

**GREEN LOCAL SCHOOL DISTRICT**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**





Mary Taylor, CPA  
Auditor of State

Board of Education  
Green Local School District  
484 East Main Street  
P.O. Box 438  
Smithville, Ohio 44677

We have reviewed the *Independent Auditor's Report* of the Green Local School District, Wayne County, prepared by Varney, Fink & Associates, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 7, 2007

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**GREEN LOCAL SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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*BASIC FINANCIAL STATEMENTS*

**INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Green Local School District  
P.O. Box 438  
Smithville, OH 44677

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Green Local School District (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2006 and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2006 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

## INDEPENDENT AUDITOR'S REPORT (continued)

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

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

December 4, 2006

**Green Local School District (Wayne County, Ohio)**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*(Unaudited)*

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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, 2006. 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 2006 are as follows:

- General Revenues accounted for \$9.6 million in revenue or 86.5% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for approximately \$1.5 million or 13.5% of total revenues of \$11.1 million.
- Total program expenses were \$11.1 million in Governmental Activities.
- In total, net assets of Governmental Activities increased \$89,655, which represents a 15.7% increase from 2005.
- Outstanding notes payable decreased from \$230,190 to \$210,412 through the payment of 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 2006?" 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, 2006*  
*(Unaudited)*

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**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 only major governmental fund is the general fund.

**Governmental Funds** - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund 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 2006 compared to 2005.

**(Table 1)**  
**Net Assets**

	Governmental Activities	
	2006	2005
<b>Assets</b>		
Current and Other Assets	\$ 4,286,504	\$ 3,666,507
Capital Assets	2,434,134	2,560,473
Total Assets	6,720,638	6,226,980
<b>Liabilities</b>		
Long-Term Liabilities	1,247,365	1,431,942
Other Liabilities	4,812,268	4,223,688
Total Liabilities	6,059,633	5,655,630
<b>Net Assets</b>		
Invested in Capital		
Assets, Net of Debt	1,990,863	2,022,556
Restricted	226,826	200,515
Unrestricted (Deficit)	(1,556,684)	(1,651,721)
Total Net Assets	\$ 661,005	\$ 571,350

**Green Local School District (Wayne County, Ohio)**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*(Unaudited)*

Total net assets increased by \$89,655, primarily due to the tax effect of additional collections beginning during the second half of the fiscal year from a levy passed by the voters in November, 2005.

Total liabilities increased by \$404,003, this increase was caused primarily by an increase in deferred revenue.

Table 2 shows the changes in net assets for fiscal year 2006 and 2005. 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	
	2006	2005
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 920,748	\$ 1,509,749
Operating Grants	581,080	880,864
<i>General Revenue:</i>		
Property Taxes	3,541,739	3,278,669
Grants and Entitlements, not restricted	5,874,574	5,106,579
Other	223,455	123,580
<i>Total Revenues</i>	11,141,596	10,899,441
<b>Program Expenses</b>		
Instruction	6,690,886	6,824,654
Support Services	3,381,361	3,354,607
Operation of Non-Instructional	326,934	0
Extracurricular Activities	132,984	488,864
Interest and Fiscal Charges	32,146	29,847
Food Services	419,383	459,267
Uniform School Supplies	68,247	60,726
<i>Total Expenses</i>	11,051,941	11,217,965
Increase (Decrease) in Net Assets	\$ 89,655	\$ (318,524)

**Green Local School District (Wayne County, Ohio)**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*(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 2005, the School District successfully passed an additional five year \$500,000 emergency levy. The School District has 37.65 mills in continuing operating levies reduced to 16.21 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 \$11.1 million and expenses of \$11.1 million.

**(Table 3)**  
**Governmental Activities**

	2006		2005	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 6,690,886	\$ (5,936,477)	\$ 6,824,654	\$ (4,600,585)
Support Services:				
Pupil and Instructional Staff	517,338	(421,193)	633,842	(359,668)
Board of Education, Administration, and Fiscal	1,241,197	(1,216,586)	1,075,525	(645,969)
Operation and Maintenance of Plant	840,590	(837,113)	1,224,920	(1,224,920)
Pupil Transportation and Central	782,236	(762,939)	420,320	(402,524)
Operation of Non-Instructional	326,934	(326,934)	0	0
Extracurricular Activities	132,984	(19,991)	488,864	(252,262)
Interest Charges	32,146	(32,146)	29,847	(29,847)
Food Service Operations	419,383	8,053	459,267	(36,981)
Uniform Supplies	68,247	(4,787)	60,726	2,700
<b>Total</b>	<b>\$ 11,051,941</b>	<b>\$ (9,550,113)</b>	<b>\$ 11,217,965</b>	<b>\$ (7,550,056)</b>

