A WHOLE**

As stated previously, 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

	2004	2003 *
<b>Assets:</b>		
Current Assets	\$3,583,733	\$3,941,720
Restricted Cash	155,472	267,334
Capital Assets, Net	1,950,541	968,933
<b>Total Assets</b>	<b>5,689,746</b>	<b>5,177,987</b>
<b>Liabilities:</b>		
Current and Other Liabilities	3,500,005	2,714,815
Long-Term Liabilities	401,954	187,695
<b>Total Liabilities</b>	<b>3,901,959</b>	<b>2,902,510</b>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	1,776,034	968,933
Restricted	(162,679)	943,978
Unrestricted	174,432	362,566
<b>Total Net Assets</b>	<b>\$1,787,787</b>	<b>\$2,275,477</b>

Total net assets of the Center as a whole decreased \$487,690.

\* As Restated, See Note 3

Green Local School District  
 Scioto County, Ohio  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2004

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2003 are not available.

Table 2  
 Change in Net Assets

	2004
Revenues	
Program Revenues:	
Charges for Services	\$448,121
Operating Grants & Contributions	2,874,674
Total Program Revenues	3,322,795
General Revenues:	
Property and Other Local Taxes	1,726,820
Extracurricular Activities	55,582
Rent	50
Grants and Entitlements	725,726
Gifts and Donations	12,710
Investment Earnings	23,290
Payments in Lieu of Taxes	137,691
Other	271,082
Total General Revenues	2,952,951
Total Revenues	6,275,746
Program Expenses	
Instruction	
Regular	\$2,307,376
Special	856,715
Vocational	142,142
Adult/Continuing	1,500
Other	433,210
Support Services	
Pupil	520,670
Instructional Staff	247,667
Board of Education	22,138
Administration	613,216
Fiscal	265,612
Business	96
Operation of Maintenance and Plant	582,257
Pupil Transportation	460,602
Operation of Non-Instructional Services	236,045
Extracurricular Activities	70,633
Interest and Fiscal Charges	3,557
Total Expenses	6,763,436
Decrease in Net Assets	(487,690)
Net Assets at Beginning of Year	2,275,477
Net Assets at End of Year	\$1,787,787

Green Local School District  
 Scioto County, Ohio  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2004

**Governmental Activities**

Charges for services and sales comprised 7 percent of revenue for governmental activities, while operating grants and contributions comprised 46 percent of revenue for governmental activities of the School District for fiscal year 2004.

As indicated by governmental program expenses, instruction is emphasized. Regular Instruction comprised 34 percent of governmental program expenses with Special Instruction comprising 13 percent of governmental expenses.

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 unrestricted State entitlements and other general revenues. Comparisons to 2003 have not been made since they are not available.

Table 3  
 Total and Net Cost of Program Services  
 Governmental Activities

	<b>2004</b>	
	Total Cost of Services	Net Cost of Services
Instruction	\$3,740,943	(\$851,657)
Support Services	2,712,258	(2,468,859)
Operation of Non-Instructional Services	236,045	(69,033)
Extracurricular Activities	70,633	(47,768)
Interest and Fiscal Charges	3,557	(3,324)
Total Expenses	\$6,763,436	(\$3,440,641)

**THE SCHOOL DISTRICT'S FUNDS**

Major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$6,488,326 and expenditures and other financing uses of \$7,704,489. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General Fund decreased by \$774,640. This decrease was primarily due to the School District having lower revenues, primarily in intergovernmental and property tax revenue, than in the prior year.

**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, the School District amended its General Fund budget, but not significantly.

During 2004, there were several revisions to the General Fund budget. In part, these revisions increased estimated resources by \$116,563 and decreased appropriations by \$11,229. The Treasurer has been given the authority by the Board of Education to make line item adjustments within the budget. The General fund's ending unobligated cash balance was \$355,921 above the final budgeted amount

Green Local School District  
Scioto County, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2004, the School District had \$1,950,541 invested in its capital assets. Table 4 shows the fiscal year 2004 balances compared to 2003.

Table 4  
Capital Assets  
(Net of Accumulated Depreciation)

Governmental Activities

	2004	2003
Land	\$72,079	\$72,079
Land Improvements	0	0
Buildings and Building Improvements	1,176,898	528,228
Furniture and Equipment	500,738	209,720
Vehicles	138,218	96,298
Textbooks	62,608	62,608
Totals	<u>\$1,950,541</u>	<u>\$968,933</u>

Changes in capital assets from the prior year resulted from the addition of building improvements, vehicles and textbooks and depreciation expense. See Note 8 to the basic financial statements for more detailed information related to capital assets.

