

**Green Local School District**  
Summit County, Ohio  
*Audited Financial Statements*

*June 30, 2009*





Mary Taylor, CPA  
Auditor of State

Board of Education  
Green Local School District  
1900 Greensburg Road  
Green, Ohio 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, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 12, 2010

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**GREEN LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**JUNE 30, 2009**

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**Rea & Associates, Inc.**  
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020  
New Philadelphia, OH 44663-5120

December 23, 2009

To the Board of Education  
Green Local School District  
Green, OH 44232

**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 the Green Local School District (the "School District"), Summit County, Ohio as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the School District as of June 30, 2009, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 23, 2009, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Hea & Associates, Inc.*

**Green Local School District (Summit County)**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009*

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The discussion and analysis of Green Local School District's (the School District's) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for 2009 are as follows:

- ❑ General Revenues accounted for \$36,353,721 in revenue or 86.4% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$5,727,222 or 13.6% of total revenues of \$42,080,943.
- ❑ Total program expenses were \$45,168,090 in governmental activities.
- ❑ In total, net assets of governmental activities decreased \$3,087,147 which represents a 43.0% decrease from 2008.
- ❑ Outstanding long term debt obligations decreased from \$24,199,992 to \$23,381,507 during the fiscal year.

***Reporting the School District as a Whole***

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2009?" 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 the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

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

- ❑ Governmental Activities - Most of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, operation of non-instructional, extracurricular activities, interest and fiscal charges, and food service. 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, 2009*

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***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The financial statement of the School District's governmental funds begins on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the permanent improvement capital project fund.

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

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

The proprietary fund financial statements begin on page 18.

**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 the School District's own programs. The accounting for the fiduciary funds is much like that used to proprietary funds.

The fiduciary fund financial statement begins on page 21.

**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 22.

**Green Local School District (Summit County)**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009*

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**The School District as a Whole**

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

Table 1 provides a summary of the School District's net assets for 2009 compared to 2008:

**(Table 1)  
Net Assets**

	Governmental Activities	
	2009	Restated 2008
<b>Assets:</b>		
Current and other assets	\$ 24,855,736	\$ 31,085,639
Capital assets	42,021,586	41,971,720
Total assets	<u>66,877,322</u>	<u>73,057,359</u>
<b>Liabilities:</b>		
Long-term liabilities	40,146,082	40,412,753
Other liabilities	22,634,597	25,460,816
Total liabilities	<u>62,780,679</u>	<u>65,873,569</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	17,851,651	18,601,300
Restricted	2,870,015	3,537,250
Unrestricted (deficit)	<u>(16,625,023)</u>	<u>(14,954,760)</u>
Total net assets	<u>\$ 4,096,643</u>	<u>\$ 7,183,790</u>

Total assets decreased by \$6,180,037. The decrease was primarily the result of a decrease in cash. Operating revenues of the general fund did not keep pace with increased operating costs.

Total liabilities decreased by \$3,092,890. This decrease was a primary result of payment of bonds and other long term obligations.

As a result of the above, overall net assets of the School District decreased \$3,087,147, or 43.0% compared to fiscal year 2008.

**Green Local School District (Summit County)**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009*

Table 2 shows the changes in net assets for fiscal year 2009 and 2008.

**(Table 2)  
Governmental Activities**

	<u>2008</u>	<u>2008</u>
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 2,278,984	\$ 2,090,615
Operating Grants	2,755,833	2,654,404
Capital grants and contributions	692,405	361,177
<i>General Revenue:</i>		
Property Taxes	21,995,232	21,171,797
Grants and Entitlements	14,112,125	13,697,599
Other	246,364	682,896
<b>Total Revenues</b>	<b>42,080,943</b>	<b>40,658,488</b>
<b>Program Expenses</b>		
Instruction	24,825,914	23,259,858
Support Services	16,437,382	15,031,995
Operation of Non-Instructional Extracurricular Activities	138,876	114,368
Interest and Fiscal Charges	1,101,609	990,047
Food Service	1,280,094	1,543,496
	1,384,215	1,405,627
<b>Total Expenses</b>	<b>45,168,090</b>	<b>42,345,391</b>
Increase (Decrease) in Net Assets	<u>\$ (3,087,147)</u>	<u>\$ (1,686,903)</u>

Total expenses of \$45,168,090, increased by \$2,822,699 over 2008. The most significant increases were within support services. One of the primary causes of the increase in support services was the increase to administration, which resulted from an increase in staffing. Interest expense decreased during the fiscal year as a result of paying down long term debt.

**Green Local School District (Summit County)**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009*

**Governmental Activities**

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 \$42,080,943 and expenses of \$45,168,090.

**(Table 3)  
Governmental Activities**

	2009		2008	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 24,825,914	\$ 22,626,932	\$ 23,259,858	\$ 21,306,798
Support Services:				
Pupil and Instructional Staff	4,945,821	4,052,622	4,315,223	3,413,112
Board of Education, Administration, Fiscal, and Business	4,888,287	4,757,403	3,820,126	3,712,581
Operation and Maintenance of Plant	4,397,411	4,304,048	4,975,247	4,900,246
Pupil Transportation	2,180,327	2,146,378	1,899,394	1,844,341
Central	25,536	24,992	22,005	21,673
Operation of Non-Instructional	138,876	(4,946)	114,368	(9,527)
Extracurricular Activities	1,101,609	100,672	990,047	361,767
Food Service Operations	1,384,215	152,673	1,405,627	144,708
Interest and Fiscal Charges	1,280,094	1,280,094	1,543,496	1,543,496
Total Expenses	<u>\$ 45,168,090</u>	<u>\$ 39,440,868</u>	<u>\$ 42,345,391</u>	<u>\$ 37,239,195</u>

Instruction and student support services comprise 91.4% of governmental program expenses. Interest and fiscal charges were 2.8%. Interest expense was attributable to the outstanding bonds, and fiscal expenses including payments to the County Auditor for administrative fees. Pupil transportation and the operation and maintenance of facilities accounts for 14.6% 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 School District students.

**The School District's Funds**

The fund financial statements for the School District's major funds start on page 13. The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$41,121,637 and total expenditures of \$45,756,726.

The general fund decreased in 2009 by \$3,024,026. This decrease in the general fund was the result of the operating revenues not keeping pace with the increased operating cost.

**Green Local School District (Summit County)**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009*

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The permanent improvement fund decreased in 2009 by \$415,337. This decrease in the permanent improvement fund was the result of tax levy monies for permanent improvements being used to pay outstanding bond/debt.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2009, the School District did modify its general fund budget, modifications were insignificant. The 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 final budget basis revenue decreased \$497,650 from the original budget estimates of \$31,717,991. The School District begins the fiscal year with a temporary budget. This is updated in September with Board approval of the permanent appropriations. Budget adjustments are made throughout the year as updated information becomes available.

