

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

Basic Financial Statements

Year Ended June 30, 2005



**Auditor of State
Betty Montgomery**

Board of Education
Green Local School District, Wayne County
484 East Main St.
Smithville, OH 44677

We have reviewed the *Independent Auditor's Report* of the Green Local School District, Wayne County, prepared by Rea & Associates, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY
Auditor of State

January 5, 2006

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(Wayne County, Ohio)
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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

November 10, 2005

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Green Local School District, Wayne County, Ohio, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Green Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Green Local School District, Wayne County, Ohio, as of June 30, 2005, and the respective changes in financial position where applicable, thereof and the respective budgetary comparison for the general fund and emergency levy special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2005 on our consideration of Green Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Audit Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 8 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Rea & Associates, Inc.

Green Local School District (Wayne County, Ohio)

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)*

The discussion and analysis of the Green Local School District's (the School District's) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2005 are as follows:

- ❑ General Revenues accounted for \$8.5 million in revenue or 78.07% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for approximately \$2.4 million or 21.93% of total revenues of \$10.9 million.
- ❑ Total program expenses were \$10.8 million in Governmental Activities.
- ❑ In total, net assets of Governmental Activities increased \$57,411, which represents a 6.45% increase from 2004.
- ❑ Outstanding bond and note debt decreased from \$358,871 to \$230,190 through the payment of bond and note principal.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* excluding fiduciary funds using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Green Local School District (Wayne County, Ohio)

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)*

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2005 compared to 2004:

**(Table 1)
Net Assets**

	Governmental Activities	
	2005	2004
Assets		
Current and Other Assets	\$ 3,666,507	\$ 3,490,253
Capital Assets	2,560,473	2,422,157
Total Assets	<u>6,226,980</u>	<u>5,912,410</u>
Liabilities		
Long-Term Liabilities	1,431,942	1,335,134
Other Liabilities	3,847,753	3,687,402
Total Liabilities	<u>5,279,695</u>	<u>5,022,536</u>
Net Assets		
Invested in Capital		
Assets Net of Debt	2,022,556	2,063,286
Restricted	200,515	287,637
Unrestricted (Deficit)	<u>(1,275,786)</u>	<u>(1,461,049)</u>
Total Net Assets	<u>\$ 947,285</u>	<u>\$ 889,874</u>

Green Local School District (Wayne County, Ohio)

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

(Unaudited)

Total net assets increased by \$57,411. No individual significant event was evident to suggest primary cause of this increase.

Total liabilities increased by approximately \$257,159, this increase was caused primarily by new leases and increased deferred revenue.

Table 2 shows the changes in net assets for fiscal year 2005 and 2004. This will enable the reader to draw further conclusion about the District's financial status and possible future outcomes.

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2005	2004
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,509,749	\$ 1,018,400
Operating Grants	880,864	488,991
<i>General Revenue:</i>		
Property Taxes	3,278,669	3,593,543
Grants and Entitlements	5,106,579	5,606,776
Other	123,580	163,296
<i>Total Revenues</i>	10,899,441	10,871,006
Program Expenses		
Instruction	6,501,639	6,314,204
Support Services	3,314,755	4,008,260
Extracurricular Activities	475,796	395,572
Interest and Fiscal Charges	29,847	27,539
Food Services	459,267	374,346
Uniform School Supplies	60,726	64,035
<i>Total Expenses</i>	10,842,030	11,183,956
Increase (Decrease) in Net Assets	\$ 57,411	\$ (312,950)

Green Local School District (Wayne County, Ohio)

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)*

Governmental Activities

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

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

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental activity had total revenues of \$10.9 million and expenses of \$10.8 million.

**(Table 3)
Governmental Activities**

	2005		2004	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 6,501,639	\$ (4,937,296)	\$ 6,314,204	\$ (5,475,420)
Support Services:				
Pupil and Instructional Staff	602,936	(520,428)	749,847	(695,121)
Board of Education, Administration				
Fiscal and Business	1,066,579	(1,037,385)	1,496,127	(1,464,800)
Operation and Maintenance of Plant	1,224,920	(1,224,920)	979,379	(979,379)
Pupil Transportation and Central	420,320	(402,524)	782,907	(758,724)
Extracurricular Activities	475,796	(264,736)	395,572	(269,969)
Interest Charges	29,847	(29,847)	27,539	(27,539)
Food Service Operations	459,267	(36,981)	374,346	1,973
Uniform Supplies	60,726	2,700	64,035	(7,586)
Total	<u>\$ 10,842,030</u>	<u>\$ (8,451,417)</u>	<u>\$ 11,183,956</u>	<u>\$ (9,676,565)</u>

Property taxes made up 30.1% of total revenues for governmental activities for Green Local School District in fiscal year 2005. Program revenues for governmental activities provided 21.9% of governmental revenues with over 78.1% of all governmental activities supported through property taxes, grants and entitlements, and other general revenues. The 46.85% provided by the grants and entitlements portion of general revenues includes monies received from the Ohio Department of Education, State Foundation Program, and property tax relief such as the homestead exemptions and rollbacks provided by HB920. The community, through its willingness to provide property tax revenues and educational support for students, is by far the primary support for Green Local School District students, but this low wealth district depends heavily on financial support from the State of Ohio through its basic per pupil and Parity Aide funding.