**Debt**

At June 30, 2004, the School District had one outstanding capital lease for fitness equipment. The outstanding amount totaled \$174,507.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the School District's financial condition 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 John Walsh, Treasurer, Green Local School District, 4070 Gallia Pike, Franklin Furnace, Ohio 45629.

**Green Local School District**  
**Statement of Net Assets**  
**June 30, 2004**

	<u><b>Governmental Activities</b></u>
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 1,704,669
Accounts Receivable	3,690
Intergovernmental Receivable	18,923
Taxes Receivable	1,856,451
Noncurrent Assets:	
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	155,472
Non-Depreciable Capital Assets	72,079
Depreciable Capital Assets, net	<u>1,878,462</u>
<i>Total Assets</i>	<u>5,689,746</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	24,659
Accrued Wages and Benefits	1,290,657
Intergovernmental Payable	341,757
Matured Compensated Absences Payable	12,070
Deferred Revenue	1,830,862
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	84,257
Due in More Than One Year	<u>317,697</u>
<i>Total Liabilities</i>	<u>3,901,959</u>
<b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	1,776,034
Restricted for Other Purposes	(162,679)
Restricted for Set Asides	155,472
Unrestricted	<u>18,960</u>
<i>Total Net Assets</i>	<u><u>\$ 1,787,787</u></u>

The notes to the financial statements are an integral part of this statement.

**Green Local School District**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2004**

	Expenses	Program Revenues		Net(Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$ 2,307,376	\$ 151,798	\$ 670,159	\$ (1,485,419)
Special	856,715	56,359	1,971,612	1,171,256
Vocational	142,142	9,295	662	(132,185)
Adult/Continuing	1,500	-	-	(1,500)
Other	433,210	28,464	937	(403,809)
<b>Support Services:</b>				
Pupils	520,670	34,095	4,486	(482,089)
Instructional Staff	247,667	15,717	34,952	(196,998)
Board of Education	22,138	1,450	-	(20,688)
Administration	613,216	39,907	20,445	(552,864)
Fiscal	265,612	17,345	1,829	(246,438)
Business	96	6	-	(90)
Operation and Maintenance of Plant	582,257	39,767	503	(541,987)
Pupil Transportation	460,602	32,897	-	(427,705)
Operation of Non-Instructional Services	236,045	16,024	150,988	(69,033)
Extracurricular Activities	70,633	4,764	18,101	(47,768)
Interest and Fiscal Charges	3,557	233	-	(3,324)
<b>Total Governmental Activities</b>	<b>6,763,436</b>	<b>448,121</b>	<b>2,874,674</b>	<b>(3,440,641)</b>
<b>General Revenues:</b>				
Property and Other Local Taxes				1,726,820
Rent				50
Extracurricular Activities				55,582
Grants and Entitlements not Restricted to Specific Programs				725,726
Gifts and Donations				12,710
Investment Earnings				23,290
Payments in Lieu of Taxes				137,691
Miscellaneous				271,082
<b>Total General Revenues</b>				<b>2,952,951</b>
<b>Change in Net Assets</b>				<b>(487,690)</b>
<b>Net Assets Beginning of Year (As Restated - See Note 3)</b>				<b>2,275,477</b>
<b>Net Assets End of Year</b>				<b>\$ 1,787,787</b>

The notes to the financial statements are an integral part of this statement



**Green Local School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2004**

	<u>General Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,413,942	\$ 290,727	\$ 1,704,669
Accounts Receivable	3,690	-	3,690
Intergovernmental Receivable	-	18,923	18,923
Taxes Receivable	1,856,451	-	1,856,451
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	155,472	-	155,472
<i>Total Assets</i>	<u>\$ 3,429,555</u>	<u>\$ 309,650</u>	<u>\$ 3,739,205</u>
<b>LIABILITIES:</b>			
Accounts Payable	19,629	5,030	24,659
Accrued Wages and Benefits	832,865	457,792	1,290,657
Intergovernmental Payable	101,875	10,779	112,654
Matured Compensated Absences Payable	-	12,070	12,070
Deferred Revenue	1,845,840	378	1,846,218
<i>Total Liabilities</i>	<u>2,800,209</u>	<u>486,049</u>	<u>3,286,258</u>
<b>Equity:</b>			
<b>FUND BALANCES:</b>			
<b>Reserved:</b>			
Reserved for Encumbrances	336,291	7,800	344,091
Reserved for Property Taxes	10,611	-	10,611
Reserved for Textbooks and Instructional Materials	105,761	-	105,761
Reserved for Capital Improvements	49,711	-	49,711
<b>Unreserved, Undesignated, Reported in:</b>			
General Fund	126,972	-	126,972
Special Revenue Funds	-	(184,199)	(184,199)
<i>Total Fund Balances</i>	<u>629,346</u>	<u>(176,399)</u>	<u>452,947</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 3,429,555</u>	<u>\$ 309,650</u>	<u>\$ 3,739,205</u>

The notes to the financial statements are an integral part of this statement.

