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STATE OF OHIO



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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

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**GREEN LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Green Local School District
Scioto County
4070 Gallia Pike
Franklin Furnace, Ohio 45629

To the Board of Education:

We have audited the accompanying general purpose financial statements of Green Local School District, Scioto County, Ohio (the School District), as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose 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 opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Green Local School District, Scioto County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type 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 19, 2002, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for 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 general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

December 19, 2002

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GREEN LOCAL SCHOOL DISTRICT
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002

	GOVERNMENTAL FUND TYPES		
	General	Special Revenue	Capital Project
<u>Assets and Other Debits:</u>			
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,032,726	\$170,231	\$41,707
Receivables:			
Taxes	1,986,326	0	0
Accounts	26,398	0	0
Intergovernmental	0	6,441	0
Prepaid Items	5,505	0	0
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	11,225	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	241,114	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
<u>Other Debits:</u>			
Amount to be Provided from General Government Resources	0	0	0
 Total Assets and Other Debits	 \$3,303,294	 \$176,672	 \$41,707

<i>PROPRIETARY FUND TYPE</i>	<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$5,241	\$9,481	\$0	\$0	\$1,259,386
0	0	0	0	1,986,326
0	0	0	0	26,398
0	0	0	0	6,441
272	0	0	0	5,777
3,692	0	0	0	3,692
150	0	0	0	11,375
0	0	0	0	241,114
6,096	0	982,806	0	988,902
0	0	0	255,413	255,413
<u>\$15,451</u>	<u>\$9,481</u>	<u>\$982,806</u>	<u>\$255,413</u>	<u>\$4,784,824</u>

(continued)

GREEN LOCAL SCHOOL DISTRICT
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002

	GOVERNMENTAL FUND TYPES		
	General	Special Revenue	Capital Project
<i>Liabilities,</i>			
<i><u>Fund Equity and Other Credits:</u></i>			
<i><u>Liabilities:</u></i>			
Accounts Payable	\$25,568	\$3,367	\$0
Accrued Wages and Benefits	306,999	75,753	0
Compensated Absences Payable	2,968	0	0
Intergovernmental Payable	89,030	6,061	0
Deferred Revenue	1,878,670	1,440	0
Undistributed Monies	0	0	0
	-----	-----	-----
Total Liabilities	2,303,235	86,621	0
	-----	-----	-----
<i><u>Fund Equity and Other Credits:</u></i>			
Investment in General Fixed Assets	0	0	0
Retained Earnings:			
Unreserved (Deficit)	0	0	0
Fund Balance:			
Reserved for Encumbrances	70,661	2,935	0
Reserved for Inventory	11,225	0	0
Reserved for Property Taxes	107,656	0	0
Reserved for Textbooks	96,069	0	0
Reserved for Capital Improvements	145,045	0	
Unreserved:			
Undesignated (Deficit)	569,403	87,116	41,707
	-----	-----	-----
Total Fund Equity (Deficit) and Other Credits	1,000,059	90,051	41,707
	-----	-----	-----
Total Liabilities, Fund Equity and Other Credits	\$3,303,294	\$176,672	\$41,707

See accompanying notes to the general purpose financial statements.

<i>PROPRIETARY FUND TYPE</i>	<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$0	\$0	\$0	\$0	\$28,935
14,841	0	0	0	397,593
3,581	0	0	194,667	201,216
7,422	0	0	60,746	163,259
718	0	0	0	1,880,828
0	7,481	0	0	7,481
-----	-----	-----	-----	-----
26,562	7,481	0	255,413	2,679,312
-----	-----	-----	-----	-----
0	0	982,806	0	982,806
(11,111)	0	0	0	(11,111)
0	0	0	0	73,596
0	0	0	0	11,225
0	0	0	0	107,656
0	0	0	0	96,069
0	0	0	0	145,045
0	2,000	0	0	700,226
-----	-----	-----	-----	-----
(11,111)	2,000	982,806	0	2,105,512
-----	-----	-----	-----	-----
<u>\$15,451</u>	<u>\$9,481</u>	<u>\$982,806</u>	<u>\$255,413</u>	<u>\$4,784,824</u>