Actual revenues of \$31,505,135 were \$284,794, more than the final budgeted amounts. This amount was primarily due to a higher than expected amount of state revenue support.

Actual expenditures and encumbrances of \$35,302,445 were \$194,356, lower than the \$35,496,801 in the final budget. The majority of this decrease is based in instruction.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2009, the School District had \$42.0 million invested in land, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2009 balances compared with 2008.

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

	2009	Restated 2008
Land	\$ 1,031,143	\$ 826,143
Buildings and Improvements	37,831,477	38,893,971
Furniture and Equipment	2,274,249	1,647,187
Vehicles	884,717	604,419
Totals	<u>\$ 42,021,586</u>	<u>\$ 41,971,720</u>

The \$49,866 decrease in capital assets was attributable to capital asset additions exceeding depreciation expense.

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

**Green Local School District (Summit County)**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009*

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Ohio law requires School Districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2009, this amounted to \$667,122 for each set aside. The School District has qualifying disbursements or offsets equal to or exceeding these requirements for capital improvements and textbook/instructional materials. See Note 19 for additional information.

**Debt**

At June 30, 2009, the School District had long-term debt obligations and capital leases of \$23,907,300. Table 5 summarizes outstanding debt.

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

	<u>2009</u>	<u>2008</u>
Long Term Debt Obligations	\$ 23,381,507	\$ 24,199,993
Capital Lease	525,793	0
Totals	<u>\$ 23,907,300</u>	<u>\$ 24,199,993</u>

See Note 14 to the basic financial statements for detail on the School 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 May, 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, May 2005 and November 2005. None of these levies were approved by the voters.

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 changes in the funding formula used in Ohio that has frozen the funding received from the State at the level received in fiscal year 2005.

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 53% of revenues for governmental activities for the Green Local School District in fiscal year 2009.

## **Green Local School District (Summit County)**

### *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2009*

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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 five years it was planned and beyond. This has been made increasingly difficult with mandates in gifted education, rising utility costs and gasoline expenses, 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 Ohio Supreme Court in March, 1997 found that the school funding system provided by the State of Ohio was an unconstitutional system that was neither "adequate" nor "equitable". Since 1997, the State has continually refused to meet the standards of the Ohio Supreme Court.

Green Local School District does not anticipate 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. Another area of concern will be the State Legislative approval of the biennial budget, effective July 1, 2009. 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 School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact 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, 2009*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 4,736,722
Receivables:	
Taxes	19,600,090
Accounts	26,788
Intergovernmental	236,756
Bond Issuance Costs	255,380
Nondepreciable Capital Assets	1,031,143
Depreciable Capital Assets (Net)	<u>40,990,443</u>
<i>Total Assets</i>	<u>66,877,322</u>
<b>Liabilities</b>	
Accounts Payable	169,409
Contracts Payable	27,934
Accrued Wages and Benefits	4,240,197
Vacation Benefits Payable	156,994
Intergovernmental Payable	1,140,260
Deferred Revenue	16,410,367
Claims Payable	489,436
Long Term Liabilities:	
Due Within One Year	2,267,720
Due in More Than One Year	<u>37,878,362</u>
<i>Total Liabilities</i>	<u>62,780,679</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	17,851,651
Restricted for:	
Capital Projects	1,666,489
Debt Service	784,368
Other Purposes	135,516
Budget Stabilization	283,642
Unrestricted	<u>(16,625,023)</u>
<i>Total Net Assets</i>	<u>\$ 4,096,643</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, 2009

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Total
<b>Governmental Activities</b>					
Current:					
Instruction:					
Regular	\$ 17,677,968	\$ 387,005	\$ 247,931	\$ 0	\$ (17,043,032)
Special	5,739,910	116,469	1,415,883	0	(4,207,558)
Vocational	168,108	3,757	0	0	(164,351)
Other	1,239,928	27,937	0	0	(1,211,991)
Support services:					
Pupils	2,692,025	292,298	402,947	0	(1,996,780)
Instructional staff	2,253,796	42,262	155,692	0	(2,055,842)
Board of education	41,937	945	0	0	(40,992)
Administration	3,672,198	57,148	48,488	0	(3,566,562)
Fiscal	935,481	18,945	0	0	(916,536)
Business	238,671	5,358	0	0	(233,313)
Operation and maintenance of plant	4,397,411	75,363	18,000	0	(4,304,048)
Pupil transportation	2,180,327	33,949	0	0	(2,146,378)
Central	25,536	544	0	0	(24,992)
Operation of non-instructional services	138,876	300	143,522	0	4,946
Food Service Operations	1,384,215	908,172	323,370	0	(152,673)
Extracurricular activities	1,101,609	308,532	0	692,405	(100,672)
Interest and fiscal charges	1,280,094	0	0	0	(1,280,094)
<i>Total Governmental Activities</i>	<u>\$ 45,168,090</u>	<u>\$ 2,278,984</u>	<u>\$ 2,755,833</u>	<u>\$ 692,405</u>	<u>(39,440,868)</u>

**General Revenues**

Property Taxes Levied for:

General Purposes	17,200,266
Debt Service	1,532,144
Capital Outlay	3,262,822
Grants and Entitlements not Restricted to Specific Programs	14,112,125
Investment Earnings	96,475
Miscellaneous	149,889
	<u>149,889</u>

Total General Revenues 36,353,721

Change in Net Assets (3,087,147)

Net Assets Beginning of Year (Restated, See Note 3) 7,183,790

Net Assets End of Year \$ 4,096,643

See accompanying notes to the basic financial statements.

