



Mary Taylor, CPA
Auditor of State

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Greenon Local School District, Clark County (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Greenon Local School District, Clark County, as of June 30, 2007, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

November 29, 2007

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The discussion and analysis of Greenon Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- Assets exceeded liabilities at the close of the most recent fiscal year by \$9.15 million. Of this amount, \$1.40 million is unrestricted for the School District's discretionary use.
- General revenues accounted for \$13.42 million in revenue or 85.34 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$2.31 million or 14.66 percent of total revenues of \$15.73 million.
- The School District had \$16.01 million in expenses related to governmental activities; only \$2.31 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$13.42 million, along with cash balances, were adequate to provide for these programs.
- Among major funds, the general fund had \$13.51 million in revenues and \$13.83 in expenditures. The permanent improvement capital projects fund had \$0.58 million in revenue and \$1.29 million in expenditures. With over \$1.25 million in assets, the permanent improvement fund is a major fund.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The government-wide financial statements can be found on pages 11-12 of this report.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

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

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

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

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

The School District adopts an annual appropriation budget for all of its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 13-17 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The basic fiduciary fund financial statements can be found on pages 18-19 of this report.

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

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net assets for 2006 to 2007.

Table 1			
Net Assets			
(in Millions)			
	<u>2007</u>	<u>2006</u>	<u>Change</u>
Assets			
Current and Other Assets	\$10.46	\$10.62	(\$0.16)
Capital Assets (net acc depr'n.)	7.10	6.26	0.84
Total Assets	<u>17.56</u>	<u>16.88</u>	<u>0.68</u>
Liabilities			
Long-term Liabilities	(1.19)	(1.05)	(0.00)
Other Liabilities	<u>(7.22)</u>	<u>(6.41)</u>	<u>(0.95)</u>
Total Liabilities	(8.41)	(7.46)	(0.95)
Net Assets			
Invested in Capital Assets (net of related debt)	\$7.00	\$6.14	\$0.86
Restricted for:			
Grants	0.01	0.01	0.00
State Mandates	0.03	0.03	0.00
Capital Improvements	0.71	1.45	(0.74)
Unrestricted	<u>1.40</u>	<u>1.79</u>	<u>(0.39)</u>
Total Net Assets	<u><u>\$9.15</u></u>	<u><u>\$9.42</u></u>	<u><u>(\$0.27)</u></u>

Table 2 shows the change in revenue from fiscal year 2006 to 2007.

Table 2			
Revenues			
(in Millions)			
	<u>2007</u>	<u>2006</u>	<u>Change</u>
Revenues			
Program Revenues			
Charges for Services	\$1.42	\$1.41	\$0.01
Operating Grants	0.89	0.86	0.03
General Revenues			
Property Taxes	5.56	6.15	(0.59)
Unrestricted Grants	7.59	7.20	0.39
Investment Earnings	0.23	0.16	0.07
Other	<u>0.05</u>	<u>0.06</u>	<u>(0.01)</u>
Total Revenues	<u><u>\$15.74</u></u>	<u><u>\$15.84</u></u>	<u><u>(\$0.10)</u></u>

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

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

Graph 1

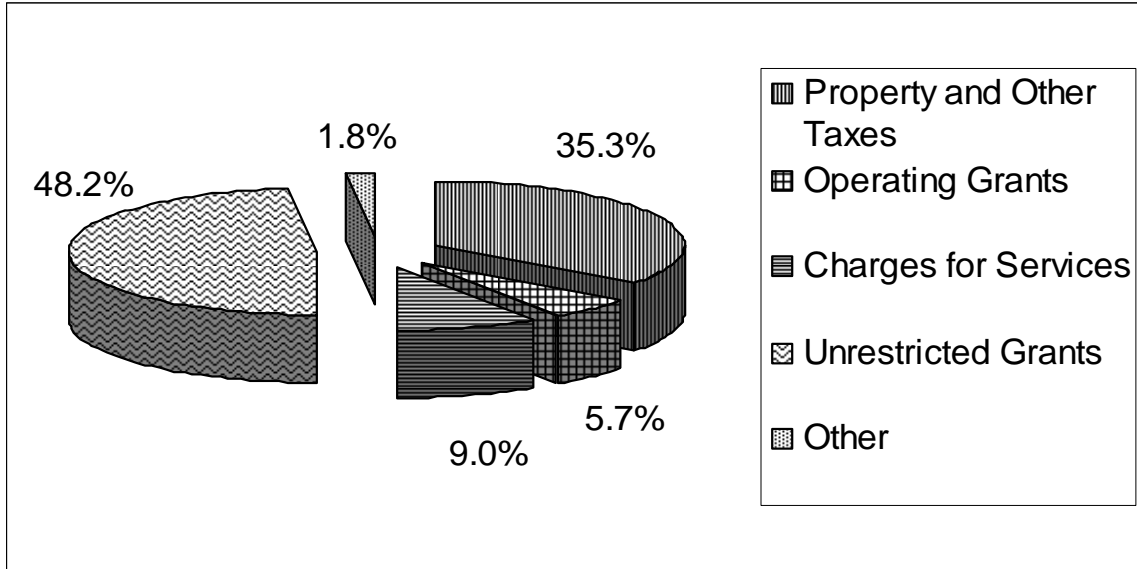


Table 3 shows the change in program expenses from 2006 to 2007.