Property taxes made up 31.8% of total revenues for governmental activities for Green Local School District in fiscal year 2006. Program revenues for governmental activities provided 13.5% of governmental revenues with over 86.3% of all governmental activities supported through property taxes, grants and entitlements, and other general revenues. The 60.9% 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, 2006*  
*(Unaudited)*

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***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 2006, 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 \$10.1 million, above original budget estimates of \$10.0 million. The actual revenues and other financing sources were \$10.1 million. No individual significant changes in the budget were identified.

General fund original appropriations and other financing uses of \$10.1 million were increased to \$10.3 million in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2006 totaled \$10.2 million. The actual expenditures were comparable to final budget expenditures.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2006, the School District had approximately \$2.4 million invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2006 and 2005 balances net of depreciation.

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

	Governmental Activities	
	2006	2005
Land	\$ 66,992	\$ 66,992
Land Improvements	42,006	43,200
Buildings and Improvements	1,681,486	1,746,564
Furniture and Equipment	204,671	182,931
Vehicles	438,979	520,786
Totals	\$ 2,434,134	\$ 2,560,473

The approximately \$126,339 decrease in capital assets was attributable to depreciation expense and disposals exceeding additional purchases during the fiscal year. See Note 9 for additional information regarding capital assets.

**Green Local School District (Wayne County, Ohio)**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*(Unaudited)*

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**Debt**

At June 30, 2006, the School District had \$210,412 in notes outstanding with \$20,940 due within one year. During fiscal year 2006, \$19,778 of notes were retired. Table 5 summarizes notes outstanding.

**(Table 5)**  
**Outstanding Debt, at June 30**

	2006	2005
General Obligation Notes:		
Energy Conservation	\$ 210,412	\$ 230,190

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. See Note 14 for additional information regarding debt.

***Current Issues***

Green Local School District is continuing to maintain the highest standards of service to our students, parents and community. Our 2005-2006 report card from the State of Ohio has bestowed the rank of "EXCELLENT" by virtue of obtaining 23 out of 25 proficiency indicators. It is a credit to our students, parents, teachers, and administrators who value the highest educational standards.

The School District is 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 and have experienced enrollment decline over the last three years. Elimination of the three-year average for funding has significantly reduced foundation revenue. Also, while we have negotiated a new 10%/90% health insurance plan including office visit co-pays in which employees pay 20% of the premium, we have experienced an unprecedented 31% increase in health/drug insurance premiums for the 2006-07 school year.

The Green Local School District 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. Significant reductions in programs and staff are expected for the 2007-08 fiscal year in order to avoid fiscal caution status.

The community rejected a bond issue to participate in the Expedited Ohio School Facilities Commission plan for new school buildings at Green Local Schools. Our eligibility for the Classroom School Facilities Program has been offered and postponed for three years. This opportunity is a long-range goal and part of our Continuous Improvement Plan; however, the need to increase funding for current operations has taken priority.

Green Local School District receives approximately 69% of its general fund revenue from Ohio Department of Education foundation payments. Future projections also show a decline in 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.

**Green Local School District (Wayne County, Ohio)**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*(Unaudited)*

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The School District has a history of local property tax support from its constituents. Since 1964, only 5 out of 34 ballot issues have failed in the Green Local School District (Wayne County). With expenditure containment, the five-year forecast projects a slight carryover for 2007, but cuts will be needed to balance 2008 with additional revenue needed starting with fiscal year 2009. House Bill 920 prevents inflationary revenue growth in current levies 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'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 Habebusch, Treasurer of Green Local School District, Post Office Box 438, Smithville, OH 44677.