**Green Local School District (Summit County)**

*Balance Sheet  
Governmental Funds  
June 30, 2009*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 754,190	\$ 1,358,539	\$ 879,520	\$ 2,992,249
Cash and Cash Equivalents:				
Restricted Cash	449,353	0	0	449,353
Receivables:				
Taxes	14,877,720	3,114,949	1,607,421	19,600,090
Accounts	26,788	0	0	26,788
Intergovernmental	129,508	0	107,248	236,756
<i>Total Assets</i>	<u>\$ 16,237,559</u>	<u>\$ 4,473,488</u>	<u>\$ 2,594,189</u>	<u>\$ 23,305,236</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 124,415	\$ 16,267	\$ 28,727	\$ 169,409
Contracts Payable	0	27,934	0	27,934
Accrued Wages and Benefits	3,990,310	22,568	227,319	4,240,197
Intergovernmental Payable	1,054,038	26,364	59,858	1,140,260
Deferred Revenue	12,996,192	2,770,928	1,438,371	17,205,491
<i>Total Liabilities</i>	18,164,955	2,864,061	1,754,275	22,783,291
<b>Fund Balances</b>				
Fund Balance:				
Reserved for Encumbrances	198,011	67,708	37,326	303,045
Reserved for Tax Revenue Unavailable for Appropriatio	1,881,528	344,021	177,744	2,403,293
Reserved for Budget Stabilization	283,642	0	0	283,642
Undesignated, Unreserved Reported in:				
General Fund	(4,290,577)	0	0	(4,290,577)
Special Revenue Funds	0	0	76,527	76,527
Debt Service Fund	0	0	548,317	548,317
Capital Projects Fund	0	1,197,698	0	1,197,698
<i>Total Fund Balances</i>	<u>(1,927,396)</u>	<u>1,609,427</u>	<u>839,914</u>	<u>521,945</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 16,237,559</u>	<u>\$ 4,473,488</u>	<u>\$ 2,594,189</u>	<u>\$ 23,305,236</u>

See accompanying notes to the basic financial statements.

**Green Local School District (Summit County)**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets Governmental Activities  
 June 30, 2009*

Total Governmental Fund Balances	\$	521,945
 <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.		42,021,586
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	\$ 8,694	
Delinquent Property Taxes	786,430	795,124
Bond issuance costs reported as an expenditure in the funds are allocated as an expense over the life of the debt on an accrual basis.		255,380
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.		805,684
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	23,381,507	
Capital Lease Payable	525,793	
Compensated Absences	1,408,296	
Vacation Payable	156,994	
Early Retirement Incentive	651,615	
Unearned Revenue-Long Term (See Note 14)	14,178,871	(40,303,076)
 Net Assets of Governmental Activities	 \$	 <u>4,096,643</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, 2009*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 16,929,565	\$ 3,180,581	\$ 1,537,720	\$ 21,647,866
Intergovernmental	14,119,825	538,571	2,218,296	16,876,692
Investment income	95,398	0	1,077	96,475
Tuition and fees	830,958	0	0	830,958
Extracurricular activities	0	0	571,930	571,930
Rentals	22,655	0	0	22,655
Charges for services	0	0	908,172	908,172
Gifts and donations	1,683	17,000	0	18,683
Miscellaneous	147,206	0	1,000	148,206
<i>Total Revenues</i>	32,147,290	3,736,152	5,238,195	41,121,637
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	16,262,525	19,900	249,185	16,531,610
Special	5,091,808	0	625,683	5,717,491
Vocational	157,606	0	0	157,606
Other	1,239,876	0	0	1,239,876
Support services:				
Pupils	1,800,501	0	804,257	2,604,758
Instructional staff	1,365,928	469,626	167,300	2,002,854
Board of education	41,937	0	0	41,937
Administration	2,508,445	1,249,390	47,145	3,804,980
Fiscal	808,164	45,708	23,844	877,716
Business	148,033	0	0	148,033
Operation and maintenance of plant	3,293,203	314,511	0	3,607,714
Pupil transportation	1,521,385	616,274	0	2,137,659
Central	24,163	0	0	24,163
Operation of non-instructional services	0	0	138,876	138,876
Food service operations	0	0	1,354,439	1,354,439
Extracurricular activities	791,052	0	297,132	1,088,184
Capital outlay	0	1,329,705	67,148	1,396,853
Debt service:				
Principal retirement	0	477,732	39,197	516,929
Interest and fiscal charges	0	417,072	1,692,596	2,109,668
Bond issuance costs	0	0	255,380	255,380
<i>Total Expenditures</i>	35,054,626	4,939,918	5,762,182	45,756,726
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	(2,907,336)	(1,203,766)	(523,987)	(4,635,089)
<b>Other Financing Sources (Uses):</b>				
Proceeds of refunding bonds	0	0	13,365,000	13,365,000
Inception of capital lease	0	788,429	0	788,429
Premium on refunding bonds	0	0	374,317	374,317
Proceeds from sales of fixed assets	3,310	0	0	3,310
Payment to refunding bond escrow agent	0	0	(13,473,937)	(13,473,937)
Transfers in	0	0	120,000	120,000
Transfers out	(120,000)	0	0	(120,000)
<i>Total Financing Sources and (Uses)</i>	(116,690)	788,429	385,380	1,057,119
<i>Net Change in Fund Balance</i>	(3,024,026)	(415,337)	(138,607)	(3,577,970)
<i>Fund balance (deficit) at beginning of year</i>	1,096,630	2,024,764	978,521	4,099,915
<i>Fund balance (deficit) at end of year</i>	\$ (1,927,396)	\$ 1,609,427	\$ 839,914	\$ 521,945

See accompanying notes to the basic financial statements.

**Green Local School District (Summit County)**  
*Reconciliation of the Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2009*