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

<b>Total Governmental Fund Balances</b>		\$ 452,947
 <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.		1,950,541
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	378	
Intergovernmental	14,978	
Total		15,356
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds		(229,103)
Long-Term Liabilities, including bonds, capital lease obligations, long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences	(227,447)	
Capital Lease Obligations	(174,507)	
Total		(401,954)
<b>Net Assets of Governmental Activities</b>		<b>\$ 1,787,787</b>

The notes to the financial statements are an integral part of this statement.

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

	<u>General Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
Property and Other Local Taxes	\$ 1,711,842	-	\$ 1,711,842
Intergovernmental	2,372,868	1,227,154	3,600,022
Interest	23,063	227	23,290
Tuition and Fees	357,892	-	357,892
Rent	50	-	50
Extracurricular Activities	-	55,582	55,582
Gifts and Donations	10,000	2,710	12,710
Customer Sales and Services	-	90,229	90,229
Payments in Lieu of Taxes	137,691	-	137,691
Miscellaneous	271,079	3	271,082
<i>Total Revenues</i>	<u>4,884,485</u>	<u>1,375,905</u>	<u>6,260,390</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	1,814,544	490,054	2,304,598
Special	326,638	518,794	845,432
Vocational	139,072	1,060	140,132
Adult/Continuing	-	1,500	1,500
Other	339,308	-	339,308
<b>Support Services:</b>			
Pupils	491,371	7,211	498,582
Instructional Staff	183,810	57,155	240,965
Board of Education	22,232	-	22,232
Administration	570,854	32,582	603,436
Fiscal	272,063	2,918	274,981
Business	96	-	96
Operation and Maintenance of Plant	626,079	865	626,944
Pupil Transportation	505,392	-	505,392
Operation of Non-Instructional Services	-	256,633	256,633
Extracurricular Activities	63,335	27,576	90,911
<b>Extracurricular Activities:</b>			
Sport Oriented Activities	41	1,373	1,414
School and Public Service Co-Curricular Activities	257	-	257
Capital Outlay	436,333	458,357	894,690
<b>Debt Service:</b>			
Principal	53,429	-	53,429
Interest	3,557	-	3,557
<i>Total Expenditures</i>	<u>5,848,411</u>	<u>1,856,078</u>	<u>7,704,489</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(963,926)</u>	<u>(480,173)</u>	<u>(1,444,099)</u>
<b>OTHER FINANCING SOURCES AND USES:</b>			
Transfers	(38,650)	38,650	-
Inception of Capital Lease	227,936	-	227,936
<i>Total Other Financing Sources and Uses</i>	<u>189,286</u>	<u>38,650</u>	<u>227,936</u>
<i>Net Change in Fund Balances</i>	<u>(774,640)</u>	<u>(441,523)</u>	<u>(1,216,163)</u>
<i>Fund Balance at Beginning of Year (As Restated - See Note 3)</i>	<u>1,403,986</u>	<u>265,124</u>	<u>1,669,110</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 629,346</u>	<u>\$ (176,399)</u>	<u>\$ 452,947</u>

The notes to the financial statements are an integral part of this statement.

**Green Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities*  
**For the Fiscal Year Ended June 30, 2004**

**Net Change in Fund Balances - Total Governmental Funds** \$ (1,216,163)

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

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Asset Additions	1,084,467	
Current Year Depreciation	(102,859)	
Total	981,608	981,608

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

Taxes & Intergovernmental		15,356
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New Capital lease obligations in the statement of revenues, expenditures, and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.

(227,936)

Repayment of capital leases obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.