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

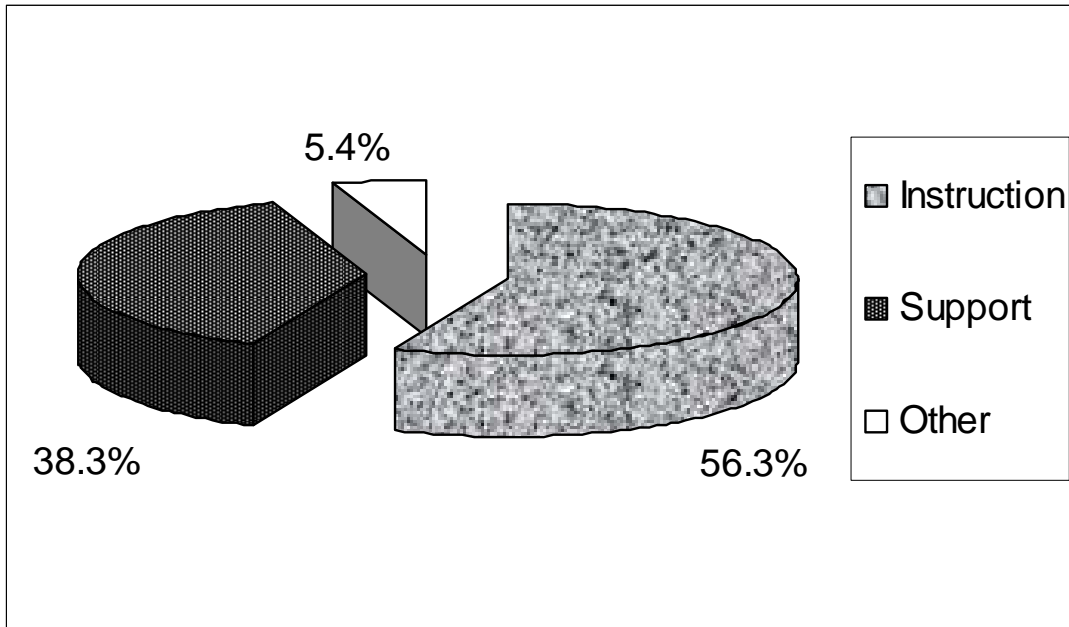
	<u>2007</u>	<u>2006</u>	<u>Change</u>
Program Expenses			
Instruction:			
Regular	\$6.78	\$6.63	\$0.15
Special	1.36	1.35	0.01
Vocational	0.43	0.36	0.07
Other	0.44	0.39	0.05
Support Services:			
Pupil/Staff	1.15	1.15	0.00
Administration	1.43	1.33	0.10
Maintenance	1.44	1.34	0.10
Transportation	1.17	1.10	0.07
Other	0.98	0.86	0.12
Food Services/Latchkey	0.62	0.57	0.05
Extracurricular Activities	0.20	0.33	(0.13)
Interest and Fiscal Charges	0.01	0.01	0.00
Total Expenses	<u>16.01</u>	<u>15.42</u>	<u>0.59</u>
Net Change	(0.27)	0.42	(0.69)
Beginning Net Assets	<u>9.42</u>	<u>9.00</u>	<u>0.42</u>
Ending Net Assets	<u><u>\$9.15</u></u>	<u><u>\$9.42</u></u>	<u><u>(\$0.27)</u></u>

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

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

Graph 2



The Major Funds

The School District's major funds start on page 13. These funds are accounted for using the modified accrual basis of accounting, focusing on the near term financial resources of the District. The major funds are the general fund and the permanent improvement capital projects fund. Both accounted for 89.24% of the \$15.78 million in total revenue and 89.5% of the \$16.89 million in total expenses. The general fund and permanent improvement capital projects fund received a majority of their revenues from property taxes and intergovernmental revenues. Expenditures exceeded revenues in the general fund creating a year end fund balance of \$2.18 million. Revenues were less than expenditures in the permanent improvement capital projects fund reducing the year end fund balance to \$0.71 million.

The general fund recognized \$1.53 million in current liabilities for fiscal year 2007. Accrued salaries and benefits accounted for 75.64% of those liabilities. Taxes receivable accounted for 99.78% of the \$5.82 million receivables in the general fund. However, the taxes receivable is offset by a deferred revenue because those taxes are not intended to finance the 2007 fiscal year.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

General Fund Budgetary

Table 4 compares the original and final general fund revenue budgets for the fiscal year ended June 30, 2007.

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

	Budget		
	Original	Final	Variance
Revenues			
Property Taxes	\$5,331,630	\$5,559,809	\$228,179
Intergovernmental	7,234,727	7,544,353	309,626
Other	794,609	828,616	34,007
Total Revenues	\$13,360,966	\$13,932,778	\$571,812

The original revenue estimates come from the Tax Budget completed in January 2006. Real Estate tax collections actually came in slightly below estimate, while Personal Property taxes exceeded original projections. The phase-out of Personal Property taxes creates difficulty in making collection approximations. State revenue makes up the majority of the intergovernmental revenue. The Intergovernmental variance is due to an unexpected influx of 36 additional students for the 06-07 school year when a decrease in students is the norm. The School District also received an unexpected \$130,000 in Charge-Off Supplement (GAP Aid) through the State funding formula.

Table 5 compares the original and final general fund expenditure budgets for the fiscal year ended June 30, 2007.

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

	Budget		
	Original	Final	Variance
Expenditures			
Instruction	\$8,159,343	\$8,071,792	(\$87,551)
Support Services	5,643,641	5,583,082	(60,559)
Other	244,759	242,133	(2,626)
Total Expenditures	\$14,047,743	\$13,897,007	(\$150,736)

The original budget comes for the Tax Budget filed in January of 2006. Traditionally the tax budget expenditures include all possible needs for the future year. The Actual expenditures came in 0.88% lower than the Final approved budget. The majority of this variance is due to unspent allocations being maintained in the Final budget for year-end purchases of supplies and equipment not planned for in the original budget; however, most of this unspent money was not exhausted.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Capital Assets

At the end of the year, the School District had \$7,095,399 invested in land, buildings, equipment, infrastructure, and vehicles less accumulated depreciation. Table 6 shows the breakdown of the individual classes for capital assets:

**Table 6
Capital Assets**

Class	2007	2006	Percentage Change
Land	\$ 84,740	\$ 84,740	0.00%
Construction in Progress	841,279		100.00%
Buildings & Improvements	18,488,460	18,488,460	0.00%
Furniture and Equipment	4,169,567	4,144,211	0.61%
Vehicles	1,677,816	1,565,970	7.14%
Infrastructure	244,386	244,386	0.00%
Total at Historical Cost	25,506,248	24,527,767	3.99%
Accumulated Depreciation	(18,410,849)	(18,271,570)	0.07%
Capital Assets, Net	<u>\$7,095,399</u>	<u>\$6,256,197</u>	<u>13.41%</u>

The construction in progress consists of a \$580,000 public restroom/athletic building at Greenon High School and a \$260,000 re-roofing project at Enon Elementary. For more information on the District's capital assets, refer to Note 8 of the financial statements.