Net Change in Fund Balances - Total Governmental Funds		\$ (3,577,970)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 1,889,796	
Current Year Depreciation	<u>(1,838,859)</u>	50,937
Net effect of transactions involving sale of capital assets are not reflected in the funds.		(1,071)
Issuance of capital leases results in expenditures and other financing sources in the governmental funds, but these transactions are reflected in the statement of net assets as long term assets and liabilities.		
Proceeds of inception of capital lease		(788,429)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Unearned revenue	349,905	
Tuition	(54,731)	
Grants	(8,734)	
Delinquent Property Taxes	<u>347,366</u>	633,806
Governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
		255,380
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Bond Principal	10,000	
Learning Center	215,096	
Capital Appreciation Bonds	29,197	
Capital Leases	262,636	
Capital Appreciation Bonds - Accretion	<u>1,005,803</u>	1,522,732
The issuance of refunding bonds results in expenditures and other financing sources and uses in the governmental funds, but these transactions are not reflected in the statement of net assets as long-term assets and liabilities.		
Payment to refund bond escrow agent	13,473,937	
Proceeds of refunding bonds	(13,365,000)	
Premium on new bonds	<u>(374,317)</u>	(265,380)
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Bond accretion	(176,230)	
Compensated Absences	275,688	
Vacation	(156,994)	
Early Retirement Incentive	<u>(576,615)</u>	(634,151)
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>(283,001)</u>
Change in Net Assets of Governmental Activities		<u>\$ (3,087,147)</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, 2009*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Taxes	\$ 17,305,872	\$ 17,483,850	\$ 16,433,321	\$ (1,050,529)
Intergovernmental	13,501,919	12,869,213	14,119,825	1,250,612
Investment Income	91,223	86,948	95,398	8,450
Tuition and Fees	653,942	623,298	683,869	60,571
Gifts and Donations	1,609	1,534	1,683	149
Rentals	21,664	20,648	22,655	2,007
Miscellaneous	138,597	131,833	145,074	13,241
<i>Total Revenues</i>	<u>31,714,826</u>	<u>31,217,324</u>	<u>31,501,825</u>	<u>284,501</u>
<b>Expenditures:</b>				
<b>Current</b>				
Instruction	22,260,067	22,260,067	22,460,564	(200,497)
Support Services				
Pupils	1,740,599	1,740,599	1,756,969	(16,370)
Instructional Staff	1,539,106	1,539,106	1,385,364	153,742
Board of Education	41,430	41,430	41,837	(407)
Administration	2,572,550	2,572,550	2,573,036	(486)
Fiscal	823,988	823,988	831,203	(7,215)
Business	161,262	161,262	161,851	(589)
Operation and Maintenance of Plant	3,747,853	3,747,853	3,568,686	179,167
Pupil Transportation	1,669,740	1,669,740	1,573,485	96,255
Central	23,704	23,704	23,937	(233)
Extracurricular Activities	797,670	797,670	805,513	(7,843)
<i>Total Expenditures</i>	<u>35,377,969</u>	<u>35,377,969</u>	<u>35,182,445</u>	<u>195,524</u>
Excess of Revenues Over (Under) Expenditures	(3,663,143)	(4,160,645)	(3,680,620)	480,025
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Assets	3,165	3,017	3,310	293
Transfers Out	(118,832)	(118,832)	(120,000)	(1,168)
<i>Total Other Financing Sources (Uses)</i>	<u>(115,667)</u>	<u>(115,815)</u>	<u>(116,690)</u>	<u>(875)</u>
<i>Net Change in Fund Balance</i>	(3,778,810)	(4,276,460)	(3,797,310)	479,150
<i>Fund Balance (Deficit) at Beginning of Year</i>	4,235,062	4,235,062	4,235,062	0
Prior Year Encumbrances Appropriated	537,598	537,598	537,598	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 993,850</u>	<u>\$ 496,200</u>	<u>\$ 975,350</u>	<u>\$ 479,150</u>

See accompanying notes to the basic financial statements.

**Green Local School District (Summit County)**

*Statement of Fund Net Assets*

*Proprietary Funds*

*June 30, 2009*

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	Governmental Activities Internal Service Fund
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 1,295,120
<i>Total Assets</i>	<u>1,295,120</u>
<b>Liabilities</b>	
Current Liabilities:	
Claims Payable	<u>489,436</u>
<i>Total Liabilities</i>	489,436
<b>Net Assets</b>	
Unrestricted	<u>805,684</u>
<i>Total Net Assets</i>	<u><u>\$ 805,684</u></u>

See accompanying notes to the basic financial statements.

**Green Local School District (Summit County)**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2009*

	Governmental Activities - Internal Service Fund
<hr/>	
<b>Operating Revenues:</b>	
Charges for services	\$ 4,600,269
Other operating revenues	20,481
	<hr/>
<i>Total Operating Revenues</i>	<i>4,620,750</i>
	<hr/>
<b>Operating Expenses:</b>	
Purchased services	748,083
Claims	4,155,668
	<hr/>
<i>Total Operating Expenses</i>	<i>4,903,751</i>
	<hr/>
<i>Change in Net Assets</i>	<i>(283,001)</i>
	<hr/>
<i>Net Assets (Deficit) Beginning of Year</i>	<i>1,088,685</i>
	<hr/>
<i>Net Assets (Deficit) End of Year</i>	<i>\$ 805,684</i>
	<hr/> <hr/>

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, 2009*

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	Governmental Activities - Internal Service Fund
<b>Cash Flows From Operating Activities:</b>	
Cash Paid for Goods and Services	\$ 4,620,750
Cash Paid to Employees	(748,083)
Cash Paid for Claims	<u>(4,037,368)</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>(164,701)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(164,701)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>1,459,821</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$ 1,295,120</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</b>	
Operating Income (Loss)	\$ (283,001)
Adjustments:	
Increase (Decrease) in Liabilities	
Claims Payable	<u>118,300</u>
<i>Total Adjustments</i>	<u>118,300</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u><u>\$ (164,701)</u></u>

See accompanying notes to the basic financial statements.

**Green Local School District (Summit County)**

*Statement of Fiduciary Assets and Liabilities*

*Agency Funds*

*June 30, 2009*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 132,285
<i>Total Assets</i>	<u>\$ 132,285</u>
<b>Liabilities</b>	
Accounts Payable	\$ 3,759
Undistributed Monies	<u>128,526</u>
<i>Total Liabilities</i>	<u>\$ 132,285</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, 2009*

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### **NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT**

The Green Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District 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 School District's instructional/support facilities staffed by 255 noncertificated employees and 331 certificated full-time teaching personnel who provide services to 4,072 students and other community members.

The School 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 School District operations will be included as part of the reporting entity.

Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the School 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 School District. Management has determined the School District has no component units.

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

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) 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 School District also applies Financial Accounting Standards Board Statements (FASB) 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.

#### ***Changes in Accounting Principles***

During 2009 the School District changed its method of estimating compensated absences from the vesting method to the termination method. This resulted in an immaterial change, therefore, no restatement was required.

For the year ended June 30, 2009, the School District has implemented GASB Statement No. 52, "*Land and Other Real Estate Held as Investments by Endowments*", GASB Statement No. 55, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", and GASB Statement No. 56, "*Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*"

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature.

GASB Statement No. 56 incorporates into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

***A. Basis of Presentation***

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

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

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

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

## Green Local School District (Summit County)

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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

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

**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.

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

**Proprietary Fund Type** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The following is the School District's proprietary fund type:

**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 School District on a cost reimbursement basis. The School 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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's 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 School District are included on the statement of net assets.

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

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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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 School District finances and meets the cash flow needs of its proprietary fund activities.

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

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. 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.

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

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

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

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 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.

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants and Contributions" program revenue account.

Under the modified accrual 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 School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2009, the School District had investments in STAROhio, (the State Treasurer's Investment Pool) and a repurchase agreement. See Note 6 for a full listing of the School District's investments. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investments 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, 2009.

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

Following Ohio statutes, the Board of Education has, by resolutions, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$95,398, which included \$44,289 assigned from other School District funds.

***F. Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. None of the net assets are restricted by enabling legislation. Restricted assets 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 for budget stabilization. See Note 19 for additional information regarding set asides.