53,429

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

Increase in Compensated Absences	(39,752)	
Increase in Intergovernmental Payable	(54,232)	
Total	(93,984)	(93,984)

**Net Change in Net Assets of Governmental Activities** \$ (487,690)

The notes to the financial statements are an integral part of this statement.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget: Positive (Negative)</b>
	<u>Original Budget</u>	<u>Final Budget</u>		
Total Revenues and Other Sources	\$ 5,100,797	\$ 5,217,360	\$ 5,217,360	\$ -
Total Expenditures and Other Uses	<u>5,791,856</u>	<u>5,780,627</u>	<u>5,424,706</u>	<u>355,921</u>
Net Change in Fund Balance	(691,059)	(563,267)	(207,346)	355,921
Fund Balance, July 1, 2003	1,029,934	1,029,934	1,029,934	-
Prior Year Encumbrances Appropriated	<u>746,829</u>	<u>746,829</u>	<u>746,829</u>	<u>-</u>
Fund Balance, June 30, 2004	<u>\$ 1,085,704</u>	<u>\$ 1,213,496</u>	<u>\$ 1,569,417</u>	<u>\$ 355,921</u>

The notes to the financial statements are an integral part of this statement

**Green Local School District**  
**Statement of Fiduciary Net Assets**  
**Agency Fund**  
**June 30, 2004**

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	<u>Agency Fund</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>13,072</u>
LIABILITIES:	
Undistributed Monies	\$ <u>13,072</u>

The notes to the financial statements are an integral part of this statement

**Green Local School District**  
*Notes to the Basic Financial Statements*  
**For the Fiscal Year Ended June 30, 2004**

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Green Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District was established in 1926 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 36 square miles. It is located in Scioto County, and includes all of Green Township. It is staffed by 29 non-certificated employees, 54 certificated full-time teaching personnel and 3 administrative employees who provide services to 727 students and other community members. The School District currently operates three instructional buildings, one administrative building, and one maintenance building.

*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 Green Local School District, this includes general operations, food service, and student related activities of the School District.

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

The following organizations which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these organizations nor are they fiscally dependent on the School District:

- \* Boosters Clubs
- \* Parent Teacher Organizations

The School District is associated with five organizations, four of which are defined as jointly governed organizations and one as a public entity shared risk pool. These organizations are the South Central Ohio Computer Association (SCOCA), the Scioto County Joint Vocational School, the Coalition of Rural and Appalachian Schools, the Pilasco-Ross Special Education Regional Resource Center, and the Scioto County Regional Council of Governments. These organizations are presented in Notes 15 and 16 to the basic financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Green Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**A. Basis Of Presentation - Fund Accounting**

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

*Government-wide Financial Statements:*

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

The statement of net assets presents the financial condition of 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. 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 fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**B. Fund Accounting**

The School District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific School District's functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

**Governmental Funds**

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

**General Fund**

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



**Green Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

**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. The School District's only fiduciary funds are 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. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The School District's only fiduciary funds are agency funds which are used to maintain financial activity of the School District's Student Managed Activities.

**Measurement Focus**

*Government-wide Financial Statements* - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total 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.

**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. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for fiduciary funds. Differences in the accrual and 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. "Measurable" means the amount of the transaction can be determined and "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 60 days of year-end.

**Green Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

**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. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

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, except for (1) principal and interest on general long-term debt and capital lease obligations, which is recorded when due, (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees, (3) the costs related to the workers compensation retrospective rating program are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period the costs were incurred. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**C. Budgetary Process**

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

**Green Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2004.

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

**Encumbrances**

Encumbrance accounting is utilized by the School District for all funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. On the fund financial statements encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds. A reserve for encumbrance is not reported on the government-wide financial statements.

**D. Cash and Cash Equivalents**

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$23,063, and \$227 for the Food Service Fund.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

**E. Capital Assets and Depreciation**

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets 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 \$500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not capitalize interest.

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

**Green Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10-25 years
Building and Improvements	20-25 years
Furniture and Equipment	10-15 years
Vehicles	10-15 years
Textbooks	5-7 years

**F. Compensated Absences**

Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate its employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. The liability includes the employees who are currently eligible to receive severance benefits and those the School District has identified as probable of receiving payment in the future. The accrual amount is based upon accumulated sick leave and accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the School District's severance policy.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

**G. 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 judgements, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Capital leases are recognized as a liability on the government-wide financial statements when due.

**H. Fund Balance Reserves**

The School District records reservations for portions of fund equity which are legally segregated for a specific future use or which are not available for appropriation. Unreserved undesignated fund balance represents that portion of fund equity reflected for Governmental Funds, which is available for use within the specific purpose of those funds. Fund equity reserves are established for encumbrances, property taxes, textbooks, instructional materials and capital improvements.

**Green Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**I. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**J. Net Assets**

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

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

**K. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets included amounts required by statute to be set-aside by the School District for the purchase of textbooks and capital acquisition. See Note 17 for additional information regarding set-asides.

**L. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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 to the funds that initially paid for them are not presented on the financial statements. This activity is eliminated in the governmental activities column on the statement of activities.

**NOTE 3 – ACCOUNTABILITY and COMPLIANCE**

**A. Changes in Accounting Principles and Restatement of Fund Balance**

For the Fiscal year 2004, the School District has implemented Governmental Accounting Standards Board (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 Statement No. 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. Non-major funds are presented in total in one column.