Green Local School District (Wayne County, Ohio)

Statement of Net Assets

June 30, 2006

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 378,389
Receivables:	
Taxes	3,893,469
Accounts	981
Intergovernmental	13,665
Nondepreciable Capital Assets	66,992
Depreciable Capital Assets (Net)	<u>2,367,142</u>
<i>Total Assets</i>	<u>6,720,638</u>
<b>Liabilities</b>	
Accounts Payable	6,093
Accrued Wages and Benefits	858,002
Vacation Benefits Payable	34,239
Matured Compensated Absences Payable	41,653
Intergovernmental Payable	330,170
Unearned Revenue	3,542,111
Long Term Liabilities:	
Due Within One Year	105,875
Due Within More Than One Year	<u>1,141,490</u>
<i>Total Liabilities</i>	<u>6,059,633</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	1,990,863
Restricted for:	
Capital Projects	174,847
Other Purposes	51,979
Unrestricted	<u>(1,556,684)</u>
<i>Total Net Assets</i>	<u>\$ 661,005</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, 2006

	Program Revenues			Net (Expense) Revenue and Changes In Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Current:				
Instruction:				
Regular	\$ 5,004,194	\$ 466,795	\$ 35,852	\$ (4,501,547)
Special	942,499	0	247,615	(694,884)
Vocational	260,935	0	4,147	(256,788)
Other	483,258	0	0	(483,258)
Support Services:				
Pupils	268,563	0	66,593	(201,970)
Instructional Staff	248,775	0	29,552	(219,223)
Board of Education	77,461	0	0	(77,461)
Administration	860,716	0	20,630	(840,086)
Fiscal	303,020	0	3,981	(299,039)
Operation and Maintenance of Plant	840,590	0	3,477	(837,113)
Pupil Transportation	631,649	0	7,297	(624,352)
Central	150,587	0	12,000	(138,587)
Operation of Non-instructional services	326,934	0	0	(326,934)
Food Service Operations	419,383	277,500	149,936	8,053
Uniform Supplies	68,247	63,460	0	(4,787)
Extracurricular Activities	132,984	112,993	0	(19,991)
Debt Service:				
Interest and Fiscal Charges	32,146	0	0	(32,146)
<i>Total Governmental Activities</i>	<u>\$ 11,051,941</u>	<u>\$ 920,748</u>	<u>\$ 581,080</u>	<u>(9,550,113)</u>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				3,357,090
Capital Outlay				184,649
Grants and Entitlements not Restricted to Specific Programs				5,874,574
Investment Earnings				26,131
Miscellaneous				197,324
Total General Revenues				9,639,768
Change in Net Assets				89,655
Net Assets Beginning of Year, Restated (See Note 3)				571,350
Net Assets End of Year				<u>\$ 661,005</u>

See accompanying notes to the basic financial statements.

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

*Balance Sheet  
Governmental Funds  
June 30, 2006*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 41,431	\$ 336,958	\$ 378,389
Receivables:			
Taxes	3,698,091	195,378	3,893,469
Accounts	38	943	981
Interfund	18,060	0	18,060
Intergovernmental	0	13,665	13,665
<i>Total Assets</i>	<u>\$ 3,757,620</u>	<u>\$ 546,944</u>	<u>\$ 4,304,564</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 4,070	\$ 2,023	\$ 6,093
Accrued Wages and Benefits	833,312	24,690	858,002
Vacation Benefits Payable	34,239	0	34,239
Matured Compensated Absences Payable	41,653	0	41,653
Interfund Payable	0	18,060	18,060
Intergovernmental Payable	319,825	10,345	330,170
Deferred Revenue	3,477,713	184,156	3,661,869
<i>Total Liabilities</i>	<u>4,710,812</u>	<u>239,274</u>	<u>4,950,086</u>
<b>Fund Balances</b>			
Fund Balance:			
Reserved for Encumbrances	23,323	38,747	62,070
Reserved for Bus Allowance	7,064	0	7,064
Reserved for Tax Revenue Unavailable for Appropriation	220,378	11,622	232,000
Unreserved:			
Undesignated, Unreserved Reported in:			
General Fund	(1,203,957)	0	(1,203,957)
Special Revenue Funds	0	125,574	125,574
Capital Projects Funds	0	131,727	131,727
<i>Total Fund Balances</i>	<u>(953,192)</u>	<u>307,670</u>	<u>(645,522)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 3,757,620</u>	<u>\$ 546,944</u>	<u>\$ 4,304,564</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, 2006

Total Governmental Fund Balances		\$ (645,522)
 <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.		2,434,134
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	400	
Delinquent Property Taxes	119,358	119,758
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore, are not reported in the funds.		
Notes Payable	(210,412)	
Capital Lease Payable	(232,859)	
Compensated Absences	(804,094)	(1,247,365)
 Net Assets of Governmental Activities		 \$ 661,005