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GREEN LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2002

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Fund Type Expendable Trust	
<u>Revenues:</u>					
Property Taxes	\$1,898,095	\$0	\$0	\$0	\$1,898,095
Intergovernmental	2,496,441	772,647	50,758	0	3,319,846
Interest	14,203	0	0	0	14,203
Tuition and Fees	14,570	0	0	0	14,570
Extracurricular Activities	0	56,877	0	0	56,877
Gifts and Donations	1,000	3,629	0	2,000	6,629
Customer Services	0	177	0	0	177
Miscellaneous	131,551	1,658	0	0	133,209
Total Revenues	4,555,860	834,988	50,758	2,000	5,443,606
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	1,572,317	411,684	0	0	1,984,001
Special	235,195	355,495	0	0	590,690
Vocational	125,478	0	0	0	125,478
Adult/Continuing	0	0	0	2,000	2,000
Other	101,653	261	9,566	0	111,480
Support Services:					
Pupils	172,940	20,966	0	0	193,906
Instructional Staff	131,731	58,258	0	0	189,989
Board of Education	10,767	0	0	0	10,767
Administration	381,938	16,468	0	0	398,406
Fiscal	198,883	7,767	0	0	206,650
Operation and Maintenance of Plant	457,462	16,553	2,400	0	476,415
Pupil Transportation	400,111	0	0	0	400,111
Central	161	4,875	0	0	5,036
Capital Outlay	0	0	37,328	0	37,328
Extracurricular Activities	45,561	42,137	0	0	87,698
Total Expenditures	3,834,197	934,464	49,294	2,000	4,819,955
Excess of Revenues Over (Under) Expenditures	721,663	(99,476)	1,464	0	623,651
<u>Other Financing Sources (Uses):</u>					
Proceeds from Sale of Fixed Assets	45	0	0	0	45
Operating Transfers - In	0	5,590	0	0	5,590
Operating Transfers - Out	(45,590)	0	0	0	(45,590)
Total Other Financing Sources (Uses)	(45,545)	5,590	0	0	(39,955)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	676,118	(93,886)	1,464	0	583,696
Fund Balances (Deficit) at Beginning of Year as Restated in Note 19	322,625	183,937	40,243	2,000	548,805
Increase (Decrease) in Reserve Decrease in Reserve for Inventory	1,316	0	0	0	1,316
Fund Balances at End of Year	\$1,000,059	\$90,051	\$41,707	\$2,000	\$1,133,817

See accompanying notes to the general purpose financial statements.

GREEN LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2002

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$1,840,757	\$1,840,757	\$0	\$0	\$0	\$0
Intergovernmental	2,496,441	2,496,441	0	842,391	844,066	1,675
Interest	13,686	14,203	517	0	0	0
Tuition and Fees	14,569	14,569	0	0	0	0
Extracurricular Activities	0	0	0	56,876	56,876	0
Gifts and Donations	1,000	1,000	0	3,627	3,627	0
Customer Services	0	0	0	177	177	0
Miscellaneous	103,004	100,004	(3,000)	579	579	0
<i>Total Revenues</i>	4,469,457	4,466,974	(2,483)	903,650	905,325	1,675
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	1,556,452	1,556,452	0	413,995	413,995	0
Special	227,656	227,656	0	349,137	349,137	0
Vocational	123,143	123,143	0	0	0	0
Adult/Continuing	0	0	0	0	0	0
Other	97,288	97,288	0	261	261	0
Support Services:						
Pupils	172,602	172,602	0	18,798	18,798	0
Instructional Staff	137,669	137,669	0	57,994	57,994	0
Board of Education	15,402	15,402	0	0	0	0
Administration	441,337	441,337	0	17,808	17,808	0
Fiscal	200,582	200,582	0	7,777	7,777	0
Operation and Maintenance of Plant	580,737	580,737	0	17,878	17,878	0
Pupil Transportation	414,097	414,097	0	0	0	0
Central	161	161	0	4,875	4,875	0
Extracurricular Activities	45,620	45,620	0	42,836	42,836	0
Capital Outlay	0	0	0	0	0	0
<i>Total Expenditures</i>	4,012,746	4,012,746	0	931,359	931,359	0
Excess of Revenues Over (Under) Expenditures	456,711	454,228	(2,483)	(27,709)	(26,034)	1,675
<u>Other Financing Sources (Uses):</u>						
Proceeds of Sale of Fixed Assets	45	45	0	0	0	0
Refund of Prior Year Expenditures	5,149	5,149	0	1,079	1,079	0
Operating Transfers - In	0	0	0	5,590	5,590	0
Operating Transfers - Out	(45,590)	(45,590)	0	0	0	0
Advances In	33,103	55,810	22,707	0	22,707	22,707
Advances Out	0	(22,707)	(22,707)	(33,103)	(55,810)	(22,707)
<i>Total Other Financing Sources (Uses)</i>	(7,293)	(7,293)	0	(26,434)	(26,434)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	449,418	446,935	(2,483)	(54,143)	(52,468)	1,675
Fund Balances at Beginning of Year	594,370	594,370	0	192,522	192,522	0
Prior Year Encumbrances Appropriated	136,308	136,308	0	23,776	23,776	0
Fund Balances at End of Year	\$1,180,096	\$1,177,613	(\$2,483)	\$162,155	\$163,830	\$1,675