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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***G. Capital Assets***

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

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

All reported capital assets except land 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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	10 - 40 Years
Furniture and Equipment	5 - 20 Years
Vehicles	8 - 20 Years

***H. Compensated Absences***

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

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

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

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

***I. Accrued Liabilities and Long-term Obligations***

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

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

***J. Net Assets***

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

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

***K. Fund Balance Reserves and Designations***

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

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 revenue and expenditure.

***L. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are 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. All revenue and expenses not meeting these definitions are classified as non-operating.

***M. Interfund Activity***

Transfers between governmental activities on the government-wide statements are eliminated. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds 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.

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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On fund financial statements, receivables and payables resulting from short-term interfund loans and interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances are eliminated in the governmental activities column of the statement of net assets

***N. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in the nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

***O. Estimates***

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

***P. Budgetary Data***

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2009.

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

***Encumbrances*** As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the 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.

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

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**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

**A. Restatement of Net Assets**

During 2009, the School District had a valuation of capital assets performed by a professional appraisal company. The change in estimated values resulted in a restatement to beginning net assets as follows:

	Governmental Activities
Net Assets, at June 30, 2008	\$ 8,861,708
Adjustment to capital assets	(1,677,918)
Restated Net Assets, at July 1, 2008	<u>\$ 7,183,790</u>

**B. Compliance**

Contrary to 5705.39, the School District had appropriations exceeding estimated resources in six funds at June 30, 2009.

Contrary to 5705.41(B), the School District had expenditures exceeding appropriations in three funds at June 30, 2009.

**NOTE 4 – FUND DEFICITS**

Fund balances at June 30, 2009 included the following individual fund deficits:

	Fund Balance
General Fund	\$ 1,927,396
Nonmajor Governmental Funds:	
Food Service	109,530
EMIS	24,813
Title VI-B	12,098
Title I	2,696

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

**NOTE 5 – BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law 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:

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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

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

<b>Net Change in Fund Balance</b>	
	<u>General</u>
GAAP Basis	\$ (3,024,026)
Net Adjustment for Revenue Accruals	(645,465)
Net Adjustment for Expenditure Accruals	100,371
Encumbrances (Budget Basis)	<u>(228,190)</u>
Budget Basis	<u><u>\$ (3,797,310)</u></u>

**NOTE 6 – DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury 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;

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes in an amount not to exceed 25% 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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment in repurchase agreements is to be secured by the specific government securities upon which the repurchase agreements are based. These securities, held by the counterparty and not in the School District's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2%. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

**Cash on Hand** At year end, the School District had \$6,100 in undeposited cash on hand which is included on the balance sheet of the School District as part of equity in pooled cash and cash equivalents.

**Deposits** At fiscal year end, the carrying amount of the School District’s deposits was \$690,922. Based on criteria described in GASB 40, “Deposits and Investments Risk Disclosure”, as of June 30, 2009, \$807,874 of the bank balance of \$1,057,874 was exposed to custodial credit risk, while \$250,000 was covered by FDIC.

**Investments** – Investments are reported at fair value. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. Investments are reported at fair value. As of June 30, 2009, the School District had the following investments:

Rating by Standard & Poor's	Entity	Fair Value	Investment Maturities	Percentage of Total Investment
			6 Months or Less	
N/A	Repurchase agreement	\$ 2,595,000	\$ 2,595,000	62.20%
AAAm	STAROhio	1,576,986	1,576,986	37.80%
	Total	<u>\$ 4,171,986</u>	<u>\$ 4,171,986</u>	<u>100.00%</u>

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

**Credit Risk** – The School District’s investment credit ratings are summarized above. The School District’s investments in the federal agency securities that underlie the School District’s repurchase agreement were rated Aaa by Moody’s Investor Services.

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

**NOTE 7 – PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. First half tax collections are received by the School District in the second half of the fiscal year. Second half distributions occur in a new fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located within the School District. Real Property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternative payment dates to be established.

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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Public utility property tax revenue received in calendar year 2009 represents collections of calendar year 2008 taxes. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. All property is required to be revalued every six years. Public utility property taxes are assessed at 35% of true value and public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunication companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property and public utility taxes, which became measurable as of year-end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at year-end is intended 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 amount available as an advance at year-end was \$1,881,528 in the general fund, \$177,744 in the bond retirement debt service fund, and \$344,021 in the capital project funds and is recognized as revenue on the fund financial statements.

On the accrual basis, collectible delinquent property taxes have been recorded as revenue on the statement of activities.

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 674,958,980	96.29%	\$ 691,069,540	98.07%
Public Utility	220	0.00%	220	0.00%
Tangible Personal Property	25,986,343	3.71%	13,596,884	1.93%
	<u>\$ 700,945,543</u>	<u>100.00%</u>	<u>\$ 704,666,644</u>	<u>100.00%</u>

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2009, consisted of taxes, accounts receivable, 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, 2009:

Governmental Activities:	
General Fund	\$ 129,508
IDEA	1,844
Title I	63,207
Title V	3,570
Drug-Free School	7,080
Improving Teacher Quality	23,180
Title II D	2,087
Poverty Aid	6,280
Total Governmental Activities	<u>\$ 236,756</u>

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

**NOTE 9 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Restated Balance 6/30/2008	Additions	Reductions	Balance 6/30/2009
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 826,143	\$ 205,000	\$ 0	\$ 1,031,143
Total Capital Assets, not being depreciated	<u>826,143</u>	<u>205,000</u>	<u>0</u>	<u>1,031,143</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and improvements	54,441,914	325,500	0	54,767,414
Furniture and equipment	3,990,082	964,377	(170,665)	4,783,794
Vehicles	2,246,718	394,919	0	2,641,637
Total Capital Assets, being depreciated	<u>60,678,714</u>	<u>1,684,796</u>	<u>(170,665)</u>	<u>62,192,845</u>
Less Accumulated Depreciation:				
Buildings and improvements	(15,547,943)	(1,387,994)	0	(16,935,937)
Furniture and equipment	(2,342,895)	(336,244)	169,594	(2,509,545)
Vehicles	(1,642,299)	(114,621)	0	(1,756,920)
Total Accumulated Depreciation	<u>(19,533,137)</u>	<u>(1,838,859)</u>	<u>169,594</u>	<u>(21,202,402)</u>
Total Capital Assets being depreciated, net	<u>41,145,577</u>	<u>(154,063)</u>	<u>(1,071)</u>	<u>40,990,443</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$41,971,720</u>	<u>\$ 50,937</u>	<u>\$ (1,071)</u>	<u>\$42,021,586</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 903,976
Special Instruction	437
Administration	27,274
Operation and Maintenance	833,920
Pupil Transportation	37,009
Extracurricular	10,850
Food Services	<u>25,393</u>
Total Depreciation	<u>\$ 1,838,859</u>

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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**NOTE 10 – RISK MANAGEMENT**

***A. Liability Insurance***

The School 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 2009, the School District contracted with Netherlands Insurance for property and inland marine, liability insurance, and fleet insurance. Insurance settlements have not exceeded insurance coverage in each of the past three years, nor has there been a significant reduction in coverage from the prior year.

