

**GREEN LOCAL SCHOOL
DISTRICT
(SUMMIT COUNTY)**

* * *

Basic Financial Statements

Year Ended June 30, 2004



**Auditor of State
Betty Montgomery**

Board of Education
Green Local School District
1900 Greensburg Rd.
Green, OH 44232

We have reviewed the Independent Auditor's Report of the Green Local School District, Summit County, prepared by Rea & Associates, Inc., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY
Auditor of State

March 9, 2005

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GREEN LOCAL SCHOOL DISTRICT (SUMMIT COUNTY)

FOR THE YEAR ENDED JUNE 30, 2004

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

January 3, 2005

The Board of Education
Green Local School District
Green, Ohio

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Green Local School District, Summit County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic 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 *Governmental 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Green Local School District, Summit County, Ohio as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General fund, thereof 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 January 3, 2005 on our consideration of Green Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Rea & Associates, Inc.

Green Local School District (Summit County)

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)*

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

Financial Highlights

Key financial highlights for 2004 are as follows:

- ❑ General Revenues accounted for \$34.3 million in revenue or 91% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$3.5 million or 9% of total revenues of \$37.8 million.
- ❑ Total program expenses were \$33.8 million in governmental activities.
- ❑ In total, net assets of governmental activities increased \$4,060,539 which represents a 133.7% increase from 2003.
- ❑ Outstanding bonded debt decreased from \$17,471,007 to \$16,658,278 through the payment of bond and note principal.

Reporting the Green Local School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Green Local School District to provide programs and activities, the view of Green Local School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- ❑ Governmental Activities - Most of Green Local School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The government-wide financial statements begin on Page 11.

Green Local School District (Summit County)
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

Reporting the Green Local School District's Most Significant Funds

Fund Financial Statements

The analysis of the Green Local School District's major funds begins on page 14. Fund financial reports provide detailed information about Green Local School District's major funds. Green Local School District uses many funds to account for financial transactions. However, these fund financial statements focus on Green Local School District's most significant funds. Green Local School District's major governmental funds are the general fund and the permanent improvement capital project fund.

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

Proprietary Funds – Green Local School District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among Green Local School District's various functions. Green Local School District uses an internal service fund to account for its health insurance benefits. Because this service predominantly benefits governmental rather than business-type functions, it has been included within the governmental activities in the government-wide financial statements.

The proprietary fund financial statements begin on page 19.

Fiduciary Funds - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Green Local School District's own programs. The accounting for the fiduciary funds is much like that used to proprietary funds.

The fiduciary fund financial statements begin on page 22.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23.

Green Local School District (Summit County)
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

The Green Local School District as a Whole

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

Table 1 provides a summary of the Green Local School District's net assets for 2004 compared to 2003:

(Table 1)
Net Assets

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Assets		
Current and Other Assets	\$ 27,444,137	\$ 23,965,064
Capital Assets	<u>23,394,271</u>	<u>23,433,090</u>
Total Assets	<u>50,838,408</u>	<u>47,398,154</u>
Liabilities		
Long-Term Liabilities	20,925,295	22,237,865
Other Liabilities	<u>22,815,593</u>	<u>22,123,308</u>
Total Liabilities	<u>43,740,888</u>	<u>44,361,173</u>
Net Assets		
Invested in Capital		
Assets Net of Debt	4,211,194	2,699,083
Restricted	4,468,257	1,458,186
Unrestricted (Deficit)	<u>(1,581,931)</u>	<u>(1,120,288)</u>
Total Net Assets	<u>\$ 7,097,520</u>	<u>\$ 3,036,981</u>

Total assets increased by \$3.4 million. The primary increase was from unspent revenues received for the construction of the Community Learning Center, which is scheduled to be completed in fiscal year 2005. Total liabilities decreased by over \$620,000 with governmental liabilities comprising that entire amount. The primary cause due to retirement of outstanding long-term debt and capital leases during the fiscal year.

Green Local School District (Summit County)
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2004 and 2003.

(Table 2)
Governmental Activities

	2004	2003
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,915,372	\$ 1,678,869
Operating Grants	1,592,217	1,202,150
<i>General Revenue:</i>		
Property Taxes	17,560,673	17,919,060
Grants and Entitlements	16,433,755	13,150,407
Other	361,827	421,155
<i>Total Revenues</i>	37,863,844	34,371,641
Program Expenses		
Instruction	18,792,732	17,835,806
Support Services	11,816,887	11,837,420
Operation of Non-Instructional	197,453	133,039
Extracurricular Activities	910,094	816,898
Interest and Fiscal Charges	967,834	940,735
Food Service	1,118,305	1,137,989
<i>Total Expenses</i>	33,803,305	32,701,887
Increase (Decrease) in Net Assets	\$ 4,060,539	\$ 1,669,754

During 2004 the District received \$3,000,000 from the proceeds of Bond Anticipation Notes issued by the City of Green in connection with the financing of the Community Learning Facilities. See Note 22 for further discussion of this project.

Green Local School District (Summit County)
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

Governmental Activities

Information about the Green Local School District's major funds starts on page 14.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental activities had total revenues of \$37.8 million and expenditures of \$33.8 million.

(Table 3)
Governmental Activities

	2004		2003	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 18,792,732	\$ 17,531,328	\$ 17,864,058	\$ 16,950,293
Support Services:				
Pupil and Instructional Staff	3,670,906	2,949,615	3,727,294	3,143,117
Board of Education, Administration, Fiscal, and Business	3,075,192	3,072,544	3,050,855	3,028,164
Operation and Maintenance of Plant	3,684,637	3,683,766	3,747,257	3,747,257
Pupil Transportation	1,366,299	1,366,299	1,298,883	1,298,317
Central	19,853	19,853	13,131	13,131
Operation of Non-Instructional	197,453	46,857	133,039	(7,591)
Extracurricular Activities	910,094	588,528	816,898	568,049
Food Service Operations	1,118,305	69,092	1,109,737	139,613
Interest and Fiscal Charges	967,834	967,834	940,735	940,735
Total Expenses	<u>\$ 33,803,305</u>	<u>\$ 30,295,716</u>	<u>\$ 32,701,887</u>	<u>\$ 29,821,085</u>

Instruction and student support services comprise 91% of governmental program expenses. Interest and fiscal charges were 3%. Interest expense was attributable to the outstanding bonds, and fiscal expenses include payments to the County Auditor(s) for administrative fees. Pupil transportation and the operation and maintenance of facilities accounts for 15% of governmental program expenses.

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is by far the primary support for Green Local School District students.