See accompanying notes to the general purpose financial statements.

<i>CAPITAL PROJECTS FUNDS</i>			<i>EXPENDABLE TRUST</i>		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
47,759	50,759	3,000	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	2,000	2,000	0
0	0	0	0	0	0
0	0	0	0	0	0
47,759	50,759	3,000	2,000	2,000	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	2,000	2,000	0
9,566	9,566	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
2,400	2,400	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
37,328	37,328	0	0	0	0
49,294	49,294	0	2,000	2,000	0
(1,535)	1,465	3,000	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
(1,535)	1,465	3,000	0	0	0
35,224	35,224	0	2,000	2,000	0
5,019	5,019	0	0	0	0
\$38,708	\$41,708	\$3,000	\$2,000	\$2,000	\$0

GREEN LOCAL SCHOOL DISTRICT
Statement of Revenues,
Expenses and Changes in Retained Earnings
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2002

	Enterprise
<u>Operating Revenues:</u>	
Sales	\$88,836

<i>Total Operating Revenues</i>	88,836

<u>Operating Expenses:</u>	
Salaries	85,366
Fringe Benefits	71,592
Purchased Services	1,743
Materials and Supplies	10,598
Cost of Sales	69,392
Depreciation	920
Other	5,637

<i>Total Operating Expenses</i>	245,248

Operating Loss	(156,412)

<u>Non-Operating Revenues (Expenses):</u>	
Federal Donated Commodities	16,265
Federal and State Subsidies	111,735

<i>Total Non-Operating Revenues (Expenses)</i>	128,000

<u>Other Financing Sources (Uses):</u>	
Operating Transfers In	40,000

Net Loss	11,588

Retained Earnings (Deficit) at Beginning of Year as Restated in Note 19	(22,699)

Retained Earnings (Deficit) at End of Year	(\$11,111)
	=====

See accompanying notes to the general purpose financial statements.

GREEN LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2002

	<i>Enterprise</i>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$88,836	\$88,836	\$0
Federal and State Subsidies	111,735	111,735	0
	200,571	200,571	0
<u>Expenses:</u>			
Salaries	78,685	78,685	0
Fringe Benefits	85,046	85,046	0
Purchased Services	2,015	2,015	0
Materials and Supplies	63,947	63,947	0
Other	5,637	5,637	0
	235,330	235,330	0
Excess of Revenues Under Expenses	(34,759)	(34,759)	0
Operating Transfers In	40,000	40,000	0
	5,241	5,241	0
Excess of Revenues Over (Under) Expenses and Transfers			
Fund Equity at Beginning of Year	0	0	0
	\$5,241	\$5,241	\$0
Fund Equity at End of Year			

See accompanying notes to the general purpose financial statements.