Green Local School District (Wayne County, Ohio)

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)*

General Fund Budgeting Highlights

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

During the course of fiscal year 2005, there were minor amendments to the School District's total general fund budget. The School District uses site-based budgeting and the budgeting system which are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budgeted revenues and other financing sources were \$9.424 million, above original budget estimates of \$9.102 million. The actual revenues and other financing sources were \$9.352 million. No individual significant changes in budget were identified.

General fund original appropriations and other financing uses of \$9.123 million were increased to \$9.427 million in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$9.343 million. The actual expenditures were comparable to final budget expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the School District had approximately \$2.6 million invested in land, buildings, equipment, vehicle, library and textbooks. Table 4 shows fiscal year 2005 and 2004 balances net of depreciation.

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

	Governmental Activities	
	2005	2004
Land	\$ 66,992	\$ 66,992
Land Improvements	43,200	1,222
Buildings and Improvements	1,746,564	1,732,734
Furniture and Equipment	182,931	316,368
Vehicles	520,786	304,841
Totals	<u>\$ 2,560,473</u>	<u>\$ 2,422,157</u>

The approximately \$138,000 increase in capital assets was attributable to additional purchases and disposals exceeding depreciation expense.

Green Local School District (Wayne County, Ohio)
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

Debt

At June 30, 2005, the School District had \$0 in bonds outstanding. During fiscal year 2005, \$110,000 of general obligation bonds were retired. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt, at June 30

	2005	2004
General Obligation Bonds:		
Energy Conservation	\$ 0	\$ 110,000

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

At June 30, 2005, the School District had \$230,190 in notes outstanding with \$19,778 due within one year. During fiscal year 2005, \$18,681 of notes were retired. Table 6 summarizes notes outstanding.

(Table 6)
Outstanding Debt, at June 30

	2005	2004
General Obligation Notes:		
Energy Conservation	\$ 230,190	\$ 248,870

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

Current Issues

Green Local School District has continued to maintain the highest standards of service to our students, parents and community. Our 2004-2005 report card from the State of Ohio has bestowed the rank of "EFFECTIVE" by virtue of obtaining 19 out of 21 proficiency standards. It is a credit to our students, parents, teachers, and administrators who value the highest educational standards.

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

The Green Local Board of Education realizes that new funds are necessary to continue the programs that our community has come to expect. A 1% continuing income tax was presented on the May 5, 2005 ballot and was defeated. A new emergency \$500,000 five-year levy was placed on the November 8, 2005 ballot and passed. In the meantime, expenditure containment has included not replacing eight staff members in the last two years, reducing fieldtrips, monitoring use of personal and professional leave, and limiting overtime hours of employment.

Green Local School District (Wayne County, Ohio)

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)*

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

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

Green Local School District receives approximately 69% of its general fund revenue from the State of Ohio. The School District does receive additional revenue for increased enrollment, but 2005 showed a decrease in enrollment. Future projections also show a decreased enrollment that will in turn decrease our State share. The enrollment is artificially leveled by acceptance of open enrollment students from neighboring districts to the extent that the teacher/student ratio remains constant.

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

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

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

Contacting the School District's Financial Management

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

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Green Local School District (Wayne County, Ohio)

Statement of Net Assets

June 30, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 366,260
Receivables:	
Taxes	3,285,782
Accounts	416
Intergovernmental	14,049
Nondepreciable Capital Assets	66,992
Depreciable Capital Assets (Net)	<u>2,493,481</u>
<i>Total Assets</i>	<u>6,226,980</u>
Liabilities	
Accounts Payable	4,855
Accrued Wages and Benefits	486,419
Vacation Benefits Payable	38,583
Matured Compensated Absences Payable	52,559
Intergovernmental Payable	309,904
Unearned Revenue	2,955,433
Long Term Liabilities:	
Due Within One Year	94,646
Due Within More Than One Year	<u>1,337,296</u>
<i>Total Liabilities</i>	<u>5,279,695</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,022,556
Restricted for:	
Capital Projects	76,250
Other Purposes	124,265
Unrestricted	<u>(1,275,786)</u>
<i>Total Net Assets</i>	<u>\$ 947,285</u>

See accompanying notes to the basic financial statements.