Green Local School District (Summit County)

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)*

General Fund Budgeting Highlights

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

During the course of fiscal year 2004, Green Local School District did modify its general fund budget. Green Local School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the budget basis revenue of \$27.8 million was under the original budget estimate of nearly \$27.9 million. The amount was immaterial.

Final appropriations of \$28.8 million was equal to the original budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the Green Local School District had \$23.0 million invested in land, buildings, equipment, and textbooks. Table 4 shows fiscal year 2004 balances compared with 2003.

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

	<u>2004</u>	<u>2003</u>
Land	\$ 826,143	\$ 826,143
Buildings and Improvements	18,254,927	18,703,257
Furniture and Equipment	2,226,916	2,172,396
Vehicles	988,185	979,416
Textbooks	666,700	751,878
Construction in Progress	<u>431,400</u>	<u>0</u>
Totals	<u>\$ 23,394,271</u>	<u>\$ 23,433,090</u>

The \$38,819 increase in capital assets was attributable to additional purchases exceeding depreciation expense.

A change in Ohio law required School Districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2004, this amounted to \$575,440 for each set aside. Green Local School District has qualifying disbursements or offsets exceeding these requirements for both.

See Note 9 to the basic financial statements for detail on the District's capital assets.

Green Local School District (Summit County)

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)*

Debt

At June 30, 2004, the Green Local School District had long-term debt and capital leases of \$19,183,077. Table 5 summarizes outstanding debt.

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

	<u>2004</u>	<u>2003</u>
General Obligation Bonds	\$ 16,658,278	\$ 17,471,007
Capital Lease	<u>2,524,799</u>	<u>3,108,000</u>
Totals	<u>\$ 19,183,077</u>	<u>\$ 20,579,007</u>

In 1994, Green Local School District passed a bond issue providing \$19,500,000 for the construction of a new High School, classroom additions, and the refurbishing of the former High School (now known as the Intermediate School). See Note 15 to the basic financial statements for detail on the District's long-term obligations.

Current Issues

The Green Local School District continues to receive strong support from the residents of Green Local School District. As the preceding information shows, Green Local School District relies heavily on its local property taxpayers. The last operating levy passed by the residents of the district was in November, 1999, with the promise that the revenue generated by a levy would provide sufficient funding for five years. The Board of Education submitted a new operating levy to the residents of the district in November 2004. This levy did not pass at that time. The District anticipates putting another levy on the ballot in May 2005. In the mean time, it has planned for various spending cuts to enable it to operate through fiscal year 2006 should new revenues not be approved.

Real estate and personal property tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due the passage of emergency levies which can only derive the dollar amount indicated by the levy. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. This is compounded by the funding formula used in Ohio that reduces the District's funding from the State by 23 mills times the District's valuation when the District only collects 20 mills times the valuation plus the fixed amount of dollars derived from the emergency levies effectively receiving less funds when property values increase.

Thus, Green Local School District's dependence upon property taxes is hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 46% of revenues for governmental activities for the Green Local School District in fiscal year 2004.

Green Local School District (Summit County)

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)*

Green Local School District has also been affected by increased delinquency rates and changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. Management has diligently planned expenses so that the last levy has stretched for the four years it was planned. This has been made increasingly difficult with mandates in gifted education, rising utility costs, increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth (which is unlike our District). The State has continually refused to meet the standards of the Ohio Supreme Court.

Green Local School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on Green Local School District. One of the Green Local School District's largest concerns will be the State Legislative approval of the biennial budget, effective July 1, 2005. How the legislature plans to fund education programs during a weakened economy remains a concern.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the Green Local School District's systems of budgeting and internal controls are well regarded. All of the Green Local School District's financial abilities will be needed to meet the challenges of the future.

Contacting the Green Local School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Green Local School District's finances and to show the Green Local School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Roy Swartz, Treasurer of Green Local School District, 1900 Greensburg Road, P.O. Box 218, Green, Ohio 44232.

Green Local School District (Summit County)

Statement of Net Assets

June 30, 2004

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 8,591,772
Receivables:	
Taxes	18,682,001
Intergovernmental	170,364
Nondepreciable Capital Assets	1,257,543
Depreciable Capital Assets (Net)	<u>22,136,728</u>
 <i>Total Assets</i>	 <u>50,838,408</u>
 Liabilities:	
Accounts Payable	227,251
Accrued Wages and Benefits	3,414,962
Intergovernmental Payable	899,331
Deferred Revenue	17,856,837
Notes Payable	200,000
Claims Payable	217,212
Long Term Liabilities:	
Due Within One Year	1,662,947
Due Within More Than One Year	<u>19,262,348</u>
 <i>Total Liabilities</i>	 <u>43,740,888</u>
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	4,211,194
Restricted for:	
Capital Projects	3,923,007
Debt Service	461,896
Other Purposes	83,354
Unrestricted	<u>(1,581,931)</u>
 <i>Total Net Assets</i>	 <u>\$ 7,097,520</u>

See accompanying notes to the basic financial statements.

Green Local School District (Summit County)

Statement of Activities

For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities:				
Current:				
Instruction:				
Regular	\$ 13,504,340	\$ 446,651	\$ 243,718	\$ (12,813,971)
Special	3,855,022	8,177	535,532	(3,311,313)
Vocational	664,667	743	0	(663,924)
Other	768,703	0	26,583	(742,120)
Support services:				
Pupils	2,073,976	311,325	305,639	(1,457,012)
Instructional staff	1,596,930	9,446	94,881	(1,492,603)
Board of education	66,057	0	0	(66,057)
Administration	2,203,042	613	2,035	(2,200,394)
Fiscal	698,888	0	0	(698,888)
Business	107,205	0	0	(107,205)
Operation and maintenance of plant	3,684,637	871	0	(3,683,766)
Pupil transportation	1,366,299	0	0	(1,366,299)
Central	19,853	0	0	(19,853)
Operation of non-instructional services	197,453	0	150,596	(46,857)
Food service operations	1,118,305	830,980	218,233	(69,092)
Extracurricular activities	910,094	306,566	15,000	(588,528)
Debt service:				
Interest and fiscal charges	967,834	0	0	(967,834)
<i>Total Governmental Activities</i>	<u>\$ 33,803,305</u>	<u>\$ 1,915,372</u>	<u>\$ 1,592,217</u>	<u>(30,295,716)</u>

General Revenues

Property Taxes Levied for:

General Purposes	13,922,977
Debt Service	1,403,568
Capital Outlay	2,234,128
Grants and Entitlements not Restricted to Specific Programs	16,433,755
Investment Earnings	116,832
Miscellaneous	242,373
Net Transfers	2,622

Total General Revenues 34,356,255

Change in Net Assets 4,060,539

Net Assets Beginning of Year, as Restated (See Note 3) 3,036,981

Net Assets End of Year \$ 7,097,520

See accompanying notes to the basic financial statements.