GREEN LOCAL SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2002

	Enterprise
<i>Increase (Decrease) in Cash and Cash Equivalents:</i>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$88,836
Cash Payments to Suppliers for Goods and Services	(71,599)
Cash Payments to Employees for Services	(78,685)
Cash Payments for Employee Benefits	(93,512)
	(154,960)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	111,735
Transfers In	40,000
	151,735
Net Cash Provided by Noncapital Financing Activities	151,735
	(3,225)
Net Increase(Decrease) in Cash and Cash Equivalents	(3,225)
Cash and Cash Equivalents at Beginning of Year	8,466
	\$5,241
	\$5,241
 <i>Reconciliation of Operating Loss to Net</i>	
<u>Cash Used for Operating Activities:</u>	
Operating Loss	(\$156,412)

<i>Adjustments to Reconcile Operating Loss to</i>	
<u>Net Cash Used for Operating Activities:</u>	
Depreciation	920
Donated Commodities Used During Year	16,265
Changes in Assets and Liabilities:	
(Increase) in Prepaid Items	(272)
(Increase) in Inventory Held for Resale	(222)
(Decrease) in Accrued Wages and Benefits	(15)
Increase in Compensated Absences	20
(Decrease) in Intergovernmental Payable	(15,244)
	1,452
Total Adjustments	1,452
	(154,960)
Net Cash Used for Operating Activities	(154,960)

See accompanying notes to the general purpose financial statements.

Green Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1926 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 36 square miles. It is located in Scioto County, and includes all of Green Township. It is staffed by 32 non-certificated employees, 55 certificated full-time teaching personnel and 3 administrative employees who provide services to 708 students and other community members. The School District currently operates three instructional buildings, one administrative building, and one maintenance building.

Reporting Entity:

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

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

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

- C Booster Organizations
- C Parent Teacher Organization

The School District is associated with five organizations, four of which are defined as jointly governed organizations and one as a public entity shared risk pool. These organizations are the South Central Ohio Computer Association (SCOCA), the Scioto County Joint Vocational School, The Coalition of Rural and Appalachian Schools, The Pilasco-Ross Special Education Regional Resource Center, and the Scioto County Regional Council of Governments. These organizations are present in Notes 14 and 15 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Green Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Green Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an expendable trust fund and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

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 fiscal year end.

Non-exchange 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 taxes are levied. (See Note 6.) Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Green Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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 fee and rentals.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue.

Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Scioto County Budget Commission for rate determination.

Green Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditure, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary 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 combined balance sheet.

During fiscal year 2002, investments were limited to repurchase agreements. Nonparticipating investment contracts such as repurchase agreements of deposits are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2002 amounted to \$14,203.

Green Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

D. Cash and Cash Equivalents (Continued)

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, non-food supplies, and school supplies held for resale, and expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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 capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets. Assets in the general fixed assets account group are depreciated. Depreciation is computed using the straight-line method over a useful life of fifty years for buildings, zero to fifty years for improvements, three to ten years for vehicles, and three to six years for textbooks. Depreciation of furniture and equipment in the proprietary fund type and the General Fixed Asset Account Group is computed using the straight-line method over an estimated useful life of four to twenty years.

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent 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.

Green Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences (Continued)

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after ten years of current service with the School District. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

I. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from the governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year end are considered not to have used current financial resources.

Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

J. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

K. Restricted Assets

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

L. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under accounting principles generally accepted in the United States of America, but not available for appropriation under State statute.

M. Estimates

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

Green Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 -ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2002, the Hearing Impaired, DPIA, EMIS, Title VI-B, Goals 2000, and Drug Free Special Revenue Funds as well as the Food Service Enterprise Fund had deficit fund balances/retained earnings of \$129, \$37,224, \$53, \$588, \$1,553, \$117 and \$11,111, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The School District did not estimate resources for any funds until the end of the fiscal year contrary to Ohio Revised Code Section 5705.36.

The School District had appropriations that exceeded the estimated resources in all funds until the end of the fiscal year contrary to Ohio Revised Code 5705.39.

The School District had expenditures that exceeded appropriations in several funds during the year contrary to Ohio Revised Code Section 5705.41B.