Green Local School District (Wayne County, Ohio)
Statement of Activities
For the Fiscal Year Ended June 30, 2005

	Program Revenues			Net (Expense) Revenue and Changes In Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 4,686,566	\$ 975,737	\$ 47,010	\$ (3,663,819)
Special	1,044,492	0	540,188	(504,304)
Vocational	263,191	0	1,408	(261,783)
Other	507,390	0	0	(507,390)
Support Services:				
Pupils	226,521	0	42,411	(184,110)
Instructional Staff	376,415	0	40,097	(336,318)
Board of Education	51,486	0	0	(51,486)
Administration	833,149	0	23,445	(809,704)
Fiscal	181,944	0	5,749	(176,195)
Operation and Maintenance of Plant	1,224,920	0	0	(1,224,920)
Pupil Transportation	273,880	0	5,796	(268,084)
Central	146,440	0	12,000	(134,440)
Food Service Operations	459,267	259,526	162,760	(36,981)
Uniform Supplies	60,726	63,426	0	2,700
Extracurricular Activities	475,796	211,060	0	(264,736)
Interest and Fiscal Charges	29,847	0	0	(29,847)
<i>Totals Governmental Activities</i>	<u>\$ 10,842,030</u>	<u>\$ 1,509,749</u>	<u>\$ 880,864</u>	<u>(8,451,417)</u>

General Revenues

Property Taxes Levied for:	
General Purposes	3,116,001
Capital Outlay	162,668
Grants and Entitlements not Restricted to Specific Programs	5,106,579
Investment Earnings	13,399
Miscellaneous	110,181
Total General Revenues	8,508,828
Change in Net Assets	57,411
Net Assets Beginning of Year, Restated (See Note 3)	889,874
Net Assets End of Year	\$ 947,285

See accompanying notes to the basic financial statements.

Green Local School District (Wayne County, Ohio)

Balance Sheet

Governmental Funds

June 30, 2005

	General	Emergency Levy Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 70,608	\$ 32,230	\$ 263,422	\$ 366,260
Receivables:				
Taxes	2,503,866	589,290	192,626	3,285,782
Accounts	61	0	355	416
Interfund	22,838	0	0	22,838
Intergovernmental	0	0	14,049	14,049
<i>Total Assets</i>	<u>\$ 2,597,373</u>	<u>\$ 621,520</u>	<u>\$ 470,452</u>	<u>\$ 3,689,345</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 3,584	\$ 0	\$ 1,271	\$ 4,855
Accrued Wages and Benefits	461,418	0	25,001	486,419
Vacation Benefits Payable	38,583	0	0	38,583
Matured Compensated Absences Payable	46,123	0	6,436	52,559
Interfund Payable	0	0	22,838	22,838
Intergovernmental Payable	303,034	0	6,870	309,904
Deferred Revenue	2,301,167	541,584	178,112	3,020,863
<i>Total Liabilities</i>	3,153,909	541,584	240,528	3,936,021
Fund Balances				
Fund Balance:				
Reserved for Encumbrances	27,340	0	5,637	32,977
Reserved for Tax Revenue Unavailable for Appropriation	202,700	47,706	15,594	266,000
Unreserved:				
Undesignated Reported in:				
General Fund	(786,576)	0	0	(786,576)
Special Revenue Funds	0	32,230	151,809	184,039
Capital Projects Funds	0	0	56,884	56,884
<i>Total Fund Balances</i>	<u>(556,536)</u>	<u>79,936</u>	<u>229,924</u>	<u>(246,676)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 2,597,373</u>	<u>\$ 621,520</u>	<u>\$ 470,452</u>	<u>\$ 3,689,345</u>

See accompanying notes to the basic financial statements.

Green Local School District (Wayne County, Ohio)
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 June 30, 2005*

Total Governmental Fund Balances		\$	(246,676)
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.			2,560,473
Other long-term assets are not available to pay for current- period expenditures and therefore, are deferred in the funds.			
Grants	1,080		
Delinquent Property Taxes	64,350		65,430
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.			
Notes Payable	(230,190)		
Capital Lease Payable	(307,727)		
Compensated Absences	(894,025)		(1,431,942)
Net Assets of Governmental Activities		\$	947,285

See accompanying notes to the basic financial statements.