Coverage provided by Netherlands is as follows:

Building and Contents-Replacement cost (\$1,000 deductible)	\$ 105,495,911
Inland Marine Coverage (\$1,500 deductible)	1,100,000
Boiler and Machinery (\$1,000 deductible)	1,100,000
Crime Insurance	150,000
Automobile Liability	1,000,000
Uninsured Motorists – per accident	50,000
General Liability:	
Per Occurrence	3,000,000
Total Per Year	5,000,000
Commerical Liability	3,000,000

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

***D. Employee Health Insurance***

The School District has established a health care self-insurance fund. The purpose of this fund is to pay medical and dental claims of the School District's employees and their covered dependents in order to minimize the total cost of annual health care insurance. The School District has contracted with a third party administrator to direct this program. Self-insurance is in effect for aggregate claims up to \$925,000 per fiscal year with a \$75,000 stop-loss per individual participant. Claims in excess of this aggregate stop loss are insured by private carriers.

The claims liability of \$489,436 reported in the fund at June 30, 2009 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 School District's third party administrator. A summary of the fund's claims liability in fiscal years 2008 and 2009 is as follows:

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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	Balance	Current Year	Claims	Balance
	<u>Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>End of Year</u>
2008	\$ 349,234	\$ 3,364,557	\$ (3,342,655)	\$ 371,136
2009	\$ 371,136	\$ 4,155,668	\$ (4,037,368)	\$ 489,436

**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 School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments. The entire compensated absences liability is reported on the government-wide financial statements. The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators, who are contracted to work no less than 12 months, earn 10 to 20 days of vacation per year depending upon length of service. Teachers and Administrators who work less than 12 months do not earn vacation time.

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*

Plan Description - The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple employer 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 toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 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 by the SERS' Retirement Board up to a statutory maximum amount of 10% for plan members and 14% for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$578,936, \$544,924 and \$394,347, respectively; 42% has been contributed for fiscal year 2009 and 100% for the fiscal years 2008 and 2007.

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

Plan Description - The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13%. 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, 2009*

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The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$2,257,833, \$2,107,969 and \$2,024,491, respectively; 83% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$29,495 made by the School District and \$68,048 made by the plan members.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2009, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**NOTE 13 – POSTEMPLOYMENT BENEFITS**

***A. School Employees Retirement System***

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16% of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$264,948, \$248,666 and \$179,953, respectively; 42% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75% of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$47,767, \$44,617 and \$32,288, respectively; 42% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007.

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

**B. State Teachers Retirement System**

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 % of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$173,679, \$162,151 and \$155,730, respectively; 83% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007.

**NOTE 14– LONG TERM OBLIGATIONS**

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

	Outstanding 6/30/2008	Additions	Reductions	Refunding*	Outstanding 6/30/2009	Amounts Due in One Year
Long Term Obligations:						
General Obligation Bonds						
Facilities Improvements (1994)						
5.906%, 4/94 - 12/19	\$ 14,410,001	\$ 0	\$ 0	\$ 13,375,000	\$ 1,035,001	\$ 1,035,001
Capital Appreciation Bonds	29,197	0	29,197	0	0	0
Accretion on CAB's	829,573	176,230	1,005,803	0	0	0
2009 Bond Refunding						
2.0% - 5.0% - 6/09 - 12/19	0	13,365,000	0	0	13,365,000	35,000
Refunding Loss	0	(108,937)	0	0	(108,937)	0
Premium on Debt Issuance	0	374,317	0	0	374,317	0
Total General Obligation Bonds	<u>15,268,771</u>	<u>13,806,610</u>	<u>1,035,000</u>	<u>13,375,000</u>	<u>14,665,381</u>	<u>1,070,001</u>
Leaming Center Obligation						
Learning Center - 2005						
2% to 5% , 6/05 - 12/32	8,931,222	0	215,096	0	8,716,126	218,903
Total Long Term Obligations	<u>24,199,993</u>	<u>13,806,610</u>	<u>1,250,096</u>	<u>13,375,000</u>	<u>23,381,507</u>	<u>1,288,904</u>
Unearned Revenue	14,528,776	0	349,905	0	14,178,871	349,905
Early Retirement Incentive	75,000	651,615	75,000	0	651,615	267,205
Compensated Absences	1,683,984	0	275,688	0	1,408,296	104,356
Capital Lease	0	788,429	262,636	0	525,793	257,350
Total Governmental Activities						
Long-Term Liabilities	<u>\$ 40,487,753</u>	<u>\$ 15,246,654</u>	<u>\$ 2,213,325</u>	<u>\$ 13,375,000</u>	<u>\$ 40,146,082</u>	<u>\$ 2,267,720</u>

\*\$13,375,000 in general obligation debt's were refunded for \$13,365,000. The difference of \$10,000 was recognized as principal expense.

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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General obligation bonds will be paid from the debt service fund. The Learning Center debt will be paid from the permanent improvement 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.

On September 20, 2004, the School District entered into a Cooperative Agreement for a Community Learning Center with the City of Green (City). The City has issued bonds in anticipation of the tax revenue to pay the construction costs of two facilities, approximately \$25,000,000 in fiscal year 2005. The School District is responsible for constructing, maintaining, and insuring the facilities. While the School District will hold legal title to the facilities, the City will have an undivided ownership interest during the term of the agreement, 28 years. 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, and the School District agrees to pay the remaining annual debt service. The School District portion of the debt is \$9,517,500.

The School District has capitalized the total cost of the construction of the Learning Center. As a result of the City's contribution to the School District of \$15,482,500, along with the undivided interest terms stated above, the earnings process for the School District has not been completed. This process will occur over a 28 year period, which is the period of the agreement between to City and the School District. The unearned portion of the contribution has been recognized as a long-term obligation "unearned revenue" in the governmental activities column of the basic financial statements.

In 1993, 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).

On June 24, 2009, the School District issued \$13,365,000 in refunded general obligation bonds which mature in December 2019. The proceeds were used to refund \$13,375,000 of the School District's outstanding facilities improvement bonds.

These refunding bonds were issued with a premium of \$374,317 which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. There was no amortization recorded for June 30, 2009. The issuance costs of \$265,380 have been reported as prepaid expenses and are being amortized to interest expense over the life of the loan. There was no amortization recorded for June 30, 2009. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$108,937.