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, 2006*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 3,304,289	\$ 182,442	\$ 3,486,731
Intergovernmental	5,836,939	619,394	6,456,333
Investment Income	24,521	1,610	26,131
Tuition and Fees	440,174	71,894	512,068
Extracurricular Activities	0	131,181	131,181
Charges for Services	0	277,500	277,500
Miscellaneous	5,171	192,153	197,324
<i>Total Revenues</i>	<u>9,611,094</u>	<u>1,476,174</u>	<u>11,087,268</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	4,750,655	231,083	4,981,738
Special	719,785	240,262	960,047
Vocational	254,606	4,680	259,286
Other	482,950	0	482,950
Support Services:			
Pupils	201,677	65,512	267,189
Instructional Staff	223,801	44,351	268,152
Board of Education	57,844	19,617	77,461
Administration	864,855	22,956	887,811
Fiscal	298,554	3,821	302,375
Operation and Maintenance of Plant	761,495	11,745	773,240
Pupil Transportation	551,341	7,145	558,486
Central	138,441	12,000	150,441
Operation of Non-Instructional Services	326,934	0	326,934
Food Service Operations	0	423,122	423,122
Uniform Supplies	0	68,247	68,247
Extracurricular Activities	0	136,974	136,974
Capital Outlay	1,918	57,016	58,934
Debt Service:			
Principal Retirement	60,457	34,189	94,646
Interest and Fiscal Charges	16,438	15,708	32,146
<i>Total Expenditures</i>	<u>9,711,751</u>	<u>1,398,428</u>	<u>11,110,179</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(100,657)	77,746	(22,911)
<b>Other Financing Sources (Uses):</b>			
Transfers In	0	32,595	32,595
Transfers Out	0	(32,595)	(32,595)
<i>Total Financing Sources and (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(100,657)	77,746	(22,911)
<i>Fund Balance (Deficit) at Beginning of Year, Restated (See Note 3)</i>	(852,535)	229,924	(622,611)
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ (953,192)</u>	<u>\$ 307,670</u>	<u>\$ (645,522)</u>

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, 2006*

Net Change in Fund Balances - Total Governmental Funds	\$	(22,911)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	46,592	
Current Year Depreciation	(172,931)	(126,339)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	(680)	
Delinquent Property Taxes	55,008	54,328
 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.		
Note Principal	19,778	
Capital Leases	74,868	94,646
 Some expenses reported in the statement of net activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Decrease in Compensated Absences	89,931	89,931
Change in Net Assets of Governmental Activities	\$	89,655

See accompanying notes to the basic financial statements.

**Green Local School District (Wayne County)**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 3,388,200	\$ 3,388,200	\$ 3,334,315	\$ (53,885)
Intergovernmental	5,702,444	5,789,564	5,836,939	47,375
Investment Income	23,956	24,322	24,521	199
Tuition and Fees	430,031	436,600	440,173	3,573
Miscellaneous	5,074	5,152	5,194	42
<i>Total Revenues</i>	<u>9,549,705</u>	<u>9,643,838</u>	<u>9,641,142</u>	<u>(2,696)</u>
<b>Expenditures:</b>				
<b>Current</b>				
Instruction	6,122,539	6,239,251	6,233,279	5,972
Support Services:				
Pupils	221,691	225,902	224,884	1,018
Instructional Staff	267,960	272,723	254,392	18,331
Board of Education	58,272	59,355	57,844	1,511
Administration	887,543	904,461	903,585	876
Fiscal	264,727	269,774	269,525	249
Operation and Maintenance of Plant	785,541	800,383	792,677	7,706
Pupil Transportation	575,312	586,274	585,402	872
Central	135,977	138,569	138,441	128
Extracurricular Activities	274,038	279,262	279,004	258
Capital Outlay	1,884	1,920	1,918	2
Debt Service:				
Principal Retirement	397,807	405,391	405,017	374
<i>Total Expenditures</i>	<u>9,993,291</u>	<u>10,183,265</u>	<u>10,145,968</u>	<u>37,297</u>
Excess of Revenues Over (Under) Expenditures	(443,586)	(539,427)	(504,826)	34,601
<b>Other Financing Sources (Uses):</b>				
Proceeds of Notes	391,027	397,001	400,250	3,249
Refund of Prior Year Expenditures	12,932	13,130	13,237	107
Advances In	22,312	22,653	22,838	185
Advances Out	(17,739)	(18,077)	(18,060)	17
<i>Total Other Financing Sources (Uses)</i>	<u>408,532</u>	<u>414,707</u>	<u>418,265</u>	<u>3,558</u>
<i>Net Change in Fund Balance</i>	(35,054)	(124,720)	(86,561)	38,159
<i>Fund Balance at Beginning of Year</i>	74,910	74,910	74,910	0
Prior Year Encumbrances Appropriated	27,927	27,927	27,927	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 67,783</u>	<u>\$ (21,883)</u>	<u>\$ 16,276</u>	<u>\$ 38,159</u>