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Green Local School District (Summit County)

*Balance Sheet
Governmental Funds
June 30, 2004*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 2,870,458	\$ 1,342,552	\$ 3,525,086	\$ 7,738,096
Cash and Cash Equivalents:				
Restricted	283,642	0	0	283,642
Receivables:				
Taxes	14,586,946	2,407,364	1,687,691	18,682,001
Interfund	42,585	0	0	42,585
Intergovernmental	0	0	170,364	170,364
<i>Total Assets</i>	<u>\$ 17,783,631</u>	<u>\$ 3,749,916</u>	<u>\$ 5,383,141</u>	<u>\$ 26,916,688</u>
Liabilities:				
Accounts Payable	\$ 94,590	\$ 43,558	\$ 88,703	\$ 226,851
Accrued Wages and Benefits	3,249,342	0	165,620	3,414,962
Interfund Payable	0	0	42,585	42,585
Intergovernmental Payable	548,471	0	25,546	574,017
Deferred Revenue	14,057,064	2,320,896	1,697,289	18,075,249
Notes Payable	200,000	0	0	200,000
<i>Total Liabilities</i>	<u>18,149,467</u>	<u>2,364,454</u>	<u>2,019,743</u>	<u>22,533,664</u>
Fund Balances:				
Reserved for Encumbrances	122,156	247,335	566,999	936,490
Reserved for Tax Revenue Unavailable for Appropriation	529,882	86,468	44,495	660,845
Reserved for Budget Stabilization	283,642	0	0	283,642
Unreserved:				
Undesignated, Reported in:				
General Fund	(1,301,516)	0	0	(1,301,516)
Special Revenue Funds	0	0	335,677	335,677
Debt Service Fund	0	0	405,665	405,665
Capital Projects Funds	0	1,051,659	2,010,562	3,062,221
<i>Total Fund Balances</i>	<u>(365,836)</u>	<u>1,385,462</u>	<u>3,363,398</u>	<u>4,383,024</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 17,783,631</u>	<u>\$ 3,749,916</u>	<u>\$ 5,383,141</u>	<u>\$ 26,916,688</u>

See accompanying notes to the basic financial statements.

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

Total Governmental Fund Balances		\$	4,383,024
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.			23,394,271
Other long-term assets are not available to pay for current- period expenditures and therefore, are deferred in the funds.			
Grants			54,093
Delinquent Property Taxes			164,319
Total			218,412
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			352,424
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.			
General Obligation Bonds			(16,658,278)
Capital Lease Payable			(2,524,799)
Compensated Absences			(1,742,218)
Intergovernmental Payable			(325,316)
Total			(21,250,611)
 Net Assets of Governmental Activities			 <u>\$ 7,097,520</u>

See accompanying notes to the basic financial statements.

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

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 13,979,480	\$ 2,244,241	\$ 1,408,292	\$ 17,632,013
Intergovernmental	12,981,059	300,309	4,783,182	18,064,550
Investment income	67,171	357	15,658	83,186
Tuition and fees	410,693	0	0	410,693
Extracurricular activities	0	0	673,699	673,699
Charges for services	0	0	830,980	830,980
Miscellaneous	92,393	83,663	66,317	242,373
<i>Total Revenues</i>	<u>27,530,796</u>	<u>2,628,570</u>	<u>7,778,128</u>	<u>37,937,494</u>
Expenditures:				
Current:				
Instruction:				
Regular	13,137,417	27,739	251,079	13,416,235
Special	3,301,758	0	482,676	3,784,434
Vocational	554,387	0	738	555,125
Other	749,161	0	19,542	768,703
Support services:				
Pupils	1,524,601	0	601,665	2,126,266
Instructional staff	1,178,745	187,427	100,053	1,466,225
Board of education	66,057	0	0	66,057
Administration	1,872,125	289,762	4,118	2,166,005
Fiscal	639,031	39,108	18,924	697,063
Business	107,983	0	0	107,983
Operation and maintenance of plant	2,684,315	490,651	69,116	3,244,082
Pupil transportation	1,227,697	114,370	0	1,342,067
Central	18,759	0	0	18,759
Operation of non-instructional services	0	0	141,148	141,148
Food service operations	0	0	1,062,497	1,062,497
Extracurricular activities	610,916	0	298,255	909,171
Capital outlay	0	20,200	534,628	554,828
Debt service:				
Principal retirement	0	583,201	812,729	1,395,930
Interest and fiscal charges	0	131,382	836,452	967,834
<i>Total Expenditures</i>	<u>27,672,952</u>	<u>1,883,840</u>	<u>5,233,620</u>	<u>34,790,412</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(142,156)	744,730	2,544,508	3,147,082
Other Financing Sources (Uses):				
Proceeds from sales of capital assets	197	0	0	197
Transfers in	2,622	0	60,610	63,232
Transfers out	(7,000)	(53,610)	0	(60,610)
<i>Total Financing Sources and (Uses)</i>	<u>(4,181)</u>	<u>(53,610)</u>	<u>60,610</u>	<u>2,819</u>
<i>Net Change in Fund Balance</i>	(146,337)	691,120	2,605,118	3,149,901
<i>Fund balance (deficit) at beginning of year - Restated (See Note 3)</i>	<u>(219,499)</u>	<u>694,342</u>	<u>758,280</u>	<u>1,233,123</u>
<i>Fund balance (deficit) at end of year</i>	<u>\$ (365,836)</u>	<u>\$ 1,385,462</u>	<u>\$ 3,363,398</u>	<u>\$ 4,383,024</u>

See accompanying notes to the basic financial statements.

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

Net Change in Fund Balances - Total Governmental Funds	\$	3,149,901
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	1,329,904	
Current Year Depreciation	<u>(1,368,723)</u>	
Excess of depreciation expense over capital asset additions		(38,819)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	(38,578)	
Delinquent Property Taxes	<u>(71,340)</u>	
Total		(109,918)
Repayment of bond principal and capital lease is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Bond Principal	812,729	
Capital Leases	<u>583,201</u>	
Total		1,395,930
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.		
		33,646
Some expenses reported in the statement of net activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	(83,360)	
Pension Obligation	<u>(27,671)</u>	
Total		(111,031)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue (expense) of internal service funds is reported with governmental activities.		
		<u>(259,170)</u>
Change in Net Assets of Governmental Activities	\$	<u>4,060,539</u>

See accompanying notes to the basic financial statements.