The School District did not encumber all funds prior to commitment contrary to Ohio Revised Code Section 5705.41D.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

The major differences between the budget basis and GAAP basis are that:

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

Green Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING(Continued)

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

	Excess of Revenues and Other Financing Sources Over/Under Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Fund		
	General	Special Revenue	Capital Projects
GAAP Basis	\$676,118	(\$93,886)	\$1,464
Adjustments:			
Revenue Accruals	(83,737)	71,416	1
Expenditure Accruals	(82,321)	9,406	0
Encumbrances	(96,228)	(6,301)	0
Advances	33,103	(33,103)	0
Budget Basis	\$446,935	(\$52,468)	\$1,465

Net Income (Loss)/Excess of Revenues Over (Under)
Expenses and Advances
Enterprise Fund

	Food Service
GAAP Basis:	\$11,588
Adjustments:	
Revenue Accruals	(16,265)
Expense Accruals	9,918
Budget Basis	\$5,241

There were no adjustments required for the Expendable Trust Fund as the budget basis and the GAAP basis were the same.

NOTE 5 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demand 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 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
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS(Continued)

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

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

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

Green Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Deposits At fiscal year end the carrying amount of the School District's deposits was \$173,227 and the bank balance was \$187,288. Of the bank balance \$100,000 was covered by federal depository insurance and \$87,288 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

	Category 3	Carrying/Fair Value
Repurchase Agreement	\$1,327,273	\$1,327,273

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$1,500,500	\$0
Investments:		
Repurchase Agreement	(1,327,273)	1,327,273
GASB Statement No. 3	\$173,227	\$1,327,273

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Green Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 6 - PROPERTY(Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002 and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2002, on the value as of December 31, 2001. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which fiscal year 2002 taxes were collected are:

	<u>2001 Second- Half Collections</u>		<u>2002 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$31,016,400	47.76%	\$34,770,700	51.39%
Public Utility	87,310	0.13%	77,660	0.11%
Tangible Personal Property	<u>33,843,920</u>	<u>52.11%</u>	<u>32,818,050</u>	<u>48.50%</u>
Total Assessed Value	<u><u>\$64,947,630</u></u>	<u><u>100.00%</u></u>	<u><u>\$67,666,410</u></u>	<u><u>100.00%</u></u>
Tax rate per \$1,000 of assessed valuation	\$25.47		\$24.97	

The School District receives property taxes from Scioto County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002 are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$107,656 in the General Fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes, accounts (membership, billing for user charged services, and student fees), interfund, 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.

A summary of the principal items of intergovernmental receivables follows:

<u>Special Revenue Funds:</u>	<u>Amounts</u>
Title VI-B	\$ 1,440
Title VI-R	5,001
Total Intergovernmental Receivables	<u><u>\$ 6,441</u></u>

Green Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 8 - FIXED ASSETS

A summary of the enterprise fund fixed assets at June 30, 2002 follows:

Furniture and Equipment	\$93,821
Less: Accumulated Depreciation	<u>(87,725)</u>
Net Fixed Assets	<u><u>\$6,096</u></u>

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	*Balance at 6/30/01	Additions	Deletions	Balance at 6/30/02
Land and Improvements	\$ 28,450	\$0	\$0	\$28,450
Building and Improvements	3,606,014	0	0	3,606,014
Furniture, Fixture and Equipment	941,886	89,188	42,773	988,301
Vehicles	403,353	56,198	0	459,551
Textbooks	428,516	0	0	428,516
Totals	<u>\$5,408,219</u>	<u>\$145,386</u>	<u>\$42,773</u>	<u>5,510,832</u>
Accumulated Depreciation				<u>4,528,026</u>
Total General Fixed Assets				<u><u>\$ 982,806</u></u>

* See Note 19 for Restatement of fund balances.

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2002, the School District contracted with Nationwide Insurance Company for liability insurance and property insurance and with Auto-Owners Insurance Company for fleet insurance

Coverages provided by these companies are as follows:

Building and Contents - replacement cost (\$250 deductible)	\$15,239,800
Inland Marine Coverage (\$100 deductible)	64,773
Boiler and Machinery (\$250 deductible)	7,823,000
Automobile Liability (\$100 deductible)	2,000,000
Uninsured Motorists (\$100 deductible)	2,000,000
Umbrella	1,000,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

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

Green Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 9 - RISK MANAGEMENT (Continued)

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

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (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, 45 N. Fourth Street, Columbus, Ohio 43215-3746 or by calling (614)222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$52,703, \$28,818, and \$24,519, respectively; 28 percent has been contributed for fiscal year 2002, and a 100 percent for fiscal years 2001 and 2000. \$37,822 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3371 or by calling (614)227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$182,919, \$177,023, and \$116,679, respectively; 80 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$36,559 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

Green Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 11 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), 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 the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, and after, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$85,522 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3,256 million. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$20,698.

