



**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY  
REGULAR AUDIT  
FOR THE YEAR ENDED JUNE 30, 2005**



**Auditor of State  
Betty Montgomery**



**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Evergreen Local School District  
Fulton County  
14544 County Road 6  
Metamora, Ohio 43540-9741

To the Board of Education:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Evergreen Local School District, Fulton County, Ohio, as of June 30, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended June 30, 2005, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Districts*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2006, on our consideration of the 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



**Betty Montgomery**  
Auditor of State

January 20, 2006

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

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

**Financial Highlights**

Key financial highlights for fiscal year 2005 are as follows:

- In total, net assets decreased \$4,986,070.
- General receipts accounted for \$11,398,970, or 83% of all receipts, and reflect the District's significant dependence on property taxes and unrestricted state entitlements. Program specific receipts in the form of charges for services, operating grants, and capital grants accounted for \$2,310,764 or 17% of total receipts of \$13,709,734.
- The District's major funds included the General, Bond Retirement and Ohio School Facilities Commission (OSFC) construction funds.
- The General fund had \$10,430,128 in receipts and other financing sources and \$9,903,713 in disbursements and other financing uses. The general fund's fund balance increased \$526,415 from the prior fiscal year.
- The Bond Retirement fund repays debt related to energy conservation notes and school improvements bonds for the new high school and the current OSFC project to renovate the middle school and construct a new elementary school. The debt service fund had \$1,458,822 in receipts and other financing sources and \$1,259,997 in disbursements. The bond retirement fund's fund balance increased \$198,825 from the prior fiscal year.
- On December 21, 2001, the Ohio School Facilities Commission approved a \$24,010,621 master plan for renovating and constructing facilities for the District under the exceptional need program. The District's share of \$14,447,639 was funded by bonds issued for \$2,182,000, tax anticipation notes of \$500,000 and credit on the high school constructed 100% by the District of \$11,765,639. The OSFC construction fund had \$331,557 in receipts and other financing sources and \$5,757,316 in disbursements. This amounted to a decrease in receipts of \$7,331,830 and a decrease in disbursements of \$1,744,742. These decreases are attributable to the fact that the renovation was completed in fiscal year 2004 and the new elementary was completed in December 2004. The OSFC construction fund's fund balance decreased by \$5,425,759 from the prior fiscal year.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net assets – modified cash basis and the statement of activities – modified cash basis provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column. For the District, the General Fund is the most significant fund. The General fund, Bond Retirement fund and Ohio School Facilities Commission (OSFC) construction fund are the District's major funds.

**Reporting the District as a Whole**

**Statement of Net Assets and Statement of Activities**

The statement of net assets – modified cash basis and the statement of activities – modified cash basis reflect how the District did financially during fiscal year 2005. These statements are reported on the modified cash basis of accounting which reflects receipts and disbursements when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets – modified cash basis and the statement of activities – modified cash basis, the District discloses a single type of activity, governmental activities. All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

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

**Fund Financial Statements**

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its financial transactions, the fund financial statement focus on the District's most significant funds. The District's major funds are the General, Bond Retirement and OSFC construction funds.

**Governmental Funds** – Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the modified cash basis of accounting. The governmental fund statements provide a detailed short term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the modified cash basis of accounting.



**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2005 compared to fiscal year 2004.

Table 1  
Net Assets – Modified Cash Basis  
Governmental Activities

<u>Assets</u>	<u>2005</u>	<u>2004</u>
Current Assets	\$ 3,247,439	\$ 8,233,445
Total Assets	<u>3,247,439</u>	<u>8,233,445</u>
 <u>Net Assets</u>		
Restricted	1,760,418	7,272,839
Unrestricted	<u>1,487,021</u>	<u>960,606</u>
Total	<u>\$ 3,247,439</u>	<u>\$ 8,233,445</u>

Total assets decreased \$4,986,070 mainly due to the fact that the actual construction of the Ohio School Facilities Commission project was completed during this fiscal year.

Table 2 reflects the changes in net assets from the prior fiscal year.