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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 14,355,605	\$ 14,250,695	\$ 14,322,163	\$ 71,468
Intergovernmental	13,011,370	12,916,283	12,981,059	64,776
Investment Income	67,328	66,836	67,171	335
Tuition and Fees	411,652	408,644	410,693	2,049
Miscellaneous	92,609	91,932	92,393	461
<i>Total Revenues</i>	<u>27,938,564</u>	<u>27,734,390</u>	<u>27,873,479</u>	<u>139,089</u>
Expenditures:				
Current				
Instruction	18,362,143	18,362,143	17,584,880	777,263
Support Services				
Pupils	1,763,743	1,763,743	1,689,084	74,659
Instructional Staff	1,236,735	1,236,735	1,184,384	52,351
Board of Education	50,718	50,718	48,571	2,147
Administration	1,959,112	1,959,112	1,876,183	82,929
Fiscal	667,192	667,192	638,950	28,242
Business	114,709	114,709	109,853	4,856
Operation and Maintenance of Plant	2,753,351	2,753,351	2,636,803	116,548
Pupil Transportation	1,268,896	1,268,896	1,215,184	53,712
Central	19,588	19,588	18,759	829
Extracurricular Activities	636,596	636,596	609,649	26,947
<i>Total Expenditures</i>	<u>28,832,783</u>	<u>28,832,783</u>	<u>27,612,300</u>	<u>1,220,483</u>
Excess of Revenues Over (Under) Expenditures	(894,219)	(1,098,393)	261,179	1,359,572
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	197	197	197	0
Refund of Prior Year Expenditures	45,064	45,064	45,064	0
Advances In	58,500	58,500	58,500	0
Advances Out	(42,585)	(42,585)	(42,585)	0
Transfers In	2,622	2,622	2,622	0
Transfers Out	(7,000)	(7,000)	(7,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>56,798</u>	<u>56,798</u>	<u>56,798</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(837,421)	(1,041,595)	317,977	1,359,572
<i>Fund Balance (Deficit) at Beginning of Year</i>	2,836,123	2,836,123	2,836,123	0
Prior Year Encumbrances Appropriated	262,675	262,675	262,675	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 2,261,377</u>	<u>\$ 2,057,203</u>	<u>\$ 3,416,775</u>	<u>\$ 1,359,572</u>

See accompanying notes to the basic financial statements.

Green Local School District (Summit County)

Statement of Net Assets

Proprietary Funds

June 30, 2004

	Governmental Activities Internal Service Fund
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 570,036
<i>Total Assets</i>	<u>570,036</u>
Liabilities:	
Accounts Payable	400
Claims Payable	<u>217,212</u>
<i>Total Liabilities</i>	<u>217,612</u>
Net Assets:	
Unrestricted	<u>352,424</u>
<i>Total Net Assets</i>	<u><u>\$ 352,424</u></u>

See accompanying notes to the basic financial statements.

Green Local School District (Summit County)
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2004

	Governmental Activities - Internal Service Fund
Operating Revenues:	
Charges for services	\$ 2,720,275
<i>Total Operating Revenues</i>	2,720,275
Operating Expenses:	
Purchased services	44,987
Materials and supplies	7,958
Claims	2,947,266
<i>Total Operating Expenses</i>	3,000,211
Operating income (loss)	(279,936)
Non-Operating Revenues (Expenses):	
Contributions and donations	20,380
Interest	386
<i>Total Non-Operating Revenues (Expenses)</i>	20,766
<i>Change in Net Assets</i>	(259,170)
<i>Net Assets (Deficit) Beginning of Year</i>	611,594
<i>Net Assets (Deficit) End of Year</i>	\$ 352,424

See accompanying notes to the basic financial statements.

Green Local School District (Summit County)

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2004

	Governmental Activities Internal Service Fund
Cash Flows From Operating Activities:	
Cash Received For Charges for Services	\$ 2,720,275
Cash Paid for Goods and Services	(52,755)
Cash Paid for Claims	(2,886,977)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>(219,457)</u>
Cash Flows From Noncapital Financing Activities:	
Other Non-Operating Revenue	<u>20,380</u>
<i>Net Cash Provided By (Used For) Noncapital Financing Activities</i>	<u>20,380</u>
Cash Flows From Investing Activities:	
Interest on Investments	<u>386</u>
<i>Net Cash Provided By (Used For) Investing Activities</i>	<u>386</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(198,691)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>768,727</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$ 570,036</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Operating Income (Loss)	\$ (279,936)
Adjustments:	
(Increase) Decrease in Assets	
Increase (Decrease) in Liabilities	
Accounts Payable	190
Claims Payable	<u>60,289</u>
<i>Total Adjustments</i>	<u>60,479</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u><u>\$ (219,457)</u></u>

See accompanying notes to the basic financial statements.

Green Local School District (Summit County)

Statement of Fiduciary Assets and Liabilities

Fiduciary Funds

June 30, 2004

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 148,691
<i>Total Assets</i>	<u>\$ 148,691</u>
Liabilities:	
Accounts Payable	\$ 7,795
Undistributed Monies	<u>140,896</u>
<i>Total Liabilities</i>	<u>\$ 148,691</u>

See accompanying notes to the basic financial statements.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 1 – DESCRIPTION OF THE DISTRICT

The Green Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a locally-elected five-member board of education and provides educational services as mandated by state and/or federal agencies. This Board controls the District's instructional/support facilities staffed by 172 noncertificated employees and 281 certificated full-time teaching personnel who provide services to 4,032 students and other community members.

The District provides more than instruction to its students. These additional services include student guidance, extracurricular activities, educational media, and care and upkeep of grounds and buildings. The operation of each of these activities is directly controlled by the Board of Education through the budgetary process. These District operations will be included as part of the reporting entity.

The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", under which the financial statements include all the organizations, activities, functions and component units for which the District is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the District's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the District. Management has determined the District has no component units.

On this basis, the financial statements include all of the funds of the District over which the Board of Education exercises operating control.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

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

B. Fund Accounting

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

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

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

Permanent Improvement Capital Projects Fund The permanent improvement capital projects fund accounts for financial resources to be used for the acquisitions, construction, or improvement of major capital facilities other than those financed by proprietary funds.

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

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position and cash flows. The following is the only proprietary fund of the District:

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's only internal service fund accounts for a self-insurance program for employee healthcare and prescription drug benefits.