Green Local School District (Wayne County, Ohio)
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General	Emergency Levy Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,537,948	\$ 591,655	\$ 160,795	\$ 3,290,398
Intergovernmental	5,748,635	73,200	636,645	6,458,480
Investment Income	11,925	0	1,474	13,399
Tuition and Fees	479,777	0	85,369	565,146
Extracurricular Activities	0	0	212,960	212,960
Charges for Services	0	0	259,526	259,526
Miscellaneous	5,096	0	105,085	110,181
<i>Total Revenues</i>	8,783,381	664,855	1,461,854	10,910,090
Expenditures:				
Current:				
Instruction:				
Regular	3,848,452	673,023	132,787	4,654,262
Special	757,207	0	285,954	1,043,161
Vocational	267,207	0	1,620	268,827
Other	507,390	0	0	507,390
Support Services:				
Pupils	217,255	0	50,668	267,923
Instructional Staff	343,552	0	42,945	386,497
Board of Education	42,786	0	8,700	51,486
Administration	851,685	0	24,448	876,133
Fiscal	181,502	10,420	8,442	200,364
Operation and Maintenance of Plant	1,139,993	0	0	1,139,993
Pupil Transportation	563,892	0	5,602	569,494
Central	134,440	0	12,000	146,440
Food Service Operations	0	0	434,720	434,720
Uniform Supplies	0	0	60,726	60,726
Extracurricular Activities	271,175	0	215,895	487,070
Capital Outlay	1,871	0	30,027	31,898
Debt Service:				
Principal Retirement	68,710	0	135,657	204,367
Interest and Fiscal Charges	7,658	0	22,189	29,847
<i>Total Expenditures</i>	9,204,775	683,443	1,472,380	11,360,598
<i>Excess of Revenues Over (Under) Expenditures</i>	(421,394)	(18,588)	(10,526)	(450,508)
Other Financing Sources (Uses):				
Inception of Capital Lease	383,413	0	0	383,413
Proceeds from Sales of Capital Assets	463	0	0	463
Transfers In	0	0	149,195	149,195
Transfers Out	(32,595)	0	(116,600)	(149,195)
<i>Total Financing Sources and (Uses)</i>	351,281	0	32,595	383,876
<i>Net Change in Fund Balance</i>	(70,113)	(18,588)	22,069	(66,632)
<i>Fund Balance (Deficit) at Beginning of Year</i> <i>Restated (See Note 3)</i>	(486,423)	98,524	207,855	(180,044)
<i>Fund Balance (Deficit) at End of Year</i>	\$ (556,536)	\$ 79,936	\$ 229,924	\$ (246,676)

See accompanying notes to the basic financial statements.

Green Local School District (Wayne County, Ohio)
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$	(66,632)
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital Asset Additions	478,852	
Current Year Depreciation	<u>(195,365)</u>	283,487

Net effect of transactions involving sale and disposal of capital assets are not reflected in the funds.		(145,171)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Grants	1,080	
Delinquent Property Taxes	<u>(11,729)</u>	(10,649)

Repayment of debt principal and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Bond Principal	128,681	
Capital Leases	<u>75,686</u>	204,367

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

Inception of Capital Leases	(383,413)	
Increase in Compensated Absences	(20,902)	
Decrease in Early Retirement Incentive	103,140	
Decrease in Pension Obligation	<u>93,184</u>	<u>(207,991)</u>

Change in Net Assets of Governmental Activities	\$	<u>57,411</u>
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See accompanying notes to the basic financial statements.

Green Local School District (Wayne County, Ohio)
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 2,681,780	\$ 2,776,893	\$ 2,755,450	\$ (21,443)
Intergovernmental	5,594,454	5,792,868	5,748,635	(44,233)
Investment Income	11,624	12,036	11,943	(93)
Tuition and Fees	466,950	483,511	479,777	(3,734)
Miscellaneous	3,790	3,924	3,894	(30)
<i>Total Revenues</i>	<u>8,758,598</u>	<u>9,069,232</u>	<u>8,999,699</u>	<u>(69,533)</u>
Expenditures:				
Current				
Instruction	5,249,820	5,424,652	5,414,309	10,343
Support Services				
Pupils	263,945	272,743	271,670	1,073
Instructional Staff	371,595	383,471	349,727	33,744
Board of Education	45,299	46,728	42,786	3,942
Administration	827,459	855,046	854,323	723
Fiscal	250,660	258,601	245,917	12,684
Operation and Maintenance of Plant	764,170	789,276	770,559	18,717
Pupil Transportation	586,361	605,911	605,115	796
Central	130,202	134,543	134,440	103
Extracurricular Activities	266,761	276,655	275,443	1,212
Capital Outlay	1,812	1,872	1,871	1
Debt Service				
Principal Retirement	290,544	300,230	299,750	480
Interest and Fiscal Charges	3,864	3,993	4,240	(247)
<i>Total Expenditures</i>	<u>9,052,492</u>	<u>9,353,721</u>	<u>9,270,150</u>	<u>83,571</u>
Excess of Revenues Over (Under) Expenditures	(293,894)	(284,489)	(270,451)	14,038
Other Financing Sources (Uses):				
Proceeds of Notes	291,736	302,083	299,750	(2,333)
Proceeds from Sale of Assets	451	467	463	(4)
Refund of Prior Year Expenditures	16,802	17,398	17,264	(134)
Advances In	16,764	17,359	17,225	(134)
Advances Out	(22,118)	(22,856)	(22,838)	18
Transfers Out	(31,484)	(32,497)	(32,595)	(98)
<i>Total Other Financing Sources (Uses)</i>	<u>272,151</u>	<u>281,954</u>	<u>279,269</u>	<u>(2,685)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(21,743)	(2,535)	8,818	11,353
<i>Fund Balance (Deficit) at Beginning of Year</i>	61,787	61,787	61,787	0
Prior Year Encumbrances Appropriated	47,505	47,505	47,505	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 87,549</u>	<u>\$ 106,757</u>	<u>\$ 118,110</u>	<u>\$ 11,353</u>

See accompanying notes to the basic financial statements.