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, 2006*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 53,041
Accounts Receivable	<u>83</u>
<i>Total Assets</i>	<u><u>\$ 53,124</u></u>
<b>Liabilities</b>	
Undistributed Monies	<u>\$ 53,124</u>
<i>Total Liabilities</i>	<u><u>\$ 53,124</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, 2006*

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### **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, 2005, was 1,352. The School District employs 99 certificated and 55 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, 2006, the School District has implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, Statement No. 46 *Net Assets Restricted by Enabling Legislation*, and Statement No. 47 *Accounting for Termination Benefits*.

Statement No. 42 establishes accounting and financial standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 46 establishes that any amount of the primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements.

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to *all* termination benefits without limitation as to the period of time during which the benefits are offered.

There was no effect on fund balances as a result of the implementation of these new Standards. The following are the most significant of the School District's accounting policies.

**A. Basis of Presentation**

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

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

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:

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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**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.

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

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. 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 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 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 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, 2006*

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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/Unearned Revenue*** Deferred/unearned 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, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred/unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred/unearned revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred/unearned 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 fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants and Contributions" program revenue account.

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 2006, investments were limited to State Treasury Asset Reserve of Ohio. See Note 6 for a full listing of the School District's investments.

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2006.

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 2006 amounted to \$24,521, which includes \$19,770 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 20 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 Equipment	5 - 20 Years
Vehicles	10 -15 Years

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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***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.

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, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment 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. Net assets restricted for other purposes primarily include instruction of students and extracurricular activities.

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 and bus allowance. 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, 2006*

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***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 2006.

***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 2006.

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, 2006*

**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, 2006, the Emergency Levy Special Revenue was deemed to be more appropriately included in the general fund. After reviewing 2006 workpapers, accrued wages were found to have been understated in 2005. The result of this change, and the effect on fund balances, are summarized below:

	<u>General Fund</u>	<u>Emergency Levy</u>	<u>Other Governmental</u>	<u>Total</u>
Fund Balance at June 30, 2005	\$ (556,536)	\$ 79,936	\$ 229,924	\$ (246,676)
Emergency Levy fund balance	79,936	(79,936)	0	0
Adjustment of accrued wages	<u>(375,935)</u>	<u>0</u>	<u>0</u>	<u>(375,935)</u>
Restated Fund Balance July 1, 2005	<u><u>\$ (852,535)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 229,924</u></u>	<u><u>\$ (622,611)</u></u>
			<u>Governmental Activities</u>	
Net Assets at June 30, 2005	\$ 947,285			
Adjustment of accrued wages	<u>(375,935)</u>			
Restated Net Assets at July 1, 2005	<u><u>\$ 571,350</u></u>			

**Note 4 – Accountability**

Fund balances/net assets at June 30, 2006, included the following individual fund deficits:

	<u>Deficit</u>	
	<u>Fund Balance</u>	<u>Net Assets</u>
General Fund	\$ 953,192	\$ 1,627,365
Nonmajor Governmental Funds:		
Food Services	11,884	28,426
Entry Year Teacher & Training Development	36	36
IDEA Special Education	9,050	9,050
Improving Teacher Quality	2,014	2,014

The deficits in these governmental funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in the non-major governmental 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, 2006*

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**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 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>
GAAP Basis	\$ (100,657)
Net Adjustment for Revenue Accruals	466,373
Net Adjustment for Expenditure Accruals	(427,124)
Adjustment for Encumbrances	<u>(25,153)</u>
Budget Basis	<u><u>\$ (86,561)</u></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.

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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

Interim monies 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 in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed 30 days;
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.

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.

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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*Deposits* - At fiscal year-end, the carrying amount of the School District's deposits was \$188,047 and the bank balance was \$215,106. The School District also has \$25 in petty cash funds. Of the bank balance:

1. \$100,000 was covered by federal depository insurance.
2. \$115,106 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

*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, 2006, the School District had the following investments and maturity:

<u>Rating by Standard and Poor</u>	<u>Entity</u>	<u>Fair Value</u>	<u>Investment Maturities in months (0-6)</u>	<u>Percentage of Total Investment</u>
AAAm	STAROhio	\$ 243,358	\$ 243,358	100.00%

*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 investment credit ratings are summarized above.