Debt Administration

The District issued \$232,945 of energy conservation notes commencing January, 2001, which had a balance of \$93,175 at June 30, 2007. The energy conservation notes retire in 2011 with semi-annual principal and interest payments being made from the cost savings realized in the general fund. For further information on the School District's obligations, refer to note 13 of the financial statements.

For the Future

The District was in the fortunate situation of revenue exceeding estimates and expenses coming in under budget for the 2006-07 year. In conjunction with the five-year Strategic Plan, the Administration and Board are continuously reviewing and updating the financial forecast and strategy in dealing with an impending deficit. In an effort to be pro-active, the Administration has worked diligently on reducing personnel, reducing over \$1.1 million in staffing costs since 2001. Employees have gradually agreed to a greater share in the cost of insurance, thus lowering the overall premiums. Budgets remain at the same level they were set at for the '04-05 fiscal year. These cost cutting measures have allowed the District to adhere to the Strategic Plan and sustain salaries and benefits at a level competitive with surrounding districts.

The 3% increase in base funding per student for '07-08 and '08-09 is a welcome increase. Unfortunately, the District's student count remained the same from '06-07 to '07-08 and is expected to decrease by approximately 10 students per year in the future. Enrollment in Community Schools is climbing. However, to address large class sizes in a few grade levels, three new teaching positions were added beginning the '07-08 school year. For the benefit of entering students, the District is also exploring the addition of two all-day, everyday kindergarten classes in the near future. The plan would be to reduce in other areas to offset these additional expenditures.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

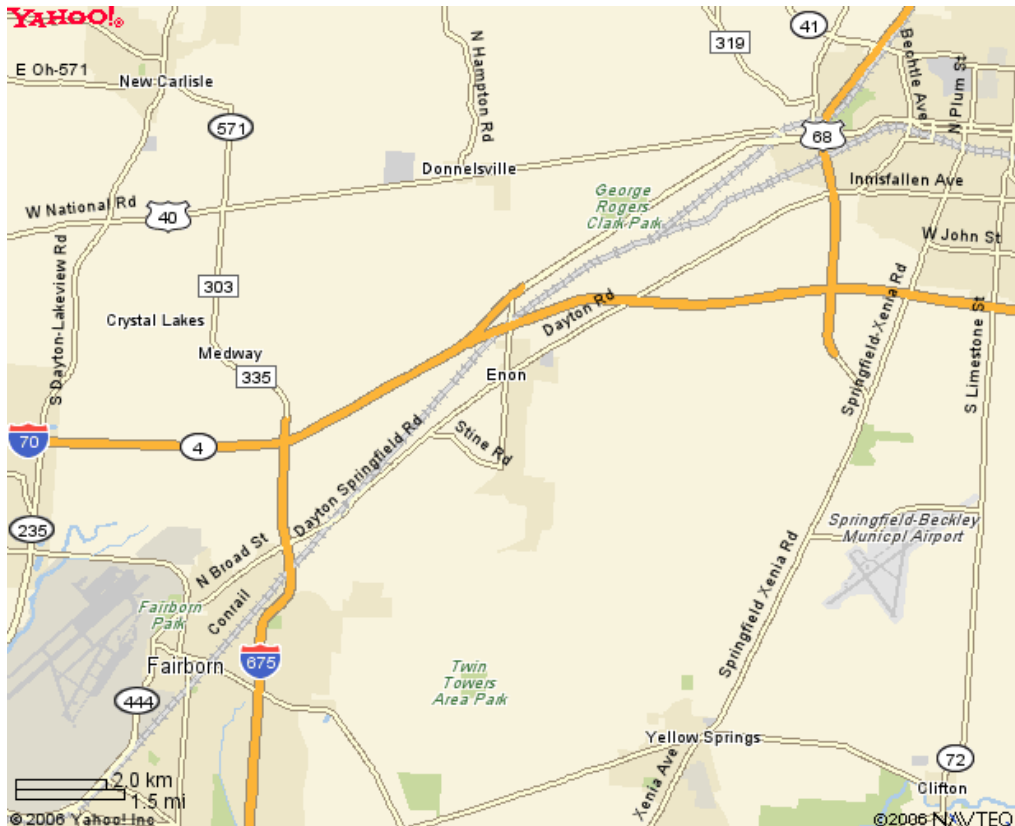
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

The permanent improvement levy was renewed for another five years during the November 2006 election. The P.I. Levy generates about \$585,000 per year. Over the last five years, this money has been used to fund all student-related technology needs and many capital improvements without having to utilize general fund dollars in order to meet the 3% capital improvement set-aside State requirement.

Additional State funding, coupled with the District's proactive efforts to cut costs, have moved the anticipated deficit to approximately the end of the 2010-11 year. The District does not want to ask the voters for more, or less, than what is necessary, so the ongoing effort to trim where feasible and stretch current dollars as far as possible will continue.

Contacting the School District's Financial Management

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



**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Primary Government Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,034,725
Cash in Segregated Accounts	2,428
Receivables:	
Property Taxes	6,274,279
Accounts	16,970
Intergovernmental	76,144
Materials and Supplies Inventory	12,397
Prepaid Items	12,889
Restricted Cash and Cash Equivalents	32,397
Nondepreciable Capital Assets	926,019
Depreciable Capital Assets	6,169,380
Total Assets	17,557,628
Liabilities	
Payables:	
Accounts	18,908
Contracts	111,616
Intergovernmental	391,096
Interest	1,314
Salaries and Employee Benefits	1,245,598
Unearned Revenue	5,447,249
Noncurrent Liabilities:	
Due within one year	147,855
Due in more than one year	1,044,667
Total Liabilities	8,408,303
Net Assets	
Invested in capital assets, net of related debt	7,002,224
Restricted for:	
Grants	4,878
State Mandates	32,397
Capital Improvements	714,189
Unrestricted	1,395,637
Total Net Assets	\$9,149,325