Green Local School District (Wayne County, Ohio)
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Emergency Levy - Special Revenue
 For the Fiscal Year Ended June 30, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 577,592	\$ 577,592	\$ 642,473	\$ 64,881
Intergovernmental	65,808	65,808	73,200	7,392
<i>Total Revenues</i>	643,400	643,400	715,673	72,273
Expenditures:				
Current				
Instruction	673,023	673,023	673,023	0
Support Services				
Fiscal	10,420	10,420	10,420	0
<i>Total Expenditures</i>	683,443	683,443	683,443	0
Excess of Revenues Over (Under) Expenditures	(40,043)	(40,043)	32,230	72,273
<i>Fund Balance (Deficit) at Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ (40,043)	\$ (40,043)	\$ 32,230	\$ 72,273

See accompanying notes to the basic financial statements.

Green Local School District (Wayne County, Ohio)

Statement of Fiduciary Assets and Liabilities

Fiduciary Funds

June 30, 2005

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 61,818</u>
<i>Total Assets</i>	<u><u>\$ 61,818</u></u>
Liabilities	
Undistributed Monies	<u>\$ 61,818</u>
<i>Total Liabilities</i>	<u><u>\$ 61,818</u></u>

See accompanying notes to the basic financial statements.

Green Local School District (Wayne County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Note 1 – Description of the School District

The Green Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under a locally-elected five member board form of government and provides educational services as authorized and mandated by state and federal agencies. Average daily membership on, or as of, October 1, 2004, was 1,352. The School District employs 101 certificated and 56 non-certificated employees.

Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental type activities provided they do not conflict with or contradict GASB pronouncements. For the year ended June 30, 2005, the School District has implemented GASB Statement No. 40 "*Deposit and Investment Risk Disclosures*." There was no effect on fund balance as a result of this implementation. The most significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

Green Local School District (Wayne County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

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

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

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

B. Fund Accounting

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

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

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

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

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

Green Local School District (Wayne County, Ohio)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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

C. Measurement Focus

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

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

Fiduciary funds are reported using the economic resources measurement focus and are excluded from the government-wide financial statements.

D. Basis of Accounting

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

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

Green Local School District (Wayne County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

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

E. Cash and Cash Equivalents

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

During fiscal year 2005, investments were limited to repurchase agreements and certificates of deposit. These nonparticipating investment contracts are reported at cost.

The School District has also invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

Green Local School District (Wayne County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

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

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$11,925, which includes \$9,242 assigned from other School District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts required by statute to be set aside for the purchase of textbooks and capital improvements. See Note 21 for additional information regarding set-asides.

G. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$2,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 Years
Buildings and Improvements	10 - 50 Years
Furniture and Fixtures	5 - 20 Years
Vehicles	10 -15 Years

H. Compensated Absences

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

Green Local School District (Wayne County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

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

I. Accrued Liabilities and Long-term Obligations

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

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

J. Net Assets

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

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

K. Fund Balance Reserves

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

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

Green Local School District (Wayne County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

L. Interfund Activity

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

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2005.

N. Estimates

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

O. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2005.

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

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

Green Local School District (Wayne County, Ohio)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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

Note 3 – Restatement of Prior Period Balances

During the fiscal year ending June 30, 2005, it was noted that there was an error in the calculation of depreciation expense for fiscal year 2004 and prior years. Depreciation expense was cumulatively understated by \$243,614. In addition, it was noted that accrued wages and benefits was overstated by \$191,762 in the prior year. The result of these errors, and their effect on fund and net asset balances, are summarized below:

	<u>General Fund</u>	<u>Emergency Levy</u>	<u>Other Governmental</u>	<u>Total</u>
Fund Balance at June 30, 2004	\$ (678,185)	\$ 98,524	\$ 207,855	\$ (371,806)
Adjustment of accrued wages	191,762	0	0	191,762
Restated Fund Balance July 1, 2004	<u>\$ (486,423)</u>	<u>\$ 98,524</u>	<u>\$ 207,855</u>	<u>\$ (180,044)</u>
	<u>Governmental Activities</u>			
Net Assets, at June 30, 2004	\$ 941,726			
Adjustment of accrued wages	191,762			
Adjustment of capital assets	(243,614)			
Restated Net Assets, at July 1, 2004	<u>\$ 889,874</u>			