The School District has also implemented Governmental Accounting Standards Board (GASB) Statement No.39, “Determining Whether Certain Organizations are Component Units.” GASB Statement No. 39 is an amendment to GASB Statement No. 14 and provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationships with the primary government. This statement had no effect on the School District for fiscal year 2004.

**Green Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

**NOTE 3 – ACCOUNTABILITY and COMPLIANCE** (continued)

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparisons for the general and each major special revenue fund. This statement had no effect on the School District for Fiscal Year 2004.

The restated fund balance amount for government programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting. The implementation of these Statements required that certain adjustments be recorded to the June 30, 2003, fund balances of major and non-major funds of the School District as they were previously reported. Also, some capital asset restatements were necessary. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Non-major	Total
Fund Balances, June 30, 2003	\$ 1,416,438	271,349	\$ 1,687,787
Corrections necessary to comply with GAAP	(12,452)	(17,259)	(29,711)
Reclassification of Food Service Fund	-	9,534	9,534
Reclassification of Scholarship Fund	-	1,500	1,500
Restated Fund Balances, June 30, 2003	\$ 1,403,986	\$ 265,124	1,669,110
Adjustments necessary to comply with GASB 34:			
Capital Assets			968,933
Compensated Absences			(187,695)
Intergovernmental Payables			(174,871)
Governmental Activities Net Assets, June 30, 2003			\$ 2,275,477

**B. Accountability - Fund Equity Deficits**

At June 30, 2004, the Food Service, Chapter One, Classroom Size Reduction, Goals 2000, D.P.I.A., and Title VI-B Special Revenue Funds had fund balance deficits of \$27,622, \$100,458, \$17,917, \$4,319, \$169,667, and \$39,021 respectively which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis); and

**Green Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING** (continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP Basis	(774,640)
Revenue Accruals	46,344
Expenditure Accruals	1,495,715
Encumbrances	(746,829)
Inception of Capital Lease	<u>(227,936)</u>
Budget Basis	<u>(207,346)</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 accounts, including passbook accounts.

Protection of the School Districts 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 deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

**Green Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of 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 \$1,812,759 and the bank balance was \$1,817,252. Of the bank balance \$100,000 was covered by federal depository insurance. \$1,717,252 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Investments** The School District's investments are required 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 the counterpart'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. The School District's investments in STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Fair/Carrying Value
STAR Ohio	<u>\$ 60,454</u>

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

	Cash and Cash Equivalents/ Deposits	Investments
	<u>                    </u>	<u>                    </u>
<i>GASB Statement No. 9</i>	\$ 1,873,213	\$ -
STAR Ohio	<u>(60,454)</u>	<u>60,454</u>
<i>GASB Statement No. 3</i>	<u>\$ 1,812,759</u>	<u>\$ 60,454</u>



**Green Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2004 for real and public utility property taxes represents collections of calendar 2003 taxes. Property tax payments received during calendar 2003 for tangible personal property (other than public utility property) is for calendar 2004 taxes.

2004 real property taxes are levied after April 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2003 public utility property taxes became a lien December 31, 2003, are levied after April 1, 2004 and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after April 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are twenty-five percent of true value.

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

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

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

	<u>2003 Second- Half Collections</u>		<u>2004 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$37,141,150	51.39%	\$37,256,230	50.25%
Public Utility	69,090	0.11%	74,670	0.10%
Tangible Personal Property	<u>39,746,250</u>	<u>48.50%</u>	<u>36,814,748</u>	<u>49.65%</u>
Total Assessed Value	<u><u>\$76,956,490</u></u>	<u><u>100.00%</u></u>	<u><u>\$74,145,648</u></u>	<u><u>100.00%</u></u>
Tax rate per \$1,000 of assessed valuation	\$24.97		\$25.07	

The School District receives property taxes from Scioto County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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 represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became 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 amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2004, was \$10,611 in the General Fund.