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

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (revenues) and decreases (expense) in total net assets.

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund activities.

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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 District, available means expected to be received within sixty days of the fiscal year-end.

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the 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 balance sheet.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

During fiscal year 2004, the District had investments in overnight repurchase agreements and STAROhio, (the State Treasurer's Investment Pool). All investments of the District had a maturity of two years or less.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as overnight repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes, the Board of Education has, by resolutions, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$67,171, which included \$12,121 assigned from other District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

F. Restricted Assets

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

G. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

Description	Governmental Activities Estimated Lives
Buildings and Improvements	10 - 40 Years
Furniture and Equipment	5 - 20 Years
Vehicles	15 Years
Textbooks	5 Years

H. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets.

I. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences" and GASB Interpretation No. 6. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the likelihood an employee will be paid a severance based on their length of service in their respective retirement plan.

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

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

J. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

K. Net Assets

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

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

L. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The designation for budget stabilization represents money set-aside by the Board of Education to protect against cyclical changes in revenues and expenditures.

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are for charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

N. Interfund Activity

Transfers between governmental activities on the government-wide statements are reported eliminated.

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

O. Estimates

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

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

P. Budgetary Data

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. Throughout the fiscal year, the primary level of budgetary control was at the fund level for all funds. Budgetary modifications may only be made by resolution of the Board of Education.

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board 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 Summit County Budget Commission for rate determination.

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

Appropriations A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts 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.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

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

NOTE 3 – RESTATEMENT OF NET ASSETS AND FUND BALANCE

Upon review of the Enterprise Food Service Fund, it was determined that the charges for services generated by the food service program were not sufficient to cover the costs of operation. Additionally, there was no debt pledged solely by net revenues from fees and charges nor were there any laws or regulations requiring costs to be recovered through fees and charges. Therefore, the District has determined that Special Revenue Type is a more appropriate classification for this activity. Accordingly, effective July 1, 2003, the entire Enterprise Fund Type has been eliminated and reclassified to the Special Revenue Fund Type.

Upon review of the Capital Asset Inventory maintained by the District, it was determined that various items were either incorrectly recorded or omitted from the listing. Accordingly, the Capital Asset Balance as of July 1, 2003 has been adjusted to reflect the updated Capital Asset Inventory.

As a result, balances have been restated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Enterprise Fund</u>
<u>Statement of Net Assets</u>			
Total Net Assets June 30, 2003	\$ 1,244,433	\$ 305,662	\$ 305,662
Reclassification of Enterprise Funds	305,662	(305,662)	(305,662)
Reclassification of Beginning Capital Assets	1,486,886	0	0
Restated Total Net Assets July 1, 2003	<u>\$ 3,036,981</u>	<u>\$ 0</u>	<u>\$ 0</u>

Balance Sheet - Governmental Funds

	<u>Funds</u>
Fund Balance June 30, 2003	\$ 1,218,288
Reclassification of Enterprise Fund	305,662
Reclassification of Enterprise Fund - Depreciable Capital Assets (Net)	(314,272)
Reclassification of Enterprise Fund - Compensated Absences	23,445
Restated Fund Balance July 1, 2003	<u>\$ 1,233,123</u>

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 4 – FUND DEFICITS

Fund balances/net assets at June 30, 2004 included the following individual fund deficits:

	Net Assets	Fund Balance
General Fund	\$ 2,189,319	\$ 365,836
Nonmajor Governmental Funds:		
Food Services	13,828	0
EMIS Fund	2,016	1,220
Parent Mentor Grant	8,552	5,036
Miscellaneous State Fund	754	372
Title VI-B	21,151	7,760
Drug Free School Grant	1	1
Preschool Grant	3,600	3,600

The general fund's deficit balance resulted from adjustments for accrued liabilities. Property tax and State entitlement monies received subsequent to year end are sufficient to cover this deficit and will be used to liquidate these liabilities.

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

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

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

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

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

	<u>General</u>
GAAP Basis	\$ (146,337)
Net Adjustment for Revenue Accruals	446,247
Net Adjustment for Expenditure Accruals	217,787
Encumbrances (Budget Basis)	<u>(199,720)</u>
Budget Basis	<u><u>\$ 317,977</u></u>

NOTE 6 – DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of the 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 to 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;

Green Local School District (Summit County)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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 banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date 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, corporate debt interests rated in either of the two highest 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 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand At year end, the District had \$3,100 in undeposited cash on hand which is included in the basic financial statements of the District as part of equity in pooled cash and cash equivalents.

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

Deposits At fiscal year-end, the carrying amount of the District's deposits was (\$65,124) and the bank balance was \$13,809, all of which was covered by federal depository insurance.

Investments GASB Statement No. 3 requires the District's investments to be categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the 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 District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

	Category <u>3</u>	Carrying Value	Fair Value
Repurchase Agreement	\$ 7,465,000	\$ 7,465,000	\$ 7,465,000
STAROhio	0	1,337,487	1,337,487
	<u>\$ 7,465,000</u>	<u>\$ 8,802,487</u>	<u>\$ 8,802,487</u>

The classification of cash and cash equivalents, and investments on the basic 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 investments on the financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash, Cash Equivalents and Investment/Deposits	Investments
GASB Statement No. 9	\$ 8,740,463	\$ 0
Investments of the Cash Management Pool:		
Repurchase Agreement	(7,465,000)	7,465,000
Star Ohio	(1,337,487)	1,337,487
Cash on Hand	(3,100)	0
GASB Statement No. 3	<u>\$ (65,124)</u>	<u>\$ 8,802,487</u>

NOTE 7 – PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 District. Property tax revenue received during calendar 2004 for real and public utility property taxes represents collections of calendar 2003 taxes. Property tax payments received during calendar 2004 for tangible personal property (other than public utility property) is for calendar 2004 taxes.

2004 real property taxes are levied after April 1, 2003, on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

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

2004 tangible personal property taxes are levied after April 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25% of true value for capital assets and 23% of true value of inventory.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

	<u>Amount</u>	<u>%</u>
Real Property - 2004		
Residential/Agricultural	\$ 430,021,880	72.51%
Commercial/Industrial	113,224,470	19.09%
Public Utilities	90	0.00%
Minerals	266,260	0.04%
Tangible Personal Property - 2004		
General	35,601,366	6.00%
Public Utilities	13,969,180	2.36%
Total Valuation	<u>\$ 593,083,246</u>	<u>100.00%</u>

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 later 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. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30. This year the June 2003 tangible personal property tax settlement was not received until July of 2003.