As of June 30, 2009, \$13,375,000 of the defeased debt was outstanding.

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2009 are as follows:

Fiscal Year	General Obligation Bonds		
	Principal	Interest	Total
2010	\$ 1,288,904	\$ 1,251,223	\$ 2,540,127
2011	1,413,420	831,747	2,245,167
2012	1,439,131	801,251	2,240,382
2013	1,466,745	769,409	2,236,154
2014	1,511,262	729,215	2,240,477
2015 - 2019	8,310,495	2,887,774	11,198,269
2020 - 2024	3,310,028	1,355,380	4,665,408
2025 - 2029	2,196,640	824,336	3,020,976
2030 - 2033	2,179,502	224,470	2,403,972
	<u>\$ 23,116,127</u>	<u>\$ 9,674,805</u>	<u>\$ 32,790,932</u>

**NOTE 15 – CAPITAL LEASES**

Capital lease obligations relate to equipment which is leased under a long-term agreement. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13 "Accounting for Leases". Capital lease payments in the governmental funds have been reclassified and are reflected as debt service in the basic financial statements for the general fund. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2009.

Year	Amount
2010	\$ 280,015
2011	280,016
Total Minimum Lease Payments	560,031
Less Amount Representing Interest	34,238
Present Value of Minimum Lease Payments	<u>\$ 525,793</u>

The assets being acquired have been capitalized in the governmental activities in the amount of \$788,429, which is the present value of the minimum lease payments at the inception of each lease.

**NOTE 16 – INTERFUND TRANSACTIONS**

The following is a summarized breakdown of the School District's transfers for fiscal year 2009:

Fund	Transfers	Transfers
	In	Out
General Fund	\$ 0	\$ 120,000
Nonmajor Governmental Funds	120,000	0
	<u>\$ 120,000</u>	<u>\$ 120,000</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.

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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General fund transferred to the EMIS fund to cover operating costs.

**NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS**

***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 Metropolitan Regional 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 School District's continued participation and no equity interest exists. The School District made contributions in the amount of \$39,840 for fiscal year 2009.

***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 to provide "at risk students" with possibly a lasting 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 School District. The Coventry Local District serves as the fiscal agent of the School. The continued existence of the School is not dependent on the School District's continued participation and no equity interest exists.

**NOTE 18 - CONTINGENCIES**

**Grants**

The School 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 School District at June 30, 2009.

**NOTE 19 – STATUTORY RESERVES**

The School District is required by State statute to annually set-aside monies for the purchase of textbooks and other instructional materials, and for capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may only be used to reduce the set-aside requirements of future years for the purchase of textbooks and/or instructional materials. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the other set-asides. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

**Green Local School District (Summit County)**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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Effective April 10, 2001, Senate Bill 345 amended Ohio Revised Code 5705.29 effectively eliminating the requirement for the School District to establish and maintain a budget stabilization reserve. By resolution, the Board can eliminate the reserve in accordance with the Act. As of June 30, 2009 the Board has not acted on the Senate Bill.

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, 2008	\$ 283,642	\$ 0	\$ 0	\$ 283,642
Set-Aside Carryover Balance as of June 30, 2008	0	0	231,583	231,583
Current Year Set-Aside Requirement	0	667,122	667,122	1,334,244
Qualifying Disbursements	0	(3,199,997)	(911,871)	(4,111,868)
Total	<u>\$ 283,642</u>	<u>\$ (2,532,875)</u>	<u>\$ (13,166)</u>	<u>\$ (2,262,399)</u>
Cash Balance Carried Forward to FY 2010	<u>\$ 283,642</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 283,642</u>
Amount to be Restricted for Set-Asides				<u>\$ 283,642</u>
Total Restricted Assets				<u>\$ 283,642</u>

The School District may use any negative amount in the textbooks set-aside to reduce set-aside requirements of future fiscal years. Amounts remaining at the fiscal year-end are represented by a reserve fund balance presented on the balance sheet. The School District had qualifying disbursements during the year that reduced the capital improvements set-asides below zero. However, this amount cannot be carried over to the next fiscal year.

The amount of Budget Stabilization Reserve is \$283,642 from past Bureau of Workers Compensation refunds. The amount is shown as restricted cash on the modified statements and restricted fund balance.

**NOTE 20 – SUBSEQUENT EVENT**

On October 8, 2009, the School District entered into an agreement with the City of Green for a new central administration building. The School District will house high school administrative offices in the City building. The School District will pay \$1.1 million to the City for their share of the building. No debt will be issued for this. The School District has agreed to pay this back in two years.



**Rea & Associates, Inc.**  
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020  
New Philadelphia, OH 44663-5120

December 23, 2009

To the Board of Education  
Green Local School District  
Green, Ohio 44232

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Green Local School District (the "School District"), Summit County, Ohio, as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described as item 2009-003 in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal controls over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Green Local School District  
Independent Auditor's Report on Internal  
Control over Financial Reporting and on  
Compliance and Other Matters Based on  
An Audit of Financial Statements Performed  
In Accordance with Government Auditing Standards  
Page 2

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness. We also noted certain matters that we have reported to the management of the School District in a separate letter dated December 23, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described as item 2009-001 and 2009-002 in the accompanying schedule of findings and questioned costs.

We noted certain immaterial instances of noncompliance that we reported to the management of the School District in a separate letter dated December 23, 2009.

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

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

*Rea & Associates, Inc.*



**Rea & Associates, Inc.**  
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020  
New Philadelphia, OH 44663-5120

December 23, 2009

To the Board of Education  
Green Local School District  
Green, Ohio 44232

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

Compliance

We have audited the compliance of Green Local School District (the "School District"), Summit County, Ohio, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, we noted an immaterial instance of noncompliance that we have reported to management of the School District in a separate letter dated December 23, 2009.