**Green Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2004, consisted of taxes, accounts (refunds) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Non-Major Special Revenue Funds:	<u>Amount</u>
Title VI-B	\$ 11,497
Chapter Two	378
Class Size Reduction	7,048
Total Non-Major Special Revenue Funds	<u>18,923</u>
Total All Funds	<u><u>\$ 18,923</u></u>

**NOTE 8 - CAPITAL ASSETS**

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

	Beginning Balance 06/30/2003*	Additions	Deletions	Ending Balance 6/30/04
<b><u>Governmental Activities</u></b>				
Capital Assets, Not Being Depreciated				
Land	\$72,079	\$0	\$0	\$72,079
Total Capital Assets, Not Being Depreciated	<u>72,079</u>	<u>0</u>	<u>0</u>	<u>72,079</u>
Capital Assets Being Depreciated				
Land Improvements	274,511	0	0	274,511
Buildings and Improvements	3,423,005	703,047	0	4,400,563
Furniture and Equipment	1,235,885	330,145	0	1,566,030
Vehicles	514,840	51,275	0	566,115
Textbooks	463,425	0	0	463,425
Total Capital Assets, Being Depreciated	<u>5,915,666</u>	<u>1,084,467</u>	<u>0</u>	<u>6,996,133</u>
Less Accumulated Depreciation				
Land Improvements	(274,511)	0	0	(274,511)
Buildings and Improvements	(2,894,777)	(54,377)	0	(2,949,154)
Furniture and Equipment	(1,026,165)	(39,127)	0	(1,065,292)
Vehicles	(418,542)	(9,355)	0	(427,897)
Textbooks	(400,817)	0	0	(400,817)
Total Accumulated Depreciation	<u>(5,014,812)</u>	<u>(102,859)</u>	<u></u>	<u>(5,117,671)</u>
Total Capital Assets Being Depreciated, Net	<u>896,854</u>	<u>981,608</u>	<u>0</u>	<u>1,878,462</u>
Governmental Activities Capital Assets, Net	<u>\$968,933</u>	<u>\$981,608</u>	<u>(\$0)</u>	<u>\$1,950,541</u>

\* As restated – See Note 3

**Green Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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**NOTE 8 - CAPITAL ASSETS** (continued)

Depreciation expense was charged to government functions as follows:

Instruction:	
Regular	\$74,458
Special	653
Vocational	1,788
Support Services:	
Instructional Staff	8,131
Administration	5,102
Fiscal	724
Operation and Maintenance of Plant	577
Pupil Transportation	9,458
Non-Instructional Services	1,968
Total Depreciation Expense	<u>\$102,859</u>

**NOTE 9 – RISK MANAGEMENT**

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. During fiscal year 2004, the School District contracted with Selective Insurance Company of South Carolina for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Selective Insurance Company of South Carolina are as follows:

Building and Contents-replacement cost (\$2,500 deductible)	\$16,891,343
Inland Marine Coverage (\$100 deductible)	518,066
Boiler and Machinery (\$2,500 deductible)	5,530,000
Automobile Liability (\$100 deductible)	2,000,000
Uninsured Motorists (\$100 deductible)	1,000,000
Umbrella	1,000,000
General Liability	
Per occurrence	2,000,000
Total per year	4,000,000

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

The School District is a member of the Scioto County Regional Council of Governments, a public entity shared risk pool (Note 16), consisting of school districts within the County offering medical and dental insurance to their employees. Monthly premiums are paid to the South Central Ohio Educational Service Center as fiscal agent, who in turns pays the claims on the School District's behalf. The Council is responsible for the management and operations of the program. Upon termination from the Council, for any reason, the Council shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the Plan due up to the date of termination plus extended benefits, if any, provided under the Plan. Such claims and expenses shall be paid from the funds of the Council.

Workers Compensation coverage is provided by the State of Ohio and is based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

**Green Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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**NOTE 10 - 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent 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 for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$337,222, 170,002, and \$52,703 respectively; 46 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2003 and 2002. \$182,579 represents the unpaid contribution for fiscal year 2004.

**B. State Teachers Retirement System of Ohio**

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, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The 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 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**Green Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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**NOTE 10 – PENSIONS PLANS** (continued)

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 \$267,280, \$336,976, and \$182,919 respectively; 86 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. \$36,740 represents the unpaid contribution for fiscal year 2004 and is recorded as a liability within the respective funds.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), 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 retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year-ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$47,899 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio 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 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year-ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was 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 \$144,973.

The surcharge, added to the unallocated portion of the 14 percent 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 percent of the annual health care expenses. Expenses for health care for the fiscal year-ended June 30, 2004, were \$223,443,805 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 has approximately 62,000 participants currently receiving health care benefits.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 205 days for classified personnel and 218 days for certified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 51.25 days for classified and 54.5 days for certified personnel.

**Green Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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**NOTE 12 – EMPLOYEE BENEFITS** (continued)

**B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Sun Life Financial.

**C. Deferred Compensation**

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**NOTE 13 - LONG-TERM LIABILITIES**

The changes in the School Districts long-term liabilities during fiscal year 2004 were as follows:

	Principal Outstanding 6/30/03	Additions	Deductions	Principal Outstanding 6/30/04	Due in One Year
Capital Leases	\$0	\$227,936	(\$53,429)	\$174,507	\$75,981
Compensated Absences	187,695	227,447	(187,695)	227,447	8,276
Total Long-Term Liabilities	<u>\$187,695</u>	<u>\$455,383</u>	<u>(\$241,124)</u>	<u>\$401,954</u>	<u>\$84,257</u>

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$6,673,108 with an unvoted debt margin of \$74,146 at June 30, 2004.