The District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the District their portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The late settlement and the amount available as an advance at June 30 are recognized as revenue.

The amount available as an advance at June 30, 2004, was \$660,845 and is recognized as revenue. \$529,882 was available to the general fund, \$44,495 was available to the bond retirement debt service fund, and \$86,468 was available to the permanent improvement capital projects fund.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 8 - RECEIVABLES

Receivables at June 30, 2004, consisted of taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Intergovernmental Receivables as of June 30, 2004:

Governmental Activities:	
Title VI-B	\$ 40,314
Title I	54,402
Title V	9,540
Reducing Class Size	61,508
Title II-D	4,600
Total Governmental Activities	<u>\$ 170,364</u>

NOTE 9 – CAPITAL ASSETS

Capital assets have been restated as disclosed in Note 3. Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Restated Balance 6/30/03	Additions	Reductions	Balance 6/30/04
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 826,143	\$ 0	\$ 0	\$ 826,143
Construction in progress	0	431,400	0	431,400
Total Capital Assets, not being depreciated	<u>826,143</u>	<u>431,400</u>	<u>0</u>	<u>1,257,543</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and improvements	27,902,386	180,763	0	28,083,149
Furniture and equipment	7,484,844	409,303	(21,568)	7,872,579
Vehicles	1,730,105	117,370	0	1,847,475
Textbooks	2,468,199	191,068	0	2,659,267
Total Capital Assets, being depreciated	<u>39,585,534</u>	<u>898,504</u>	<u>(21,568)</u>	<u>40,462,470</u>
Less Accumulated Depreciation:				
Buildings and improvements	(9,199,129)	(629,093)	0	(9,828,222)
Furniture and equipment	(5,312,448)	(354,783)	21,568	(5,645,663)
Vehicles	(750,689)	(108,601)	0	(859,290)
Textbooks	(1,716,321)	(276,246)	0	(1,992,567)
Total Accumulated Depreciation	<u>(16,978,587)</u>	<u>(1,368,723)</u>	<u>21,568</u>	<u>(18,325,742)</u>
Total Capital Assets being depreciated, net	<u>22,606,947</u>	<u>(470,219)</u>	<u>0</u>	<u>22,136,728</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 23,433,090</u>	<u>\$ (38,819)</u>	<u>\$ 0</u>	<u>\$ 23,394,271</u>

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Depreciation expense was charged to governmental functions as follows:

Support Services:		
Instructional Staff	\$	99,924
Operation and Maintenance of Plant		1,188,704
Operation of Non-Instructional Services		53,889
Food Service Operations		<u>26,206</u>
Total Depreciation	\$	<u><u>1,368,723</u></u>

NOTE 10 – RISK MANAGEMENT

A. Liability Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; employee injuries; and, natural disasters. During fiscal year 2002, the District contracted with Wausau Insurance for property and inland marine, Nationwide Insurance for liability insurance, and Harcum-Hyre Insurance for fleet insurance.

Coverage provided by Wausau, Nationwide, and Harcum-Hyre are as follows:

Building and Contents-Replacement cost (\$1,000 deductible)	\$	72,012,000
Inland Marine Coverage (\$1,000 deductible)		
Boiler and Machinery (\$1,000 deductible)		
Crime Insurance		1,000
Automobile Liability (\$100 deductible)		1,000,000
Uninsured Motorists (\$100 deductible)		2,000,000
General Liability:		
Per Occurrence		2,000,000
Total Per Year		5,000,000

B. Fidelity Bonds

The Board President and Superintendent have position bonds, \$20,000 and \$25,000, respectively. The Treasurer is covered under a surety bond in the amount of \$25,000. All other school employees who are responsible for handling funds are covered by various other bonds ranging from \$5,000 to \$10,000.

C. Workers' Compensation

The District pays the State Workers' Compensation System, an insurance purchasing pool, a premium based on a rate per \$100 of salaries. The District is a member of the Ohio School Boards Association Group Rating Program, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs.

D. Employee Health Insurance

The District has established a health care self-insurance fund. The purpose of this fund is to pay medical and dental claims of the District's employees and their covered dependents in order to minimize the total cost of annual health care insurance. The District has contracted with a third party administrator to direct this program. Self-insurance is in effect for aggregate claims up to \$940,000 per fiscal year with a \$60,000 stop-loss per individual participant. Claims in excess of this aggregate stop loss are insured by private carriers.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

The claims liability of \$217,212 reported in the fund at June 30, 2004 is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The costs are to be based on the estimated ultimate cost of settling the claims using past experience adjusted for current trends and any other factors that would modify past experience. The claims liability is based on an estimate supplied by the District's third part administrator. A summary of the fund's claims liability in fiscal years 2003 and 2004 is as follows:

	<u>Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>End of Year</u>
2003	\$ 175,434	\$ 2,477,822	\$ (2,496,333)	\$ 156,923
2004	\$ 156,923	\$ 2,947,266	\$ (2,886,977)	\$ 217,212

NOTE 11 – OTHER EMPLOYEE BENEFITS

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 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 vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

Employees earn vacation at rates specified by Union Contractual Agreement based on credit service. Administrative and 260 day employees are entitled to vacation ranging from 10 to 20 days.

All employees are entitled to a sick leave credit equal to one and one quarter days for each month of service. This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to 33 1/3% of the value of the first 132 days of sick leave. The total maximum is 44 days. Administrators have their own calculation. They can be eligible to receive payment for more than 44 days. They are eligible to receive payment for 33 1/3% of their remaining sick leave up to a maximum number of days calculated by multiplying the number of days in their annual contract by 23.91%.

NOTE 12 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$594,912, \$586,572, and \$581,784, respectively; 49% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$304,848 represents the unpaid contribution for fiscal year 2004, and is recorded as an intergovernmental payable.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$2,037,227, \$1,933,392, and \$1,886,040, respectively; 83% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$15,823 made by the District and \$28,096 made by the plan members. \$354,484 represents the unpaid contribution for fiscal year 2004, and is recorded as an intergovernmental payable.

C. Social Security System

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

NOTE 13 – POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$145,516 during the 2004 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, the health care costs paid by STRS were \$368,739,000 and STRS had 111,853 eligible benefit recipients.

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

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2004, employer contributions to fund health care benefits were 4.91% of covered payroll, a decrease of .92% from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$555,696.