See accompanying notes to the basic financial statements.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$6,781,411	\$611,763	\$80,263	(\$6,089,385)
Special	1,358,898		215,277	(1,143,621)
Vocational	432,472			(432,472)
Other	435,371		1,979	(433,392)
Support Services:				
Pupils	555,027			(555,027)
Instructional Staff	590,945	12,536	430,549	(147,860)
Board of Education	121,883			(121,883)
Administration	1,427,196			(1,427,196)
Fiscal	479,030			(479,030)
Business	218,156	198,470		(19,686)
Operation and Maintenance of Plant	1,441,267			(1,441,267)
Pupil Transportation	1,174,807			(1,174,807)
Central	124,273		21,996	(102,277)
Operation of Non-Instructional Services	37,930			(37,930)
Food Service	561,120	420,690	135,535	(4,895)
Latchkey	54,806	51,039		(3,767)
Extracurricular Activities	204,767	125,619		(79,148)
Interest and Fiscal Charges	6,042			(6,042)
Total Primary Government	<u>\$16,005,401</u>	<u>\$1,420,117</u>	<u>\$885,599</u>	<u>(13,699,685)</u>
General Revenues:				
Property Taxes				5,550,942
Payment in Lieu of Taxes				22,917
Grants and Contributions not restricted to specific programs				7,587,406
Unrestricted investment earnings				234,566
Miscellaneous				26,595
Total General Revenues				<u>13,422,426</u>
Changes in Net Assets				(277,259)
Net Assets-Beginning, Restated				<u>9,426,584</u>
Net Assets-Ending				<u>\$9,149,325</u>

See accompanying notes to the basic financial statements.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,076,620	\$787,330	\$170,775	\$4,034,725
Cash in Segregated Accounts			2,428	2,428
Receivables:				
Property and Other Taxes	5,808,534	465,745		6,274,279
Accounts	13,062		3,908	16,970
Intergovernmental			76,144	76,144
Prepaid Items	12,889			12,889
Materials and Supplies Inventory			12,397	12,397
Restricted Assets:				
Cash and Cash Equivalents	32,397			32,397
Total Assets	<u>8,943,502</u>	<u>1,253,075</u>	<u>265,652</u>	<u>10,462,229</u>
Liabilities and Fund Balances				
Liabilities				
Payables:				
Accounts	17,679	756	473	18,908
Contracts		111,616		111,616
Due to Local Governments	355,125		35,971	391,096
Salaries and Employee Benefits	1,157,589		88,009	1,245,598
Deferred Revenue	5,230,570	426,514		5,657,084
Total Liabilities	<u>6,760,963</u>	<u>538,886</u>	<u>124,453</u>	<u>7,424,302</u>
Fund Balances:				
Designated for:				
Budget Stabilization	218,555			218,555
Reserved for:				
Encumbrances	2,933	142,780		145,713
Property Taxes	577,964	39,231		617,195
Budget Stabilization	32,397			32,397
Unreserved, reported in:				
General	1,350,690			1,350,690
Special Revenue			141,199	141,199
Capital Projects		532,178		532,178
Total Fund Balances	<u>2,182,539</u>	<u>714,189</u>	<u>141,199</u>	<u>3,037,927</u>
Total Liabilities and Fund Balances	<u>\$8,943,502</u>	<u>\$1,253,075</u>	<u>\$265,652</u>	<u>\$10,462,229</u>

See accompanying notes to the basic financial statements.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSET OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007**

Total Governmental Fund Balances	\$3,037,927
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	7,095,399
Long term assets are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds	209,835
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,193,836)</u>
Net Assets of Governmental Activities	<u><u>\$9,149,325</u></u>

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$5,120,642	\$489,517	\$0	\$5,610,159
Payment in Lieu of Taxes	22,917	0	0	22,917
Intergovernmental	7,544,353	43,053	885,599	8,473,005
Charges for Services	0	0	471,729	471,729
Tuition and Fees	611,763	0	0	611,763
Interest	179,309	51,486	3,771	234,566
Extracurricular Activities	0	0	304,001	304,001
Miscellaneous	26,595	0	32,624	59,219
Total Revenues	13,505,579	584,056	1,697,724	15,787,359
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,564,960	3,589	86,848	6,655,397
Special	644,904	0	619,783	1,264,687
Vocational	406,149	0	0	406,149
Other	433,392	0	1,979	435,371
Support Services:				
Pupils	552,207	0	0	552,207
Instructional Staff	367,265	193,444	38,337	599,046
Board of Education	121,883	0	0	121,883
Administration	1,412,959	0	500	1,413,459
Fiscal	472,605	9,540	0	482,145
Business	9,966	0	206,966	216,932
Operation and Maintenance of Plant	1,293,375	103,145	0	1,396,520
Pupil Transportation	1,213,482	0	0	1,213,482
Central	94,021	0	22,621	116,642
Operation of Non-Instructional Services	0	31,913	612,547	644,460
Extracurricular Activities	3,838	14,800	183,275	201,913
Capital Outlay	204,733	930,523	0	1,135,256
Debt Service:				
Principal Retirement	23,295	0	0	23,295
Interest and Fiscal Charges	6,370	0	0	6,370
Total Expenditures	13,825,404	1,286,954	1,772,856	16,885,214
Net Change in Fund Balances	(319,825)	(702,898)	(75,132)	(1,097,855)
Fund Balances - beginning - restated	2,502,364	1,417,087	216,331	4,135,782
Fund Balances - ending	<u>\$2,182,539</u>	<u>\$714,189</u>	<u>\$141,199</u>	<u>\$3,037,927</u>

See accompanying notes to the basic financial statements

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

Net Change in Governmental Fund Balances	(\$1,097,855)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	839,202
Repayment of long term obligations are reported as an expenditure in governmental funds, however, the repayment reduces the long term liability in the statement of net assets. In the current year, this amount is:	23,295
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(59,217)
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures/revenues in governmental funds.	<u>17,316</u>
Change in Net Assets of Governmental Activities	<u><u>(\$277,259)</u></u>