The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Eligible classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 205 days for all classified personnel and up to a maximum of 212 days for certified personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 51.25 for classified and 53 days for certified personnel.

B. Life Insurance

The School District provides life insurance to employees through CoreSource.

Green Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 12 - EMPLOYEE BENEFITS (Continued)

C. Deferred Compensation

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

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Principal Outstanding 6/30/01	Additions	Deductions	Principal Outstanding 6/30/01
Pension Obligation	\$ 60,493	\$60,746	\$60,493	\$ 60,746
Compensated Absences	205,257	0	10,590	194,667
Total General Long-Term Obligations	<u>\$265,750</u>	<u>\$60,746</u>	<u>\$71,083</u>	<u>\$255,413</u>

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

The School District's overall legal debt margin was \$6,089,977 with an unvoted debt margin of \$67,666 at June 30, 2002.

NOTE 14 -JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium, SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the participating counties, two school treasurers, plus one representative from the fiscal agent. Financial information can be obtain from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Scioto County Joint Vocational School - The Scioto County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Scioto County Joint Vocation School, at P.O. Box 766, Lucasville, Ohio 45648.

Coalition of Rural and Appalachian Schools - The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess development programs for school district personnel. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council. During fiscal year 2002, the School District made no payments to the Coalition.

Green Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 14 -JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

NOTE 15 -PUBLIC ENTITY SHARED RISK POOL

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

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

NOTE 16 - STATE SCHOOL FUNDING DECISION

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

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

Green Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2001	\$82,811	\$94,056
Current Year Set-aside Requirement	90,009	90,009
Qualifying Disbursements	(76,751)	(39,020)
Set-aside Reserve Balance as of June 30, 2002	\$96,069	\$145,045

NOTE 18 - CONTINGENCIES

Grants:

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

Litigation:

The School District is not currently party to any legal proceedings.

NOTE 19 - RESTATEMENT OF FUND BALANCES

Restated Fund Balance/Equity. The correction of accounting errors in the prior year required that certain adjustments be recorded to the July 1, 2001 fund balances and fixed assets as previously reported. The restatements are as follows:

Fund Type	Previously Stated Balances at 06/30/01	Adjustments	Restated Balance at 07/01/01
General Fund	\$358,501	(\$35,876)	\$322,625
Special Revenue	179,359	4,578	183,937
Enterprise	(49,278)	26,579	(22,699)
General Fixed Assets	5,359,021	49,198	5,408,219