*Concentration of Credit Risk* -The School District places no limit on the amount the School District may invest in any one issuer. See percentage above.

**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 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 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.

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005 on the value as of December 31, 2005. 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, 2006, are available to finance fiscal year 2006 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, 2006, 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/unearned revenue.

The amount available as an advance at June 30, 2006, was \$220,378 in the General Fund and \$11,622 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 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 105,758,630	91.23%	\$ 116,412,000	93.17%
Public Utility	73,890	0.06%	74,420	0.06%
Tangible Personal Property	10,097,886	8.71%	8,454,920	6.77%
	<u>\$ 115,930,406</u>	<u>100.00%</u>	<u>\$ 124,941,340</u>	<u>100.00%</u>
Tax rate per \$1,000 assessed valuation	\$ 50.25		\$ 54.80	

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

**Note 8 - Receivables**

Receivables at June 30, 2006, 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, 2006:

Agricultural Education Grant	\$	400
Miscellaneous State Grants		614
Food Service		12,651
	\$	<u>13,665</u>

**Note 9 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance 6/30/05	Additions	Reductions	Adjustments	Balance 6/30/06
<b>Governmental Activities</b>					
<i>Capital Assets, not being depreciated:</i>					
Land	\$ 66,992	\$ 0	\$ 0	\$ 0	\$ 66,992
<i>Capital Assets, being depreciated:</i>					
Land Improvements	402,192	0	0	(24,170)	378,022
Buildings and Improvements	3,410,353	0	0	0	3,410,353
Furniture and Equipment	1,168,263	46,592	0	31,919	1,246,774
Vehicles	915,670	0	0	(7,749)	907,921
Total Capital Assets, being depreciated	5,896,478	46,592	0	0	5,943,070
Less Accumulated Depreciation:					
Land Improvements	(358,992)	(1,194)	0	24,170	(336,016)
Buildings and Improvements	(1,663,789)	(65,078)	0	0	(1,728,867)
Furniture and Equipment	(985,332)	(30,707)	0	(26,064)	(1,042,103)
Vehicles	(394,884)	(75,952)	0	1,894	(468,942)
Total Accumulated Depreciation	<u>(3,402,997)</u>	<u>(172,931)</u>	<u>0</u>	<u>0</u>	<u>(3,575,928)</u>
Total Capital Assets being depreciated, net	<u>2,493,481</u>	<u>(126,339)</u>	<u>0</u>	<u>0</u>	<u>2,367,142</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,560,473</u>	<u>\$ (126,339)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,434,134</u>

Adjustments were made to Furniture and Equipment, Land Improvements and Vehicles to reclass the assets into the correct category.

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 75,987
Special	544
Vocational	1,259
Support Services:	
Pupils	1,709
Instructional Staff	1,835
Administration	2,770
Fiscal	293
Operation and Maintenance of Plant	7,548
Pupil Transportation	75,952
Central	146
Extracurricular Activities	3,800
Food Service Operations	1,088
	<u>\$ 172,931</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 property and 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 Selective Insurance Company. The limits of this coverage are \$2,000,000 per occurrence and \$4,000,000 per aggregate. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been an increase in coverage from the prior year limits of \$1,000,000 per occurrence and \$3,000,000 per aggregate. 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, 2006*

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***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 \$944.86 and monthly single premiums are \$350.32 for Administrative and Certified Staff in addition to Classified Staff who qualify with an average 25 hours per work week. Employee premium share is 20% as protected by a premium only 125 plan. Employees pay 10% of provider services to a maximum of \$500 for single and \$1,000 per family protected by Section 125 voluntary flexible spending plan. Out of pocket maximum also includes a \$10.00 payment for general practice office visit and \$20.00 for specialists. The drug card is a \$5/\$10/\$15 plan and there is a mandatory mail-in provision for maintenance drums.

Dental coverage is provided through Oasis Trust as administered by CoreSource. Monthly premiums are \$73.94 for family or single coverage. Employee premium share is 20% 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 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 (800) 878-5853. It is also posted on the SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

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, 2006, 2005 and 2004 were \$179,996, \$163,156, and \$174,432, respectively; 40% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004.