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL -
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$5,331,630	\$5,559,809	\$6,199,509	\$639,700
Intergovernmental	7,234,728	7,544,353	7,544,353	
Tuition and Fees	585,391	610,444	610,444	
Interest	166,640	173,772	173,772	
Payment in Lieu of Taxes	19,781	20,628	20,628	
Miscellaneous	22,796	23,772	23,772	
Total Revenues	13,360,966	13,932,778	14,572,478	639,700
Expenditures:				
Current:				
Instruction:				
Regular	6,657,994	6,586,553	6,542,966	43,587
Special	654,872	647,845	637,620	10,225
Vocational	391,444	387,244	387,222	22
Other	455,033	450,150	433,449	16,701
Support Services:				
Pupils	553,643	547,702	546,094	1,608
Instructional Staff	372,093	368,100	367,256	844
Board of Education	124,099	122,767	121,393	1,374
Administration	1,445,459	1,429,949	1,402,136	27,813
Fiscal	483,119	477,935	476,734	1,201
Business	10,617	10,503	10,119	384
Operation and Maintenance of Plant	1,324,545	1,310,332	1,298,777	11,555
Pupil Transportation	1,224,265	1,211,128	1,213,609	(2,481)
Central	105,801	104,666	99,910	4,756
Extracurricular Activities	215,064	212,438	208,181	4,257
Debt Service:				
Principal Retirement	23,295	23,295	23,295	
Interest and Fiscal Charges	6,400	6,400	6,370	30
Total Expenditures	14,047,743	13,897,007	13,775,131	121,876
Excess (Deficiency) of Revenues Over (Under) Expenditures	(686,777)	35,771	797,347	761,576
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures		2,914	2,913	(1)
Advances In		6,494	6,494	
Advances Out		(15,000)		15,000
Transfers Out		(15,000)		15,000
Total Other Financing Sources (Uses)		(20,592)	9,407	29,999
Net Change in Fund Balance	(686,777)	15,179	806,754	791,575
Fund Balances at Beginning of Year	2,452,075	2,452,075	2,452,075	
Prior Year Encumbrances Appropriated	17,027	17,027	17,027	
Fund Balance at End of Year	\$1,782,325	\$2,484,281	\$3,275,856	\$791,575

See accompanying notes to the basic financial statements.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30,2007**

	Private-Purpose Trust Fund	Agency
<u>Assets</u>		
Equity in Pooled Cash and Cash Equivalents	\$22,555	\$55,367
Total Assets	22,555	55,367
<u>Liabilities</u>		
Accounts Payable	0	101
Due to Students	0	55,266
Total Liabilities	0	55,367
<u>Net Assets</u>		
Principal Reserved	15,242	0
Held in trust for benefit of students	7,313	0
Total Net Assets	\$22,555	\$0

See accompanying notes to the basic financial statements

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Private-Purpose Trust Fund
Additions:	
Contributions:	
Donations	\$220
Investment Earnings:	
Interest	<u>1,204</u>
Total Additions	<u>1,424</u>
Deductions:	
Scholarships	<u>2,000</u>
Change in Net Assets	(576)
Net Assets - Beginning of Year	<u>23,131</u>
Net Assets - End of Year	<u><u>\$22,555</u></u>

See accompanying notes to the basic financial statements

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**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

A. Reporting Entity:

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and Fund Financial Statements

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

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

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

1. Fund Accounting

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

2. Governmental Funds

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

The District reports the following major governmental funds:

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

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

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Fund

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

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

C. Budgetary Process

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

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

1. Tax Budget:

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

2. Estimated Resources:

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

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations:

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

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

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

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

4. Encumbrances:

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

5. Lapsing of Appropriations:

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

D. Cash and Investments

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

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

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2007 the School District had investments in governmental securities.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$179,309, which includes \$54,896 assigned from other School District funds. The permanent improvement capital projects, food service and special trust special revenue funds and private purpose trust funds also received interest of \$51,486, \$3,160, \$611 and \$1,204, respectively.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure is reported in the year in which services are consumed.

F. Inventory

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

G. Restricted Assets

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

H. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, vehicles, and infrastructure are reported on the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual amounts were not available. Donated capital assets are recorded at an estimated fair market value at the date of donation. The School District reviewed possible infrastructure assets (roads, bridges, culverts, etc.), which could be required to be capitalized. The School District reports the waste waster treatment plant as infrastructure.

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

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

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

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount normally due for payment during the current year. Matured leave payable in the fund financial statements represents the entire current portion. These amounts are reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The entire liability is reported on the government-wide statement of net assets.

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Interfund Transactions

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

L. Net Assets

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

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Reserves

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

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

N. Fund Designations

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

O. Estimates

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

P. Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenues. On governmental fund financial statements, receivables that will not be collected with the available period have also been reported as deferred revenue.

Q. Exchange/Non-Exchange Transactions

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

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

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

R. Reconciliation Of Government-Wide And Fund Financial Statements

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

The governmental fund balance sheets includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$1,193,836) difference are as follows:

Special Termination Benefit Payable	(\$127,201)
Energy Conservation Bonds Payable	(93,175)
Accrued Interest Payable	(1,314)
Compensated Absences	<u>(972,146)</u>
Net Adjustment to reduces <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u><u>(\$1,193,836)</u></u>

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of the \$7,095,399 difference are as follows:

Capital Assets	\$25,506,248
Accumulated Depreciation	<u>(18,410,849)</u>
Net Adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u><u>\$7,095,399</u></u>

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

An element of that reconciliation states that “Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$17,316 are as follows:

Change in Leave Balances	\$82,718
Change in Interest on Bonds	328
Change in Termination Benefits	<u>(65,730)</u>
Net Adjustment – current financial resources focus to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u><u>\$17,316</u></u>

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Another element of that reconciliation states that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$839,202 are as follows:

Current Capital Additions	\$1,244,492
Loss on Asset Disposal	(33,022)
Depreciation Expense	<u>(372,268)</u>
Net Adjustment – capital assets to increase <i>fund balance</i> – <i>total governmental funds</i> to arrive at <i>net assets</i> – <i>governmental activities</i>	<u><u>\$839,202</u></u>

3. ACCOUNTABILITY

At June 30, 2007, the Title I special revenue fund had a deficit fund of \$528. The deficit was created by application of generally accepted accounting principles. The general fund provides cash to this fund; however that does not happen until needed.

4. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

**Excess of Revenues and Other Financing Sources
Over Expenditures and Other Financing Uses
General Fund**

GAAP Basis	(\$319,825)
Revenue Accruals	1,069,812
Expenditure Accruals	55,309
Encumbrances	(5,036)
Advances	6,494
Budget Basis	<u>\$806,754</u>

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

- 6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
- 7. The State Treasurer's investment pool (STAR Ohio).
- 8. Commercial paper and bankers acceptances if training requirements have been met.