**GREEN LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution	10.550	N/A	\$	\$16,487	\$	\$16,265
National School Breakfast Program	10.553	05-PU-01 05-PU-02	3,004 <u>23,610</u>		3,004 <u>23,610</u>	
Total National School Breakfast Program			<u>26,614</u>	<u>0</u>	<u>26,614</u>	<u>0</u>
National School Lunch Program	10.555	LL-P4-01 LL-P4-02	10,471 <u>67,089</u>		10,471 <u>67,089</u>	
Total National School Lunch Program			<u>77,560</u>	<u>0</u>	<u>77,560</u>	<u>0</u>
Total Nutrition Cluster			<u>104,174</u>	<u>16,487</u>	<u>104,174</u>	<u>16,265</u>
Total United States Department of Agriculture			104,174	16,487	104,174	16,265
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	C1-S1-01 C1-S1-02	54,456 <u>257,019</u>		54,456 <u>201,430</u>	
Total Title I Grants to Local Educational Agencies			<u>311,475</u>	<u>0</u>	<u>255,886</u>	<u>0</u>
Special Education - Grants to States	84.027	6B-SF-02P	62,006		62,006	
Safe and Drug-Free Schools and Communities	84.186	DR-S1-01 DR-S1-02	5,291 <u>6,984</u>		5,291 <u>6,984</u>	
Total Safe and Drug-Free Schools and Communities			<u>12,275</u>	<u>0</u>	<u>12,275</u>	<u>0</u>
Goals 2000 - State and Local Education Systemic Improvement Grants	84.276	G2-S1-99 G2-S1/S2-01			34,522 <u>14,348</u>	
Total Goals 2000 - State and Local Education Systemic Improvement Grants			0	0	48,870	0
Eisenhower Professional Development State Grants	84.281	MS-S1-00 MS-S1-01 MS-S1-02	4,110 574 <u>5,935</u>		2,997 <u>2,997</u>	
Total Eisenhower Professional Development State Grants			<u>10,619</u>	<u>0</u>	<u>2,997</u>	<u>0</u>
Innovative Education Program Strategies	84.298	C2-S1-00 C2-S1-01 C2-S1-02	2,666 3,045 <u>3,791</u>			
Total Innovative Education Program Strategies			<u>9,502</u>	<u>0</u>	<u>0</u>	<u>0</u>
Class Size Reduction	84.340	CR-S1-00 CR-S1-01 CR-S1-02	24,369 26,120 <u>36,806</u>		86 26,120 <u>33,703</u>	
Total Class Size Reduction			<u>87,295</u>	<u>0</u>	<u>59,909</u>	<u>0</u>
Total United States Department of Education			<u>493,172</u>	<u>0</u>	<u>441,943</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$597,346</u>	<u>\$16,487</u>	<u>\$546,117</u>	<u>\$16,265</u>

The Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**GREEN LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the School District's Federal Award Programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the School District had food commodities valued at \$2,974 in inventory.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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Athens Mall Suite B
Athens, Ohio 45701
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Green Local School District
Scioto County
4070 Gallia Pike
Franklin Furnace, Ohio 45629

To the Board of Education:

We have audited the accompanying general purpose financial statements of Green Local School District, Scioto County, Ohio (the School District), as of and for the year ended June 30, 2002, and have issued our report thereon dated December 19, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-10773-001 through 2002-10773-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 19, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 19, 2002.

Green Local School District
Scioto County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

December 19, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Green Local School District
Scioto County
4070 Gallia Pike
Franklin Furnace, Ohio 45629

To the Board of Education:

Compliance

We have audited the compliance of Green Local School District, Scioto County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operations that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 19, 2002.

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



Jim Petro
Auditor of State

December 19, 2002

**GREEN LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Local Education Agencies – Title I – CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**GREEN LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER 2002-10773-001

Noncompliance Citation

Ohio Rev. Code Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The only certificate of estimated resources on file in the Treasurer's office or at the County Auditor's office was dated June 27, 2002. Therefore, no estimated resources were established until the end of the audit period.

We recommend the Treasurer file the certificate of estimated resources each July. We further recommend the Treasurer monitor estimated vs. actual revenue during the fiscal year and amend estimated revenue as deemed necessary.

FINDING NUMBER 2002-10773-002

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue.

There were no certified estimated resources on file at the time of approval of the fiscal year 2002 annual appropriations on June 25, 2001. The only certificate of estimated resources on file in the Treasurer's office or at the County Auditor's office was dated June 27, 2002. Therefore, appropriations exceeded estimated resources by 100% for all funds until June 27, 2002.

We recommend the Treasurer file the certificate of estimated resources each July. We further recommend the Treasurer monitor estimated resources vs. appropriations to ensure that appropriated amounts are within the amount of estimated resources.

**GREEN LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER 2002-10773-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states that no subdivision is to expend money unless it has been appropriated.

Expenditures exceeded appropriations on May 31, 2002, in the Drug Free Fund (584) by \$4,382 or 36%, in the Class Size Reduction Fund (599) by \$77,319 or 84%, in the IVDL Fund (458) by \$27,034 or 100%, and in the Continuing Education Fund (007) by \$880 or 44%.