Internal Control Over Compliance

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

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

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

*Rea & Associates, Inc.*

**GREEN LOCAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Year	Federal Receipts	Federal Disbursements
<b>U. S. Department of Education</b>				
<b>(Passed through the Ohio Department of Education):</b>				
Title I - FY09	84.010	2009	\$ 316,899	\$ 307,646
Title I - FY08	84.010	2008	107,383	104,557
Total Title I			<u>424,282</u>	<u>412,203</u>
<i>Special Education Cluster</i>				
IDEA-B - FY09	84.027	2009	728,894	701,570
IDEA-B - FY08	84.027	2008	62,336	89,038
Total IDEA-B			<u>791,230</u>	<u>790,608</u>
Early Childhood Special Education	84.173	2009	12,775	11,933
	84.173	2008	7,913	4,297
	84.173	2009	3,000	3,000
Total Early Childhood Special Education			<u>23,688</u>	<u>19,230</u>
<i>Total Special Education Cluster</i>			<u>814,918</u>	<u>809,838</u>
Title IV-A Safe and Drug-Free Schools - FY09	84.186	2009	4,977	3,772
Title IV-A Safe and Drug-Free Schools - FY08	84.186	2008	12,396	15,750
Total Title IV-A			<u>17,373</u>	<u>19,522</u>
Title V Innovative Grants - FY09	84.298	2009	2,715	3,158
Title V Innovative Grants - FY08	84.298	2008	5,880	564
Total Title V			<u>8,595</u>	<u>3,722</u>
Title II-D Technology - FY09	84.318	2009	5,729	7,817
Title II-D Technology - FY08	84.318	2008	(654)	0
Total Title II-D			<u>5,075</u>	<u>7,817</u>
Title II-A - FY09	84.340	2009	83,520	84,082
Title II-A - FY08	84.340	2008	32,197	43,000
Total Title II-A			<u>115,717</u>	<u>127,082</u>
Total U. S. Department of Education			<u>1,385,960</u>	<u>1,380,184</u>
<b>U. S. Department of Defense</b>				
Air Force ROTC Federal Funding (direct award)	12.xxx	2008	986	11,928
Total U. S. Department of Defense			<u>986</u>	<u>11,928</u>
<b>U. S. Department of Agriculture</b>				
<b>(Passed through the Ohio Department of Education):</b>				
<i>Child Nutrition Cluster</i>				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program (A) (B)	10.555	2008	56,312	56,312
Cash Assistance:				
National School Lunch Program FY09 (B)	10.555	2009	288,467	288,467
Total National School Lunch Program			<u>344,779</u>	<u>344,779</u>
<i>Total Child Nutrition Cluster</i>			<u>344,779</u>	<u>344,779</u>
Total U. S. Department of Agriculture			<u>344,779</u>	<u>344,779</u>
Total Federal Assistance			<u>\$ 1,731,725</u>	<u>\$ 1,736,891</u>

GREEN LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2009

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B: NUTRITION CLUSTER

Reimbursement monies are commingled with local receipts and state grants. It is assumed federal moneys are expended first.

Food Distribution Program nonmonetary assistance is reported in the schedule of expenditures of federal awards at the entitlement value of the commodities received and disbursed. At June 30, 2009, the School District had no significant food commodities inventory.

NOTE C: The School District generally must spend federal assistance within 15 months of receipt (funds must be obligated by June 30<sup>th</sup> and spent by September 30<sup>th</sup>). However, with the Ohio Department of Education's (ODE) approval, a School District can transfer unspent federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. During fiscal year 2009, ODE authorized the following transfers:

CFDA Number	Program Title	Pass-Through Entity Number (or Grant Year)	Transfers Out	Transfers In
84.318	TitleII-D Technology	2008	\$7,904	
84.318	TitleII-D Technology	2009		\$7,904
84.186	Safe and Drug Free Schools	2008	816	
84.186	Safe and Drug Free Schools	2009		816
84.298	Title V	2008	1,615	
84.298	Title V	2009		1,615
84.173	Early Childhood Special Education	2008	2,091	
84.173	Early Childhood Special Education	2009		2,091

**GREEN LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2009**

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

A-133 Ref.  
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d) (1) (iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d) (1) (iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section 510(a) of Circular A-133?	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**

**MATERIAL NON-COMPLIANCE**

<b>FINDING NUMBER</b>	2009-001
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**Ohio Rev. Code 5705.39** states the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. During our testing, we noted the School District did not file its annual appropriation measure with the County. In addition, we noted there were six funds, listed below, that had appropriations exceeding estimated resources.

**GREEN LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2009**

**MATERIAL NON-COMPLIANCE**

<b>FINDING NUMBER</b>	2009-001 (continued)
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Fund #	Amount
Athletics (300)	\$18,663
Title VI-B(516)	1,843
Title I (572)	60,118
Title II-A (590)	23,002
Other Federal Grants (599)	6,270
Debt Service Fund (002)	12,611,201

We recommend the School District establish procedures to timely file their appropriation measures with the County Auditor. In addition, the School District should establish budgetary procedures to ensure appropriations measures do not exceed estimated resources.

Client's Response

The School District has already corrected this problem for FY10 by filing permanent appropriations and estimated resources with the county auditor. Both will be updated as needed to ensure that appropriations will not exceed revenues.

<b>FINDING NUMBER</b>	2009-002
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**Ohio Rev. Code Section 5705.41(B)** states no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated. As of June 30, 2009, the School District had expenditures exceeding appropriations in the following funds:

Fund #	Amount
Debt Service (002)	\$314,421
Permanent Improvement (003)	1,331,920
Lunchroom (006)	49,108

We recommend the School District monitor expenses and ensure appropriations are available prior to approving the purchase order.

Client's Response

The School District will not encumber money that exceeds it's appropriations.

**GREEN LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2009**

**SIGNIFICANT DEFICIENCY**

<b>FINDING NUMBER</b>	2009-003
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During our review of the purchasing procedures we noted there was a lack of control over the purchase order process. The building principals/supervisors approve the requisitions, which are then entered into the system by the building secretaries. A treasurer's office clerk prints purchase order detail listings which are approved by the Superintendent and Treasurer as evidenced by their signature, creating the purchase order. Per review of the purchase order detail listings and discussions with the School District, it was evident the Superintendent and Treasurer did not have adequate information when approving the purchase orders. In addition, there was a lack of segregation of duties in the bank reconciliation process. We noted the accounts payable clerk and the payroll clerk were involved with their respective bank reconciliations and there was no evidence of any review of the reconciliations.

We recommend the School District implement a process designed to provide the Treasurer and Superintendent with sufficient detail when reviewing and approving purchase orders. In addition, we recommend the School District segregate the bank reconciliations of the general and payroll accounts. Finally, the Treasurer should review and sign off on all bank reconciliations performed.

Client's Response

As of November 2009, the Treasurer and Assistant Treasurer now reconcile the accounts. The Superintendent and Treasurer review all purchase orders and their respective back-up documentation to ensure it is a proper purchase. Both parties then sign off on the requisition listing.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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NONE



**Rea & Associates, Inc.**  
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020  
New Philadelphia, OH 44663-5120

December 23, 2009

To the Board of Education  
Green Local School District  
Green, OH 44232

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Green Local School District (the School District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy on November 19, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;

- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Hea & Associates, Inc.*



Mary Taylor, CPA  
Auditor of State

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 25, 2010