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

A. Deposits

At fiscal year-end, the carrying value of the School District's deposits was \$3,797,689 and the bank balance was \$4,103,430. \$300,000 of the School District's deposits was insured by federal depository insurance. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$3,803,430 of the School District's bank balance of \$4,103,430 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

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

B. Investments

As of June 30, 2007, the School District had the following investments.

	Carrying and Fair Value	Maturity
Federal National Mortgage Association Discount Notes	\$349,783	09/21/2007

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

Credit Risk - The Federal National Mortgage Association Notes carries ratings of Aaa/AAA. The School District has no investment policy that would further limit its investment choices.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

Concentration of Credit Risk - The School District places no limit on the amount it may invest in any one issuer. The School District's investment in Federal National Mortgage Association Notes represents 100.00% of the School District's total investments.

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Property tax revenue received during calendar 2007 for real and public utility property taxes represents collections of calendar 2006 taxes. Property tax payments received during calendar 2007 for tangible personal property (other than public utility property) are for calendar 2006 taxes.

2007 real property taxes are levied after April 1, 2006 on the assessed value listed as of January 1, 2006, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2007 real property taxes are collected in and intended to finance fiscal year 2008.

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. 2007 public utility property taxes became a lien on December 31, 2006, are levied after April 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible personal property taxes are levied after April 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. 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.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

6. PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2007 taxes were collected are:

	<u>2006 Second- Half Collections</u>		<u>2007 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$223,084,050	91.41%	\$225,489,480	91.97%
Public Utility	8,711,800	3.57	8,692,800	3.54
Tangible Personal Property	12,257,453	5.02	11,002,843	4.49
Total Assessed Value	<u>\$244,053,303</u>	<u>100.00%</u>	<u>\$245,185,123</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$39.75		\$39.75	

The School District receives property taxes from Clark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2007, 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, 2007, was \$617,195. \$577,964 was available to the general fund and \$39,231 was available to the permanent improvement capital projects fund.

7. RECEIVABLES

Receivables at June 30, 2007, consisted of taxes, accounts, and intergovernmental grants. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Non-major Governmental Funds	
Food Service	\$14,202
Title VI-B Grant	22,910
Title I Grant	31,639
Reducing Class Size Grant	7,393
Total Intergovernmental Receivable	<u>\$76,144</u>

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance 7/01/06</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/07</u>
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 84,740			\$ 84,740
Construction in Progress		\$841,279		841,279
Capital Assets, being depreciated				
Buildings and Improvements	18,488,460			18,488,460
Furniture and Equipment	4,144,211	217,536	(\$192,180)	4,169,567
Vehicles	1,565,970	185,677	(73,831)	1,677,816
Infrastructure	244,386			244,386
Total at Historical Cost	<u>24,527,767</u>	<u>1,244,492</u>	<u>(266,011)</u>	<u>25,506,248</u>
Accumulated Depreciation:				
Buildings and Improvements	(14,961,188)	(43,716)		(15,004,904)
Furniture and Equipment	(2,651,258)	(238,724)	168,789	(2,721,193)
Vehicles	(642,030)	(80,060)	64,200	(657,890)
Infrastructure	(17,094)	(9,768)		(26,862)
Total Accumulated Depreciation	<u>(18,271,570)</u>	<u>(372,268)</u>	<u>232,989</u>	<u>(18,410,849)</u>
Governmental Activities				
Capital Assets, Net	<u>\$6,256,197</u>	<u>\$872,224</u>	<u>(\$33,022)</u>	<u>\$ 7,095,399</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$80,658
Special	805
Vocational	1,356
Support Services:	
Pupils	1,044
Instructional Staff	149,085
Administration	2,174
Fiscal	1,379
Business	1,224
Operation and Maintenance of Plant	29,024
Pupil Transportation	69,150
Central	14,865
Food Services	12,876
Extracurricular Activities	8,628
Total Depreciation Expense	<u>\$372,268</u>

9. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2007, the School District contracted with Employer's Mutual Casualty Company.

Insurance coverage provided includes the following:

**GREENON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

9. RISK MANAGEMENT (Continued)

General Liability:	
Per occurrence	\$1,000,000
Total per year	3,000,000
Automobile Liability (\$250 deductible)	1,000,000
Property Insurance (\$5,000 deductible)	32,863,325
Inland Marine (\$250 deductible)	250,000

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

B. Workers' Compensation

For fiscal year 2007, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp, Inc. provides administrative, cost control and actuarial services to the GRP.

10. DEFINED BENEFIT PENSION PLANS

A. State 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, by calling (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 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, 2007, 2006, and 2005 were \$241,781, \$208,628, and \$201,323, respectively; 51 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

**GREENON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

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, by calling 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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 of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, 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 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005, were \$928,532, \$880,108, and \$879,202, respectively; 84 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$7,190 made by the School District and \$10,672 made by the plan members.

**GREENON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2007, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

11. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (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 partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio 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, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$71,426 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$114,861.

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 projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

**GREENON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 270 days for classified personnel and 280 days for certified personnel. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 64 days for classified personnel and 63 days for certified personnel.

B. Insurance Benefits

The School District has elected to provide employee medical/surgical benefits through United Healthcare of Ohio. The Board pays 85 percent of the monthly premium for classified employees. Approximately 83 percent is paid for certified employees. The premium varies with employee depending on the terms of the union contract. Dental insurance is provided by the School District to most employees through CoreSource. Vision insurance is provided by the School District to most employees through Vision Service Plan. The Board pays 80 percent for certified employees and 85 percent for classified employees of the dental and vision insurance. The School District provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource.

C. Special Termination Benefits

For fiscal year 2007, the School District offered eligible certified employees a special termination benefit. To be eligible, the employee must meet the requirements set forth by the State Teachers Retirement System. Anyone who was eligible to retire had to give written notice by March 30, 2007, of intention to retire. Those who did retire, were eligible to receive a special termination benefit equal to 40% of their base pay for the current contract year. Payment to an eligible employee is made in two equal installments, the first of which will occur in the September immediately following the employee's retirement and the second of which will occur one year later. Alternatively, they may elect to receive the entire 40% one year later in September.

13. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Amount Outstanding 6/30/06	Additions	Deductions	Amount Outstanding 6/30/07	Amounts Due within One Year
Governmental Activities:					
Energy Conservation Loan, 2001 5.64%	\$116,470	\$0	\$23,295	\$93,175	\$23,294
Compensated Absences	1,054,864	346,961	429,679	972,146	93,445
Special Termination Benefit	61,471	127,201	61,471	127,201	31,116
Total Governmental Activities	\$1,232,805	\$474,162	\$514,445	\$1,192,522	\$147,855

**GREENON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

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

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

The School District's overall legal debt margin was \$22,066,661, the energy conservation loan debt margin was \$2,113,491 with an unvoted debt margin of \$245,185 at June 30, 2007.

Principal and interest requirements to retire general obligation debt, including loans outstanding at June 30, 2007 are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2008	\$23,294	\$5,255	\$28,549
2009	23,294	3,941	27,235
2010	23,294	2,628	25,922
2011	23,293	1,314	24,607
Total	<u>\$93,175</u>	<u>\$13,138</u>	<u>\$106,313</u>

14. JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Educational Computer Association – The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MVECA consists of six representatives from the member districts elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid MVECA \$26,173 for services provided during the fiscal year. Financial information can be obtained from Dean Reineke, Executive Director, at MVECA at 330 Enon Road, Yellow Springs, Ohio 45387.

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

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2007, the School District paid \$5,849 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2007, the School District did not have any payments to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

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

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

Springfield/Clark Career Technology Center – The Springfield/Clark Career Technology Center (CTC) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one or two representatives from each of the eight participating school districts' and educational service center's elected boards, which possess its own budgeting and taxing authority. One member is appointed from the following: Clark-Shawnee Local School District, Geenon Local School District, Northeastern Local School District , Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District, and the Clark County Educational Service Center. Two members are appointed from the Springfield City School District. The School District made no financial contributions to the CTC during fiscal year 2007. To obtain financial information, write to the Springfield/Clark County Joint Vocational School, Pam Mustovich, who servers as Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4239.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

15. INSURANCE PURCHASING POOLS

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

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

16. SET-ASIDE CALCULATIONS

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2006	(\$1,388,866	\$0	\$32,397
)		
Current Year Set-aside Requirement	295,628	295,628	0
Qualifying Disbursements	(431,989)	(1,180,429)	0
Subtotal	<u>(1,525,227)</u>	<u>(884,801)</u>	<u>32,397</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>(1,525,227)</u>	<u>0</u>	<u>\$32,397</u>
Set-aside Reserve Balances as of June 30, 2007	<u>\$0</u>	<u>\$0</u>	<u>32,397</u>
Total Restricted Cash and Cash Equivalents			<u>\$32,397</u>

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

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

17. RESTATEMENT OF NET ASSETS/FUND BALANCES

During fiscal year 2007, the School District increased property tax revenues for fiscal year 2006 and decreased property tax revenues for fiscal year 2007 to account for an advancement of taxes received in July 2007 that historically was received at the end of the prior year. The effect of these changes on the beginning fund balance and net asset is as follows:

	General Fund	Permanent Improvement	Governmental Activities
Net Assets/Fund Balances June 30, 2006	\$2,060,664	\$1,374,087	\$8,941,884
Restatement of Tax Revenue	441,700	43,000	484,700
Net Assets/Fund Balances June 30, 2006 as restated	\$2,502,364	\$1,417,087	\$9,426,584

18. CONTRACTUAL COMMITMENTS

The District is in the process of remodeling some of the buildings in the School District. The following is a list of the significant contractual commitments of the District for that project.

Contractor	Remaining Balance as of June 30, 2007
Neibert Enterprises – HS	\$111,191
Rieck Mechanical – HS	23,435

19. CONTINGENCIES

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
(Passed Through Ohio Department of Education)						
Food Donation	N/A	10.550		\$22,395		\$22,395
Nutrition Cluster:						
School Breakfast Program	05-PU-06	10.553	\$309		\$309	
National School Lunch Program	LL-P4-06	10.555	30,443		30,443	
	LL-P4-07		98,717		98,717	
Total National School Lunch Program			129,160		129,160	
Total Nutrition Cluster:			129,469		129,469	
Total U.S. Department of Agriculture			129,469	22,395	129,469	22,395
U.S. DEPARTMENT OF EDUCATION						
(Direct Receipt)						
Impact Aid	N/A	84.041	19,319		19,319	
(Passed Through Ohio Department of Education)						
Title I Grants to Local Educational Agencies	C1-S1-06	84.010	29,056		34,275	
	C1-S1-07		176,488		174,988	
Total Title I Grant			205,544		209,263	
Special Education Cluster:						
Special Education Grants to States (IDEA Part B and Access)	6B-SD-06	84.027			2,858	
	6B-SF-06		28,703		29,484	
	6B-SF-07		398,203		398,174	
Total IDEA Part B and Access Grants			426,906		430,516	
(Passed through Clark County Educational Service Center)						
Special Education Preschool Grants	N/A	84.173	13,257		13,257	
Total Special Education Cluster:			440,163		443,773	
(Passed Through Ohio Department of Education)						
Safe and Drug Free Schools and Communities State Grants	DR-S1-07	84.186	6,626		6,626	
State Grants for Innovative Programs	C2-S1-07	84.298	2,772		2,772	
Education Technology State Grants	TJ-S1-07	84.318	2,165		2,165	
Improving Teacher Quality State Grants	TR-S1-06	84.367	6,348		7,975	
	TR-S1-07		49,451		48,048	
Total Improving Teacher Quality Grant			55,799		56,023	
Total U.S. Department of Education			732,388		739,941	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
(Passed Through Montgomery County Educational Service Center)						
Medical Assistance Program (CAFS)	N/A	93.778	192			
Total			\$862,049	\$22,395	\$869,410	\$22,395

The accompanying notes are an integral part of this schedule.

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE E – MEDICAL ASSISTANCE PROGRAM

The District received a fiscal year 2006 medical assistance program settlement in the amount of \$192 passed through the Montgomery County Educational Service Center. This is for a reimbursement for services provided in prior years.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Greenon Local School District, Clark County, (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

**Internal Control Over Financial Reporting
(Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted a certain internal control matter that we reported to the District's management in a separate letter dated November 29, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Government's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 and 2007-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 29, 2007.