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

NOTE 14 – NOTES PAYABLE

The changes in the District's notes payable during the year consist of the following:

	<u>Outstanding 6/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 6/30/04</u>
Notes Payable:				
Bond Anticipation Note - 2001 4.12%, 4/01 -5/04	\$ 155,000	\$ 0	\$ 155,000	\$ 0
Tax Anticipation Note - 2000 5.22%, 12/99 - 12/04	<u>400,000</u>	<u>0</u>	<u>200,000</u>	<u>200,000</u>
	<u>\$ 555,000</u>	<u>\$ 0</u>	<u>\$ 355,000</u>	<u>\$ 200,000</u>

The net proceeds of the Bond Anticipation Notes were used to provide funding for capital improvements. During fiscal year 2000, tax anticipation notes were issued for general operating activities. These notes will mature in fiscal year 2005, with a final interest payment of \$10,440.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 15- LONG TERM DEBT OBLIGATIONS

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

	Outstanding 6/30/03	Additions	Reductions	Outstanding 6/30/04	Amounts Due in One Year
Long Term Obligations:					
Bus Bonds - 1997					
5.4%, 6/97 - 7/04	\$ 28,571	\$ 0	\$ 14,286	\$ 14,285	\$ 14,285
Bus Bonds - 1999					
5.48%, 6/99 - 6/14	120,898	0	8,299	112,599	8,753
Bus Bonds - 2000					
6.31%, 5/00 - 5/15	129,902	0	7,562	122,340	8,039
Bus Bonds - 2001					
5.71%, 3/01 - 3/11	80,000	0	10,000	70,000	10,000
Bus Bonds - 2002					
5.22%, 3/02 - 3/12	90,000	0	10,000	80,000	10,000
HB264 Note (1995)					
5.30 - 5.70%, 8/95 - 6/05	145,000	0	70,000	75,000	75,000
Energy Conversation Imp Bonds					
4.98%, 1/99 - 1/14	36,640	0	2,582	34,058	2,710
Facilities Improvements (1994)					
5.906%, 4/94 - 12/19	16,839,996	0	690,000	16,149,996	765,000
Total General Obligation Debt	<u>17,471,007</u>	<u>0</u>	<u>812,729</u>	<u>16,658,278</u>	<u>893,787</u>
Compensated Absences	1,630,606	1,742,218	1,630,606	1,742,218	158,083
Capital Lease	<u>3,108,000</u>	<u>0</u>	<u>583,201</u>	<u>2,524,799</u>	<u>611,077</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 22,209,613</u>	<u>\$ 1,742,218</u>	<u>\$ 3,026,536</u>	<u>\$ 20,925,295</u>	<u>\$ 1,662,947</u>

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the employee is paid. In prior years this has primarily been the general fund. Capital lease obligations will be paid from the permanent improvement fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2004 are as follows:

GENERAL OBLIGATION BONDS PAYABLE

Fiscal Year Ending June 30	Principal	Interest	Total
2005	\$ 893,787	\$ 767,609	\$ 1,661,396
2006	890,625	725,124	1,615,749
2007	97,304	1,585,564	1,682,868
2008	83,374	1,648,402	1,731,776
2009	73,594	1,707,089	1,780,683
2010 - 2014	5,844,771	2,860,647	8,705,418
2015 - 2019	7,134,823	1,320,845	8,455,668
2020	1,640,000	41,000	1,681,000
	<u>\$ 16,658,278</u>	<u>\$ 10,656,280</u>	<u>\$ 27,314,558</u>

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 16 – CAPITAL LEASES

The District has entered into capitalized leases for computers, wiring, miscellaneous items, musical instruments, truck, and a stadium. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, “Accounting for Leases,” which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments amounted to \$583,201 for the fiscal year ended June 30, 2004. The capitalized cost of capital lease assets is \$5,662,800.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004.

	Fiscal Year Ending June 30, 2005	\$ 713,307
	2006	711,291
	2007	673,274
	2008	<u>674,014</u>
Total		2,771,886
Less: Amount Representing Interest		<u>(247,087)</u>
Present Value of Net Minimum Lease Payments		<u><u>\$ 2,524,799</u></u>

NOTE 17 – DEFERRED REVENUE

Deferred revenue at June 30, 2004 consisted of the following:

	<u>Statement of Net Assets</u>	<u>Balance Sheet</u>
Property Taxes Receivable	\$ 17,856,837	\$ 18,021,156
Intergovernmental Receivable	<u>0</u>	<u>54,093</u>
	<u><u>\$ 17,856,837</u></u>	<u><u>\$ 18,075,249</u></u>

NOTE 18 – INTERFUND TRANSACTIONS

The account balances by fund of “Interfund Receivable” and “Interfund Payable” as of June 30, 2004 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 42,585	\$ 0
Nonmajor Governmental Funds	<u>0</u>	<u>42,585</u>
Total	<u><u>\$ 42,585</u></u>	<u><u>\$ 42,585</u></u>

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2004, all interfund payables outstanding are anticipated to be repaid in fiscal year 2005.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

The following is a summarized breakdown of the District's transfers for fiscal year 2004:

Fund	Transfers In	Transfers Out
General Fund	\$ 2,622	\$ (7,000)
Permanent Improvement Fund	53,610	0
Nonmajor Governmental Funds	7,000	(53,610)
	<u>\$ 63,232</u>	<u>\$ (60,610)</u>

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

NOTE 19 – JOINTLY GOVERNED ORGANIZATION

Northeast Ohio Network for Educational Technology (NEOnet)

NEOnet is a jointly governed organization created as a regional council of governments made up of public districts and county boards of education from Summit, Medina and Portage Counties. The primary function of NEOnet is to provide data processing services to its member districts with the major emphasis being placed on accounting, inventory control and payroll services. Other areas of service provided by NEOnet include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by NEOnet. NEOnet is governed by a board of directors comprised of each Superintendent within the Organization. The Summit County Educational Service Center serves as the fiscal agent of the organization and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and financing of NEOnet is limited to its voting authority and any representation it may have on the board of directors. The continued existence of NEOnet is not dependent on the District's continued participation and no equity interest exists.

Interval Opportunity School

The Interval Opportunity School (the School) is a jointly governed organization made up of six area public Districts. The function of the School is too provided "at risk students" with possibly a last and better opportunity to succeed in both their academic and social maturation. Each member district pays an annual fee based on the number of students serviced by the School. The School is governed by a Board of Directors comprised of each superintendent from Coventry, Portage Lakes Career Center and the District. The Coventry Local District serves as the fiscal agent of the School. The continued existence of the School is not dependent on the District's continued participation and no equity interest exists.