The Treasurer should deny payment requests exceeding appropriations. The Treasurer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2002-10773-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasurer or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate – If the fiscal officer can certify that both at the time that the contract or order was made and at the time he is completing the certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the taxing authority.

The School District did not properly encumber funds prior to disbursement in 42% of expenditures tested. No "then and now" certificates were used.

We recommend the School District not expend funds without obtaining the fiscal officer's certification prior to an obligation being incurred.

**GREEN LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER 2002-10773-005

Finding for Recovery – Repaid Under Audit

A receipt issued by the former Treasurer, Daniel T. McDavid on December 12, 2001 totaled \$160 which represented cash collections for the Prom. Receipt number 332158 was prepared and posted to fund 200-1620-4670. The Treasurer also prepared a deposit slip, however, the deposit was never made to the school's financial institution. Ohio Rev. Code Section 9.39 states "all public officials are liable for all public money received or collected by them or by their subordinates under color of office".

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money collected but not accounted for is hereby issued against the former Treasurer, Daniel T. McDavid, and the Nationwide Agribusiness Insurance Company, his bonding company, jointly and severally, in the amount of one hundred and sixty dollars (\$160), and in favor of the Green Local School District Prom Fund (200-1620-4670).

The finding was repaid on December 10, 2002, Receipt #333352.

3. FINDINGS FOR FEDERAL AWARDS

None

**GREEN LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-10773-001	Ohio Rev. Code Section 149.351(A) – destruction of records	Yes	
2001-10773-002	Ohio Rev. Code Section 5705.10 – negative fund balances	No	Partially corrected. Immaterial noncompliance was noted. Noncompliance citation was included in the management letter.
2001-10773-003	Ohio Rev. Code Section 5705.14 – improper and unauthorized transfers	No	Partially corrected. Immaterial noncompliance was noted. Noncompliance citation was included in the management letter.
2001-10773-004	Ohio Rev. Code Section 5705.36 – estimated vs actual receipts	No	A noncompliance citation is included in the current report as Item # 2002-10773-001.
2001-10773-005	Ohio Rev. Code Section 5705.39 – appropriations exceeded estimated resources	No	A noncompliance citation is included in the current report as Item # 2002-10773-002.
2001-10773-006	Ohio Rev. Code Section 5705.391(B) – five year projections not updated	Yes	
2001-10773-007	Ohio Rev. Code Section 5705.41(B) – expenditures exceeded appropriations	No	A noncompliance citation is included in the current report as Item # 2002-10773-003.
2001-10773-008	Ohio Rev. Code Section 5705.41(D) – expenditures not properly encumbered	No	A noncompliance citation is included in the current report as Item # 2002-10773-004.
2001-10773-009	Ohio Rev. Code Sections 3307.291 and 3309.57 – STRS and SERS payments not made timely	Yes	
2001-10773-010	IRS Chapter 26 Section 3402 – Federal withholdings were not properly remitted	Yes	
2001-10773-011	Bank reconciliations were not performed monthly	Yes	
2001-10773-012	Budgetary figures not posted correctly	No	Partially corrected. Immaterial variances were noted. A recommendation was included in the management letter.

GREEN LOCAL SCHOOL DISTRICT
SCIOTO COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-10773-013	Title VI-B – Unsupported transfer was made from the Title VI-B fund to the General Fund	Yes	

**GREEN LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 §.315 (c)
FOR THE YEAR ENDED JUNE 30, 2002**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2002-10773-001	Estimated resources will be filed timely with the County Auditor.	June 30, 2003	John Walsh, Treasurer
2002-10773-002	Estimated resources will be filed timely with the County Auditor. Appropriations will be limited to the estimated resources.	June 30, 2003	John Walsh, Treasurer
2002-10773-003	Expenditures will be limited to the approved appropriations. The Board and Treasurer will monitor budgetary reports monthly.	June 30, 2003	John Walsh, Treasurer
2002-10773-004	The Treasurer will certify funds prior to the commitment being made.	June 30, 2003	John Walsh, Treasurer
2002-10773-005	The finding was collected from the former Treasurer on December 10, 2002.	June 30, 2003	John Walsh, Treasurer



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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GREEN LOCAL SCHOOL DISTRICT

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 4, 2003**