***B. State Teachers Retirement System***

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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payment at a reduced level from the regular DB Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2005, (the latest information available), plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%. 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, 2006, 2005, and 2004 were \$683,149, \$695,862, and \$683,568, respectively; 82% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004. \$126,267 represents the unpaid contribution for fiscal year 2006, and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2006 were \$1,410 made by the School District and \$6,184 made by the plan members.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

***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, 2006, 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

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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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, 2006 (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 \$50,666 during the 2006 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. The health care costs paid by STRS were \$254,780,000 and STRS had 115,395 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. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2005, (the latest information available), employer contributions to fund health care benefits were 3.43% 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 2005, (the latest information available), the minimum pay has been established at \$27,400. 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. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$53,917.

Net health care costs for year ending June 30, 2005, (the latest information available), were \$178,221,113. The target level for the health care reserve is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, (the latest information available), the value of the health care fund was \$267.5 million which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. SERS had approximately 58,123 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, 2006*

**Note 14 - Long - Term Obligations**

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

	Outstanding 6/30/2005	Additions	Reductions	Outstanding 6/30/2006	Due in One Year
<b>Governmental Activities:</b>					
Notes Payable:					
HB264 Energy Conservation-5.75%	\$ 230,190	\$ 0	\$ 19,778	\$ 210,412	\$ 20,940
Total Notes Payable	230,190	0	19,778	210,412	20,940
Compensated Absences	894,025	41,653	131,584	804,094	0
Capital Leases	307,727	0	74,868	232,859	84,935
Total Governmental Activities Long-Term Liabilities	<u>\$ 1,431,942</u>	<u>\$ 41,653</u>	<u>\$ 226,230</u>	<u>\$ 1,247,365</u>	<u>\$ 105,875</u>

Notes payable 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.

In 1999, the District issued an Energy Conservation Note in the amount of \$324,301 at an interest rate of 5.75%. The note was used to pay the costs of installations, modifications and remodeling of school buildings to conserve energy.

Principal and interest requirements to retire general obligation notes outstanding at June 30, 2006 are as follows:

Fiscal Year Ending June 30,	Notes Payable		
	Principal	Interest	Total
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	26,310	6,284	32,594
2012 - 2015	92,696	9,281	101,977
Total	<u>\$ 210,412</u>	<u>\$ 54,537</u>	<u>\$ 264,949</u>

**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.

Short-term debt activity for the year ended June 30, 2006, was as follows:

	Balance 6/30/2005	Additions	Reductions	Balance 6/30/2006
First National Bank - 6.75%	\$ 0	\$ 400,250	\$ 400,250	\$ 0

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

**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 capitalized cost of the capital lease assets are \$83,169 for copiers, \$77,000 for roof repairs, and \$223,248 for buses.

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, 2006.

Year	Amount
2007	\$ 95,690
2008	93,699
2009	55,596
2010	8,651
	253,636
Less amount representing interest	20,777
Present Value of Minimum Lease Payments	\$ 232,859

**Note 17 - Interfund Transactions**

The account balances by fund of "Interfund Receivable" and "Interfund Payable" as of June 30, 2006, are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 18,060	\$ 0
Other Governmental Funds	0	18,060
	\$ 18,060	\$ 18,060

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, 2006, all interfund payables outstanding are anticipated to be repaid in fiscal year 2007.

The following is a summarized breakdown of the School District's transfers for fiscal year 2006:

Fund	Transfers In	Transfers Out
Other Governmental Funds	\$ 32,595	\$ (32,595)
	\$ 32,595	\$ (32,595)

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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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.

**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, 2006, the District paid approximately \$110,865 to TCCSA for basic service charges.

**Note 19 - Contingencies**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and a condition 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.

**Note 20 - Set-Asides**

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

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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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, 2005	\$ 0	\$ (7,110)
Current Year Set-Aside Requirement	190,775	190,775
Current Year Offsets	(95,388)	0
Qualifying Disbursements	<u>(135,447)</u>	<u>(258,880)</u>
Total	<u>\$ (40,060)</u>	<u>\$ (75,215)</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.

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

Board of Education  
Green Local School District  
P.O. Box 438  
Smithville, OH 44677

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Green Local School District (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 4, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** (continued)

We noted certain matters that we reported to management of the District in a separate letter dated December 4, 2006.

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

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

December 4, 2006

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

Board of Education  
Green Local School District  
P.O. Box 438  
Smithville, OH 44677

Compliance

We have audited the compliance of the Green Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

As described in item 2006-01 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding period of availability of federal funds that are applicable to its Special Education Grants to States Part-B-Idea. Compliance with such requirements is necessary, in our opinion, for the District, to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Green Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major

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

federal program for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could 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 the internal control over compliance in accordance with OMB Circular A-133.