Note 4 – Accountability

Fund balances/net assets at June 30, 2005, included the following individual fund deficits:

	<u>Deficit</u>	
	<u>Fund Balance</u>	<u>Net Assets</u>
General Fund	\$ 786,576	\$ 1,356,773
Nonmajor Governmental Funds:		
Food Services	16,305	37,674
Vocational Education Enhancement	905	905
Miscellaneous State Grants	1,271	0
IDEA Special Education	0	14,720
Title I	2,458	5,870
Improving Teacher Quality	3,597	3,603
Permanent Improvements	22,108	0

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

Green Local School District (Wayne County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Note 5 – Budgetary Basis of Accounting

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

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

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

	Net Change in Fund Balance	
	<u>General</u>	<u>Emergency Levy</u>
GAAP Basis	\$ (70,113)	\$ (18,588)
Net Adjustment for Revenue Accruals	167,144	50,818
Net Adjustment for Expenditure Accruals	(60,306)	0
Adjustment for Encumbrances	(27,907)	0
Budget Basis	<u>\$ 8,818</u>	<u>\$ 32,230</u>

Note 6 – Deposits and Investments

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

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

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

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

Green Local School District (Wayne County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

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

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

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

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

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

Green Local School District (Wayne County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Deposits - At fiscal year-end, the carrying amount of the School District's deposits was \$268,660 and the bank balance was \$117,936. The School District also has \$125 in petty cash funds. Of the bank balance:

1. \$117,936 was covered by federal depository insurance.

Investments –STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. Investments are reported at fair value. As of June 30, 2005, the School District had the following investments and maturity:

	<u>Fair Value</u>	<u>Six months or less</u>
STAROhio	<u>\$ 159,418</u>	<u>\$ 159,418</u>

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School District.

Credit Risk – The School District's investments at June 30, 2005, in Money Market Fund and STAROhio are rated AAAM by Standard & Poor's.

Concentration of Credit Risk –The School District places no limit on the amount the School District may invest in any one issuer.

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Green Local School District (Wayne County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004 on the value as of December 31, 2004. Tangible personal property is currently assessed at 25% of true value for capital assets and 23% of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Wayne County. The Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005, was \$202,700 in the General Fund, \$47,706 in the Emergency Levy Special Revenue fund, and \$15,594 in the Permanent Improvement Capital Projects Fund.

On the full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred since it has not been received within the available period.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 103,989,950	90.94%	\$ 105,758,630	91.23%
Public Utility	71,370	0.06%	73,890	0.06%
Tangible Personal Property	10,286,353	9.00%	10,097,886	8.71%
	<u>\$ 114,347,673</u>	<u>100.00%</u>	<u>\$ 115,930,406</u>	<u>100.00%</u>
 Tax rate per \$1,000 assessed valuation	 \$ 50.25		 \$ 50.25	

Green Local School District (Wayne County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Note 8 - Receivables

Receivables at June 30, 2005, consisted of taxes, accounts (rent and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

Intergovernmental receivables as of June 30, 2005:

Miscellaneous State Grants	\$	1,080
Food Service		12,969
	\$	<u>14,049</u>

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Restated Balance 6/30/04	Additions	Reductions	Balance 6/30/05
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 66,992	\$ 0	\$ 0	\$ 66,992
<i>Capital Assets, being depreciated:</i>				
Land Improvements	342,499	59,693	0	402,192
Buildings and Improvements	3,333,353	77,000	0	3,410,353
Furniture and Equipment	1,336,503	46,518	(214,758)	1,168,263
Vehicles	811,473	295,641	(191,444)	915,670
Total Capital Assets, being depreciated	5,823,828	478,852	(406,202)	5,896,478
Less Accumulated Depreciation:				
Land Improvements	(341,277)	(17,715)	0	(358,992)
Buildings and Improvements	(1,600,619)	(63,170)	0	(1,663,789)
Furniture and Equipment	(1,020,135)	(34,784)	69,587	(985,332)
Vehicles	(506,632)	(79,696)	191,444	(394,884)
Total Accumulated Depreciation	(3,468,663)	(195,365)	261,031	(3,402,997)
Total Capital Assets being depreciated, net	2,355,165	283,487	(145,171)	2,493,481
Governmental Activities Capital Assets, Net	\$ <u>2,422,157</u>	\$ <u>283,487</u>	\$ <u>(145,171)</u>	\$ <u>2,560,473</u>

Green Local School District (Wayne County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 95,700
Special	544
Vocational	1,113
Support Services:	
Pupils	1,731
Instructional Staff	539
Administration	2,434
Fiscal	1,397
Operation and Maintenance of Plant	5,655
Pupil Transportation	79,180
Central	146
Extracurricular Activities	5,637
Food Service Operations	1,289
	<u>\$ 195,365</u>

Note 10 – Risk Management

A. Property and Liability

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

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

B. Workers' Compensation

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

Green Local School District (Wayne County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

C. Employee Medical Benefits

Medical and prescription coverage is provided as a Comprehensive Major Medical program through Medical Mutual with the Wayne County Schools Consortium. Monthly family premiums are \$813.00 and monthly single premiums are \$301.55 for Administrative and Certified Staff in addition to Classified Staff who qualify with an average 25 hours per work week. Employee premium share is 13% as protected by a premium only 125 plan.