NOTE 20 - CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement 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 District at June 30, 2004.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Litigation

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

NOTE 21 – SET ASIDES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for acquisition and construction of capital improvements. During 2001, the School Board of Education approved continuation of funding the budget stabilization reserve for the State of Ohio House Bill 412. Only the portion allocated to past Bureau of Workers Compensation Refund, \$283,642 is still legally required to remain set-aside. The remaining portion, \$675,425, is separately classified as Designated, Unreserved Fund Balance. The amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	Budget Stabilization Reserve	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Total
Set-Aside Cash Balance as of June 30, 2003	\$ 283,642	\$ 0	\$ 0	\$ 283,642
Set-Aside Carryover Balance as of June 30, 2003	0	0	(168,976)	(168,976)
Current Year Set-Aside Requirement	0	575,440	575,440	1,150,880
Qualifying Disbursements	0	(1,652,062)	(643,703)	(2,295,765)
Total	<u>\$ 283,642</u>	<u>\$ (1,076,622)</u>	<u>\$ (237,239)</u>	<u>\$ (1,030,219)</u>
Cash Balance Carried Forward FY 2005	<u>\$ 283,642</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 283,642</u>
Amount to Restrict for Set-Asides				<u>\$ 283,642</u>
Total Restricted Assets				<u>\$ 283,642</u>

The District had qualifying disbursements during the year that reduced the capital improvements and textbook reserve set-asides below zero. The excess qualifying textbook disbursements may be used to reduce the set-aside requirement in future fiscal years.

Green Local School District (Summit County)

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 22 – SUBSEQUENT EVENT

On October 31, 2003, the District entered into a Joint Use Agreement for Community Learning Facilities with the City of Green (City). The agreement states that in the event the City passes an income tax levy in November, 2003, which passed subsequent to the agreement's signing, they will commit a portion of the increased income revenue to support the construction of Community Learning Facilities in the City of Green. The City has issued bonds in anticipation of the tax revenue to pay the construction costs of two facilities, approximately \$23,700,000 in fiscal year 2005. The District will be responsible for constructing, maintaining, and insuring the facilities. While the District will hold legal title to the facilities, the City will have an equitable ownership interest during the term of the agreement, 28 years, in the form of a mortgage deed. The City will also retain the right to use the facilities, in accordance with procedures established by the City, during the agreement term of 28 years. The City is responsible for the first \$1,000,000 in annual debt service with the School District agreeing to pay the remaining annual debt service. The Agreement estimates that the annual bond payment will be \$1,590,000 per year, thus the District will be liable for approximately \$590,000 of debt service for the term of the bond, which is 28 years.

NOTE 23 – 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 District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

January 3, 2005

The Board of Education
Green Local School District
Green, Ohio

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Green Local School District (the District), as of and for the year then ended June 30, 2004, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 3, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's basic 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that we have reported to management of the District in a separate letter dated January 3, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic 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 basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated January 3, 2005.

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

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

January 3, 2005

The Board of Education
Green Local School District
Green, Ohio

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

Compliance

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

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

In our opinion, Green Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control over Compliance

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Green Local School District as of and for the year ended June 30, 2004, and have issued our report thereon dated January 3, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Kea & Associates, Inc.

**GREEN LOCAL SCHOOL DISTRICT (SUMMIT COUNTY)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Expenditures
U. S. Department of Education (Passed Through Ohio Department of Education):					
Title I	84.010	C1-S1-2003	\$ 62,382	\$ 11,822	\$ 0
Title I	84.010	C1-S1-2004	305,200	255,256	0
Total Title I			<u>367,582</u>	<u>267,078</u>	<u>0</u>
<i>Special Education Cluster</i>					
IDEA-B	84.027	6B-SF-03P	84	6,076	0
IDEA-B	84.027	6BSF-2004	467,220	485,912	0
Total IDEA-B			<u>467,304</u>	<u>491,988</u>	<u>0</u>
Preschool Grants	84.173	PG-S1-03P	0	732	0
Preschool Grants	84.173	PGS1-2004	11,455	11,455	0
Total Preschool Grants			<u>11,455</u>	<u>12,187</u>	<u>0</u>
Total Special Education Cluster			<u>478,759</u>	<u>504,175</u>	<u>0</u>
Title IV-A Safe and Drug-Free Schools	84.186	DRS1-2004	13,663	13,663	0
Total Safe and Drug-Free Schools and Communities			<u>13,663</u>	<u>13,663</u>	<u>0</u>
Teacher Mini Grant	84.276	G2-SP-01	5,839	5,839	0
Total Teacher Mini Grant			<u>5,839</u>	<u>5,839</u>	<u>0</u>
Eisenhower Professional Development	84.281	MS-S1-02	0	0	0
Total Eisenhower Professional Development			<u>0</u>	<u>0</u>	<u>0</u>
Title V Innov	84.298	C2-S1-03	3,903	3,934	0
Title V Innov	84.298	C2S1-2004	15,080	16,493	0
Total Title VI			<u>18,983</u>	<u>20,427</u>	<u>0</u>
Title II-D Technology	84.318	TJS1-2004	5,134	5,212	0
Total Title II-D			<u>5,134</u>	<u>5,212</u>	<u>0</u>
Title VI-R	84.340	CR-S1-2002	0	0	0
Total Title VI-R			<u>0</u>	<u>0</u>	<u>0</u>
Assistive Technology Infusion Project - Round 1	84.352A	AT-S3-02	0	0	0
Assistive Technology Infusion Project - Round 2	84.352A	AT-S2-02	0	0	0
Total Assistive Technology Infusion Project			<u>0</u>	<u>0</u>	<u>0</u>
Title II-A Improving Teacher Quality	84.367	TRS1-2004	53,284	41,598	0
Title II-A Reducing Class Size Grant	84.367	590-9003	21,833	18,598	0
Total Title II-A			<u>75,117</u>	<u>60,196</u>	<u>0</u>
Total Department of Education			<u>965,077</u>	<u>876,590</u>	<u>0</u>
U. S. Department of Agriculture (Passed Through Ohio Department of Education):					
Nutrition Cluster:					
Food Distribution Program (A) (B)	10.550		72,578	0	72,578
National School Lunch Program (A)	10.555		211,283	211,283	0
Total Department of Agriculture: Nutrition Cluster			<u>283,861</u>	<u>211,283</u>	<u>72,578</u>
Total Federal Assistance			<u>\$ 1,248,938</u>	<u>\$ 1,087,873</u>	<u>\$ 72,578</u>

(A) Government commodities are reported at the fair market value of the commodities received and disbursed.

(B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

GREEN LOCAL SCHOOL DISTRICT (SUMMIT COUNTY)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2004

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted



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Betty Montgomery**

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**GREEN LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 22, 2005**