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

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

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

December 4, 2006

**Green Local School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2006**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Receipts	Disbursements
<b><u>U.S. Department of Agriculture</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
National School Lunch Program	10.555	050559-LLP4-2006	\$82,190	\$82,190
National School Lunch Program	10.555	050559-LLP4-2005	28,142	28,142
Total National School Lunch Program			110,332	110,332
Food Donation	10.550	----	50,816	50,816
Special Milk Program for Children	10.556	050559-02PU-2006	1,945	1,945
Special Milk Program for Children	10.556	050559-02PU-2005	721	721
Total Special Milk Program for Children			2,666	2,666
Total U.S. Department of Agriculture - Child Nutrition Cluster			163,814	163,814
<b><u>U.S. Department of Education</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	84.010	050559-C1S1-2006	57,598	44,248
Title I Grants to Local Educational Agencies	84.010	050559-C1S1-2005	0	5,417
Total Title I Grants to Local Educational Agencies			57,598	49,665
Special Education Cluster:				
Special Education-Grants to States	84.027	050559-6BSF-2006	272,429	263,091
Special Education-Grants to States	84.027	050559-6BSF-2005	0	19,781
Total Special Education - Grants to States			272,429	282,872
Safe and Drug-Free Schools and Communities - State Grants	84.186	050559-DRS1-2006	4,304	4,304
State Grants for Innovative Programs	84.298	050559-C2S1-2006	3,655	3,655
Education Technology State Grants	84.318	050559-TJS1-2006	1,048	1,048
Improving Teacher Quality State Grant	84.367	050559-TRS1-2006	43,177	40,121
Improving Teacher Quality State Grant	84.367	050559-TRS1-2005	0	1,451
Total Improving Teacher Quality State Grant			43,177	41,572
Total U.S. Department of Education			382,211	383,116
<b><u>U.S. Department of Health &amp; Human Services</u></b>				
<i>Passed Through Ohio Department of MRDD:</i>				
Medical Assistance Program	93.778	N/A	13,279	13,279
State Children's Insurance Program	93.767	N/A	367	367
Total U.S. Department of Health & Human Services			13,646	13,646
Total Federal Assistance			\$559,671	\$560,576

The notes to this Schedule are an integral part of this Schedule.

**GREEN LOCAL SCHOOL DISTRICT**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B – CHILD NUTRITION CLUSTER**

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

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

**GREEN LOCAL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 §505**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of auditor's report issued on the basic financial statements	Unqualified Opinion
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the basic financial statement level?	No
(d)(1)(ii)	Were there any other reportable conditions in internal control reported at the basic financial statement level?	No
(d)(1)(iii)	Was there any material noncompliance reported at the basic financial statement level?	No
(d)(1)(iv)	Were there any material weaknesses in internal control over major programs reported?	No
(d)(1)(iv)	Were there any other reportable conditions in internal control over major programs reported?	No
(d)(1)(v)	Type of auditor's report issued on compliance for major programs	Qualified Opinion
(d)(1)(vi)	Were there any reportable audit findings under §510?	Yes

**GREEN LOCAL SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §505**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(CONTINUED)**

(d)(1)(vii)	Major Program:	Special Education - Grants to States, CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

Federal Program: CFDA#84.027 Special Education – Grants to States  
Project Number: 050559-68SF-2006  
Federal Agency: U.S. Department of Education  
Pass Through Entity: Ohio Department of Education

2006-01

Criteria: A-102 common rule. Where a funding period is specified, a non-federal entity may charge to the award only costs resulting from obligations incurred during the funding period and pre-award costs authorized by the federal awarding agency. Obligations means the amount of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-federal entity during the same or a future period.

Condition Found: Tuition costs for educational purposes for the 2004-2005 school year have been charged to the 2005-2006 program year.

Questioned Costs: Payment to Wooster City Schools total \$53,878.72. The invoice from Wooster City Schools was not received prior to closing the FY 2004/2005 grant. We found no additional costs being charge to the 2005-2006 period that were from another period.

Effect: Costs are not being charged to the correct grant period.

**GREEN LOCAL SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §505**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(CONTINUED)**

Recommendations: We recommend the District request the amount of the services provided and payments to be made and liquidating those obligations not later than 90 days after the end of the funding period.

Corrective Action: The district will, to the best of its ability, require invoices for special education excess costs be submitted and paid prior to the September 30th final expenditure reporting period deadline for each fiscal year in order to assure payment of obligations occur during the year of obligation.



**Mary Taylor, CPA**  
Auditor of State

**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**  
**MARCH 20, 2007**