**Capital Lease Obligations**

On September 1, 2003, the School District entered into a lease purchase agreement with the U.S. Bank National Association as part of the National School Fitness Program for various types of fitness equipment. The amount of the agreement is \$227,936 with an annual interest rate of 2.42%. Monthly payments in the amount of \$6,331.74 are due on the 1<sup>st</sup> day of each month beginning October 1, 2004 and continuing for thirty-six (36) months with the final payment due on September 1, 2007.

The terms of the agreement provide options to purchase the equipment. The lease met all the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The Capital lease payments for the lease related to the General Fund have been classified as debt service in the General Fund in the fund financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

For the leased assets related to the Governmental Funds, capital assets acquired by the lease have been capitalized in the Government-Wide Financial Statements in an amount equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the Government-Wide Financial Statements. The District's future minimum lease payments under capital lease obligations for Governmental Activities as of June 30, 2004 are as follows:

**Green Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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**NOTE 13 – LONG TERM LIABILITIES** (Continued)

Fiscal Year	Governmental Activities Capital Leases
2005	\$75,981
2006	75,981
2007	<u>27,279</u>
Total minimum lease payments	\$179,241
Less: amount representing interest	<u>( 4,734)</u>
Present value of minimum lease payments	<u>\$174,507</u>

**NOTE 14 - INTERFUND ACTIVITY**

**Interfund Transfers**

Transfers made during the year ended June 30, 2004, were as follows:

Fund:	Transfer From:	Transfer To:
Major Funds:		
General Fund	<u>\$38,650</u>	
Special Revenue Funds, Non-Major:		
DPIA		\$8,650
Food Service		<u>30,000</u>
	<u>\$38,650</u>	<u>\$38,650</u>

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

*South Central Ohio Computer Association* - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Highland, Lawrence, Pike, Ross, Vinton, and Scioto Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the eight participating counties, two representatives of the school treasurers plus the fiscal agent. The School District did not incur any expenditures for services provided by SCOCA during this fiscal year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

*Scioto County Joint Vocational School* - The Scioto County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the City and County Boards within Scioto County, each of which possesses its own budgeting and taxing authority. To obtain financial information write to the Scioto County Joint Vocational School, Brett Butler, who serves as Treasurer, at 951 Vern Riffe Drive, Lucasville, Ohio 45648.

*Coalition of Rural and Appalachian Schools* - The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council. The School District paid \$300 to the Coalition for services provided during the year.

**Green Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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**NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS** (Continued)

*The Pilasco-Ross Special Education Regional Resource Center* – The Pilasco-Ross Special Education Regional Resource Center (Pilasco-Ross) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding, and improving special education programs and services for children with disabilities and their parents.

Pilasco-Ross is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Shawnee State University, and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by a participating school district is limited to its representation on the Board. The School District's Superintendent is a member of the Pilasco-Ross Board. Financial information can be obtained by contacting the fiscal agent, Jim Tordiff, Treasurer, at Dawson-Bryant Local School District, 222 Lane Street, Coal Grove, Ohio 45638.

**NOTE 16 - PUBLIC ENTITY SHARED RISK POOL**

*Scioto County Regional Council of Governments* - The School District is a member of the Scioto County Regional Council of Governments, a public entity shared risk pool. Several Scioto County school districts have entered into an agreement with the South Central Ohio Educational Service Center to form the Scioto County Regional Council of Governments. The overall objectives of the council are to formulate and administer a program of health insurance for the benefit of the council members' employees and their dependents, to obtain lower costs for health coverage, and to secure cost control by implementing a program of comprehensive loss control. The Council's business and affairs are managed by a Board of Directors, consisting of the superintendents from each of the participating school districts.

The School District pays premiums based on what the Council estimates will cover the costs of all claims for which the Council is obligated. If the School District's claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund. The Council views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information, write to the fiscal agent, South Central Ohio Educational Service Center at Fourth and Court Streets, Portsmouth, Ohio 45662.

**NOTE 17 SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

The following 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.