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

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



Mary Taylor, CPA
Auditor of State

November 29, 2007



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of Greenon Local School District, Clark County, (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 apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Greenon Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

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

**Internal Control Over Compliance
(Continued)**

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



Mary Taylor, CPA
Auditor of State

November 29, 2007

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster CFDA #84.027 & 84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2007-001

Material Noncompliance and Significant Deficiency

Ohio Rev. Code Section 5705.10 requires that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. The District incorrectly posted permanent improvement homestead and rollback revenue in the amount of \$26,863 to the General Fund. This resulted in misstated cash balances for both the General and Permanent Improvement funds. The amounts were not material to the financial statements, and have not been adjusted.

To improve accountability and financial reporting, the Assistant Treasurer should take measures to help prevent incorrect revenue postings between funds and the Treasurer should review postings for accuracy. Additional revenue posting reviews can help decrease future audit adjustments as well as provide for reporting accurate cash balances.

Official's Response: The posting has been corrected in fiscal year 2008. Additional revenue posting reviews have been implemented by the Treasurer.

FINDING NUMBER 2007-002

Recording of Taxes Receivable - Significant Deficiency

The District has established an accrual policy to record taxes earned yet not received as property taxes receivable according to generally accepted accounting principles (GAAP). GAAP requires that amounts available for a tax advance be accrued as revenue to the statement of activities and to the fund statements. Additionally, homestead and rollback reimbursements from the state of Ohio, which are considered intergovernmental revenue, is a factor to consider in the calculation of the receivable for all Ohio governments.

To substantiate the amount of the receivable, a confirmation from the county auditor is utilized to determine the tax advances available and tax settlements are utilized to determine the percentages of homestead and rollback reimbursements that should be deducted from the receivable.

Testing of the calculation of taxes receivable noted that the compiler utilized the incorrect amounts from the county auditor confirmation for the tax advances. Additionally, the homestead and rollback reimbursements were calculated utilizing fiscal year 2005 tax settlements. These errors resulted in immaterial adjustments that are not reflected in the financial statements. These errors, while not material, could be significant to management's ability to fairly present financial statements.

The compiler should utilize the correct amounts from the county auditor confirmations and calculate the homestead and rollback reimbursements utilizing current information.

Official's Response: The County Auditor paperwork reflected personal property tax money as being "available" at June 30th, in reality they had already advanced the money. The Homestead and Rollback percentages should be updated each year. These should have been caught and will be more carefully reviewed in the future.

FINDING NUMBER 2007-003

Material Noncompliance

Ohio Revised Code Section 3313.46 (A) states that the board of education of any school district, when any such board determines to build, repair, enlarge, improve, or demolish any school building, the cost of which will exceed twenty-five thousand dollars, except in cases of urgent necessity, or for the security and protection of school property, and except as otherwise provided in division (D) of section 713.23 and in section 125.04 of the Revised Code, all of the following shall apply:

1. The board shall cause to be prepared the plans, specifications, and related information as required in divisions (A), (B), and (D) of section 153.01 of the Revised Code unless the board determines that other information is sufficient to inform any bidders of the board's requirements. However, if the board determines that such other information is sufficient for bidding a project, the board shall not engage in the construction of any such project involving the practice of professional engineering, professional surveying, or architecture, for which plans, specifications, and estimates have not been made by, and the construction thereof inspected by, a licensed professional engineer, licensed professional surveyor, or registered architect.
2. The board shall advertise for bids once each week for a period of at least two consecutive weeks in a newspaper of general circulation in the district prior to the date specified by the board for receiving bids.
3. Unless the board extends the time for the opening of bids they shall be opened at the time and place specified by the board in the advertisement for the bids.
4. Each bid shall contain the name of every person interested therein. Each bid shall meet the requirements of section 153.54 of the Revised Code.
5. When both labor and materials are embraced in the work bid for, the board may require that each be separately stated in the bid, with the price thereof, or may require that bids be submitted without such separation.
6. None but the lowest responsible bid shall be accepted. The board may reject all the bids, or accept any bid for both labor and material for such improvement or repair, which is the lowest in the aggregate. In all other respects, the award of contracts for improvement or repair, but not for purchases made under section 3327.08 of the Revised Code, shall be pursuant to section 153.12 of the Revised Code.
7. The contract shall be between the board and the bidders. The board shall pay the contract price for the work pursuant to sections 153.13 and 153.14 of the Revised Code. The board shall approve and retain the estimates referred to in section 153.13 of the Revised Code and make them available to the auditor of state upon request.
8. When two or more bids are equal, in the whole, or in any part thereof, and are lower than any others, either may be accepted, but in no case shall the work be divided between such bidders.
9. When there is reason to believe there is collusion or combination among the bidders, or any number of them, the bids of those concerned therein shall be rejected.

**FINDING NUMBER 2007-003
(Continued)**

The former superintendent entered into agreements with five separate vendors totaling \$229,764 to complete construction work on the Greenon High School athletic facility. Some of these agreements were for more than \$25,000 while others were just under the \$25,000 bid threshold. The agreements were not bid per the guidelines of the aforementioned section of code. Furthermore, the agreements appear to be "bid splitting" which is defined as a deliberate attempt to evade bid limitations, such as successive contracts just under the bid amount.

This caused the Board of Education to contact their legal representation to determine the liability to the District and for guidance on how to proceed with the project and to be in compliance with competitive bidding laws.

To comply with the aforementioned code section, the District should implement procedures to determine if purchasing agents are deliberately attempting to evade competitive bidding requirements such as:

- The Board of Education should review outstanding purchase orders by vendor and be alert for vendors with more than \$25,000 in outstanding purchase orders;
- If such items are identified, the Board of Education should inquire of the Superintendent, Treasurer, and legal counsel if necessary, as to the legality of the arrangement with that vendor;
- The Treasurer and her staff should be alert for successive purchase orders that are just under the bidding limits and investigate the legality of the arrangement.

Failure to implement such controls could cause the Board of Education, Treasurer, and the District's purchasing agents to be subject to civil and criminal legal action. Furthermore, due to the amount of funds expended for the project, the District may have been able to obtain a more competitive price for the construction work if competitive bidding laws had been followed.

Official's Response: Efforts will continue to be made on the part of the Superintendent's Office, Treasurer's Office and Board of Education to carefully abide by the requirements for the bidding process for amounts close to or in excess of \$25,000.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



Mary Taylor, CPA
Auditor of State

GREENON LOCAL SCHOOL DISTRICT

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 10, 2008**