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

Note 11 - Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$163,156, \$174,432, and \$170,280, respectively; 50% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan members may retire after five years of service at age 60; 25 years of service at age 55; or 30 years of service regardless of age. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the desired benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60. The DC portion of the account may be

Green Local School District (Wayne County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, (the latest information available), plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% 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 the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$695,862, \$683,568, and \$663,648, respectively; 83% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$513 made by the School District and \$4,344 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

Note 12 - Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2004, (the latest information available), the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$49,704 during the 2005 fiscal year.

Green Local School District (Wayne County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available), the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, (the latest information available), the health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2004, (the latest information available), employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, (the latest information available), the minimum pay has been established at \$24,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$106,935.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, (the latest information available), SERS had net assets available for payment of health care benefits of \$300.8 million. SERS had approximately 62,000 participants currently receiving health care benefits.

Note 13 – Other Employee Benefits

A. Life Insurance

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

B. Compensated Absences

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

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

Green Local School District (Wayne County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Note 14 - Long - Term Obligations

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

	Outstanding 6/30/2004	Additions	Reductions	Outstanding 6/30/2005	Due in One Year
Governmental Activities:					
General Obligation Bonds:					
Energy Conservation 5.95%	\$ 110,000	\$ 0	\$ 110,000	\$ 0	\$ 0
Total General Obligation Bonds	110,000	0	110,000	0	0
Notes Payable:					
Perm Improvements - 5.75%	248,871	0	18,681	230,190	19,778
Total Notes Payable	248,871	0	18,681	230,190	19,778
Compensated Absences	873,123	73,463	52,561	894,025	0
Capital Leases	0	383,413	75,686	307,727	74,868
Early Retirement Incentive	103,140	0	103,140	0	0
Total Governmental Activities Long-Term Liabilities	\$ 1,335,134	\$ 456,876	\$ 360,068	\$ 1,431,942	\$ 94,646

Outstanding general obligation bonds consists of school building construction issues.

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the general fund and respective funds. Capital leases will be paid from the general fund and the capital improvement funds. Early retirement will be paid from the general fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2005 are as follows:

Fiscal Year Ending June 30,	Notes Payable		
	Principal	Interest	Total
2006	\$ 19,778	\$ 12,816	\$ 32,594
2007	20,940	11,654	32,594
2008	22,143	10,451	32,594
2009	23,472	9,123	32,595
2010	24,851	7,744	32,595
2011 - 2015	119,006	15,565	134,571
Total	\$ 230,190	\$ 67,353	\$ 297,543

Note 15 – Short Term Notes Payable

During the fiscal year, the School District issued tax anticipation notes in advances of property tax collections, depositing the proceeds in the general fund. These notes were necessary for short-term borrowing by the School District.

Green Local School District (Wayne County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Short-term debt activity for the year ended June 30, 2005, was as follows:

	<u>Balance 6/30/2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2005</u>
First National Bank - 6.25%	\$ 0	\$ 299,750	\$ 299,750	\$ 0

Note 16 – Capitalized Leases

Capital lease obligations relate to copier equipment, roof repairs, and vehicles which are leased under long-term agreements. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13 "Accounting for Leases". Capital lease payments in the governmental funds have been reclassified and are reflected as debt service in the basic financial statements for the general fund. These expenditures are reflected as program/function expenditures on a budgetary basis. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2005.

<u>Year</u>	<u>Amount</u>
2006	\$ 89,430
2007	89,429
2008	89,430
2009	66,125
2010	8,651
	<u>343,065</u>
Less amount representing interest	<u>35,338</u>
Present Value of Minimum Lease Payments	<u>\$ 307,727</u>

The assets being acquired have been capitalized in the general fund in the amount of \$383,413, which is the present value of the minimum lease payments at the inception of each lease.

Note 17 - Interfund Transactions

The account balances by fund of "Interfund Receivable" and "Interfund Payable" as of June 30, 2005, are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 22,838	\$ 0
Other Governmental Funds	0	22,838
	<u>\$ 22,838</u>	<u>\$ 22,838</u>

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2005, all interfund payables outstanding are anticipated to be repaid in fiscal year 2005.