**Green Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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**NOTE 17 SET-ASIDE CALCULATIONS AND FUND RESERVES** (Continued)

	Textbooks	Capital Acquisition
Set-aside Cash Balance as of June 30, 2003	\$99,924	\$167,410
Current year set-aside requirement	103,861	103,861
Qualifying disbursements	(98,024)	(221,560)
Set-aside Reserve Balance as of June 30, 2004	\$105,761	\$49,711

**NOTE 18 - SCHOOL FUNDING COURT DECISION**

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...”

On March 4, 2003, the Plaintiffs filed a motion with the Common Pleas Court of Perry County requesting that such Court schedule and conduct a conference to address the State’s compliance with the orders of such Court and the Supreme Court. On May 16, 2003, the Ohio Supreme Court granted a Writ of Prohibition as filed by the State and ordered the Common Pleas Court of Perry County to dismiss the motion for a compliance conference. The Ohio Supreme Court further stated again its ruling made on December 11, 2002.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**NOTE 19 - 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 June 30, 2004.

**B. Litigation**

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

Green Local School District  
Scioto County

Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2004

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through the Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	NA	10.550	\$0	\$18,123	\$0	\$18,123
National School Breakfast Program	05-PU	10.553	25,488	0	25,488	0
National School Lunch Program	LL-P4/VG-S1	10.555	87,935	0	87,935	0
<b>Total United States Department of Agriculture - Nutrition Cluster</b>			113,423	18,123	113,423	18,123
<b>United States Department of Education</b>						
<i>Passed through the Ohio Department of Education</i>						
Grants to Local Educational Agencies (Title 1)	C1-S1	84.010	273,601	0	227,610	0
Special Education Grants to States (Title VI-B)	6B-SF	84.027	89,331	0	82,709	0
Safe & Drug Free Schools and Communities	DR-S1	84.186	7,211	0	7,211	0
Continuous Improvement	G2-S1	84.276	0	0	4,592	0
State Grants for Innovative Programs	C2-S1	84.298	5,226	0	5,891	0
Technology Literacy Challenge Fund Grant	TJ-S1	84.318	6,568	0	5,975	0
Rural & Low Income Grant	RU-S1	84.358	3,162	0	6,629	0
Improving Teacher Quality	TR-S1	84.367	56,892	0	58,739	0
Total Passed through Ohio Department of Education			441,991	0	399,356	0
<i>Passed through Ohio School Facilities Commission</i>						
Federal Emergency Repair Grant	N/A	84.352	358,256	0	497,960	0
<b>Total United States Department of Education</b>			800,247	0	897,316	0
<b>Total Federal Financial Assistance</b>			\$913,670	\$18,123	\$1,010,739	\$18,123

NA - Pass Through Entity Number is Not Available  
See Accompanying Notes to the Schedule of Federal Awards Expenditures

Green Local School District  
Notes to Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2004

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTIONS**

Non monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the District had no significant food commodities in inventory.

# BALESTRA, HARR & SCHERER, CPAs, INC.

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Ohio Society of Certified Public Accountants

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with *Government Auditing Standards***

Members of the Board  
Green Local School District  
4070 Gallia Pike  
Franklin Furnace, Ohio 45629

To the Board of Education:

We have audited the financial statements of the Green Local School District, Scioto County, Ohio (the District), as of and for the year ended June 30, 2004 and have issued our report thereon dated February 28, 2005, wherein we noted the District adopted Governmental Accounting Standards Board Statement numbers 34, 37, 38, and Interpretation 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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 an opinion 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 that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Green Local School District  
Scioto County  
Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit Performed in Accordance  
with *Governmental Auditing Standards*  
Page 2

This report is intended for the information and use of the audit committee, management, the Board of Education, 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.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

February 28, 2005

# BALESTRA, HARR & SCHERER, CPAs, INC.

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Piketon, Ohio 45661

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## **Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

Members of the Board  
Green Local School District  
4070 Gallia Pike  
Franklin Furnace, Ohio 45629

### **Compliance**

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

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

In our opinion, the 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 the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit we considered the 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulation, contracts and grants caused by an error or fraud 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.

This report is intended solely for the information and use of the audit committee, management, members of the Board, 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.



Balestra, Harr & Scherer, CPAs, Inc.  
February 28, 2005

GREEN LOCAL SCHOOL DISTRICT  
 SCIOTO COUNTY  
 JUNE 30, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 OMB CIRCULAR A-133 SECTION .505

**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 noncompliance 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):	CFDA #84.352 Federal Emergency Repair
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes



GREEN LOCAL SCHOOL DISTRICT  
SCIOTO COUNTY  
JUNE 30, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505

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

None.

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

None.





**Auditor of State  
Betty Montgomery**

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**GREEN LOCAL SCHOOL DISTRICT  
SCIOTO 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  
MAY 5, 2005**