Green Local School District (Wayne County, Ohio)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

The following is a summarized breakdown of the School District's transfers for fiscal year 2005:

Fund	Transfers In	Transfers Out
General Fund	\$ 0	\$ (32,595)
Other Governmental Funds	149,195	(116,600)
	<u>\$ 149,195</u>	<u>\$ (149,195)</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

Note 18 - Jointly Governed Organizations

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 22 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports TCCSA based upon a per pupil charge dependent upon the software package utilized. The TCCSA council of governments consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by an executive committee chosen from the general membership of the TCCSA council of governments. The executive committee consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Ashland - Wayne County Education Services Center, which serves as fiscal agent, located at 2534 Burbank Road, Wooster, Ohio 44691. During the year ended June 30, 2005, the District paid approximately \$107,893 to TCCSA for basic service charges.

Note 19 - Contingencies

A. Grants

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

B. School Funding

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

Green Local School District (Wayne County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Note 20 – Subsequent Events

The Green Local Board of Education realizes that new funds are necessary to continue the programs that our community has come to expect. A 1% continuing income tax was presented on the May 5, 2005 ballot and was defeated. A new emergency 4.55 mill \$500,000 five-year levy was placed on the November 8, 2005 ballot and passed. In the meantime, expenditure containment has included not replacing eight staff members in the last two years, reducing fieldtrips, monitoring use of personal and professional leave, and limiting overtime hours of employment.

Note 21 - Set-Asides

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

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

	Capital Improvement Reserve	Textbook Instructional Materials Reserve
	<u> </u>	<u> </u>
Set-Aside Carryover Balance as of June 30, 2004	\$ 10,144	\$ (4,113)
Current Year Set-Aside Requirement	187,778	187,778
Qualifying Disbursements	(295,641)	(190,775)
Total	<u>\$ (97,719)</u>	<u>\$ (7,110)</u>

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

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

November 10, 2005

To the Board of Education
Green Local School District
Smithville, Ohio 44677

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Green Local School District as of and for the year ended June 30, 2005, which collectively comprise the District's basis financial statements and have issued our report thereon dated November 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Green Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Green Local School District in a separate letter dated November 10, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Green Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that we have reported to management of Green Local School District in a separate letter dated November 10, 2005.

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

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

November 10, 2005

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

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

Compliance

We have audited the compliance of Green Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Green Local School District's major federal program are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Green Local School District's management. Our responsibility is to express an opinion on Green Local School District's compliance based on our audit.

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

In our opinion, Green Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control over Compliance

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Green Local School District as of and for the year ended June 30, 2005, and have issued our report thereon dated November 10, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Rea & Associates, Inc.

GREEN LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Pass-Through Entity Number	Federal Receipts	Cash Disbursements	Non-Cash Disbursements
U. S. Department of Education (Passed Through State Department of Education):					
Title I	84.010	C1S1-2004	\$ 0	\$ 19,021	\$ 0
Title I	84.010	C1S1-2005	67,733	62,316	0
<i>Total Title I</i>			<u>67,733</u>	<u>81,337</u>	<u>0</u>
IDEA Part B	84.027	6BSF-2004	0	18,549	0
IDEA Part B	84.027	6BSF-2005	247,685	227,904	0
<i>Total IDEA Part B</i>			<u>247,685</u>	<u>246,453</u>	<u>0</u>
Title IV-A - Drug-Free Schools	84.186	DRS1-2005	4,834	4,834	0
Title V - Innovative Programs	84.298	C2S1-2005	5,578	5,578	0
Title II-D - Technology	84.318	TJS1-2005	1,801	1,801	0
Title II-A - Improving Teacher Quality	84.367	TRS1-2005	43,661	42,211	0
Total U.S. Department of Education			371,292	382,214	0
U. S. Department of Health & Human Services (Passed Through State Department of MRDD):					
Community Alternative Funding Source (CAFS)	93.778	N/A	21,704	21,704	0
State Children's Insurance Program (SCHIP)	93.767	N/A	600	600	0
Total U.S. Department of Health & Human Services			22,304	22,304	0
U. S. Department of Agriculture (Passed Through State Department of Education):					
Nutrition Cluster:					
Food Distribution Program (A)	10.550	N/A	50,816	0	50,816
National School Lunch Program (B)	10.555	LLP4-04-05	94,015	94,015	0
Special Milk Program (B)	10.556	02PU-04-05	2,227	2,227	0
Total U.S. Department of Agriculture: Nutrition Cluster			<u>147,058</u>	<u>96,242</u>	<u>50,816</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 540,654</u>	<u>\$ 500,760</u>	<u>\$ 50,816</u>

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

**GREEN LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non- compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Child Nutrition Cluster, CFDA's #10.550, 10.555, and 10.556
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None were noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted.



**Auditor of State
Betty Montgomery**

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800-282-0370
Facsimile 614-466-4490

**GREEN LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 17, 2006**