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>
<u>Receipts</u>		
Program Receipts:		
Charges for Services and Sales	\$ 1,091,482	\$ 1,027,952
Operating Grants	887,360	760,630
Capital Grants	<u>331,922</u>	<u>7,690,454</u>
Total Program Receipts	2,310,764	9,479,036
 General Receipts:		
Property and Income Taxes	5,588,152	5,286,040
Grants and Entitlements	5,333,816	5,292,699
Interest	89,642	30,084
Miscellaneous	<u>387,360</u>	<u>100,796</u>
Total General Receipts	<u>11,398,970</u>	<u>10,709,619</u>
 Total Revenues	<u>13,709,734</u>	<u>20,188,655</u>

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
<u>Disbursements</u>		
Instruction	\$ 6,161,819	\$ 5,969,956
Support Services:		
Pupils	518,836	480,240
Instructional Staff	548,847	552,353
Board of Education	73,666	43,778
Administration	748,953	767,879
Fiscal	288,606	257,976
Business	19,825	18,992
Operation and Maintenance of Plant	1,036,498	867,735
Pupil Transportation	1,077,149	843,325
Central	12,639	23,977
Non-Instructional	589,799	540,807
Extracurricular Activities	342,177	313,299
Capital Outlay	6,038,455	7,618,784
Debt Service Principal	561,564	558,833
Interest and Fiscal Charges	676,383	697,725
Refund of Prior Year Receipts	<u>588</u>	<u>3,931</u>
 Total Disbursements	 <u>18,695,804</u>	 <u>19,559,590</u>
 Increase (Decrease) in Net Assets	 <u>\$ (4,986,070)</u>	 <u>\$ 629,065</u>

Program receipts account for 17 percent of total receipts and are primarily represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

The major program disbursements for governmental activities are for instruction, which accounts for 33 percent of all governmental disbursements. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for over 11 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 6 percent. Therefore, over 50 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

**Governmental Activities**

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities – modified cash basis reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

Table 3  
Governmental Activities – Modified Cash Basis

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Instruction	\$ 6,161,819	\$ 5,969,956	\$ 5,101,671	\$ 5,083,456
Support Services:				
Pupils	518,836	480,240	370,734	381,970
Instructional Staff	548,847	552,353	526,651	502,507
Board of Education	73,666	43,778	73,666	43,778
Administration	748,953	767,879	748,953	765,459
Fiscal	288,606	257,976	288,606	257,976
Business	19,825	18,992	19,825	18,992
Operation & Maintenance of Plant	1,036,498	867,735	1,029,185	860,612
Pupil Transportation	1,077,149	843,325	1,077,149	843,325
Central	12,639	23,977	(7,286)	4,052
Non-Instructional	589,799	540,807	31,419	(17,200)
Extracurricular Activities	342,177	313,299	179,399	146,808
Capital Outlay	6,038,455	7,618,784	5,706,533	(71,670)
Debt Service Principal	561,564	558,833	561,564	558,833
Interest and Fiscal Charges	676,383	697,725	676,383	697,725
Refund of Prior Year Receipts	588	3,931	588	3,931
Total Disbursements	<u>\$ 18,695,804</u>	<u>\$ 19,559,590</u>	<u>\$ 16,385,040</u>	<u>\$ 10,080,554</u>

The dependence upon tax receipts and unrestricted state entitlements for governmental activities is apparent. Over 83 percent of instruction activities are supported through taxes and other general receipts. For all governmental activities, support from general receipts is 89 percent. The community, as a whole, provides a significant support for the District's students.

**The District's Funds**

The District's governmental funds are accounted for using the modified cash basis of accounting. The District's major governmental fund was the General, Bond Retirement and Ohio School facilities Commission Funds. Total governmental funds had receipts of \$13,990,494 and disbursements of \$18,976,564. The overall negative change of \$4,986,070 in fund balance for the year is primarily due to construction payments.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2005, the District amended its General Fund budget as needed. Final budgeted revenues, in the amount of \$10,263,988, were above original budgeted revenues of \$9,868,546. This \$395,442 difference was primarily due to increased real estate and personal property taxes, increased state funding and insurance proceeds for our fire at the Middle School.

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

Final expenditures were budgeted at \$10,238,326 while actual expenditures were \$9,930,321. The \$308,005 difference is a result of decreased special education costs and facility operating costs. Budgets are also prepared conservatively, which causes budgets to exceed expenditures. Actual General Fund revenues were \$451,510 greater than expenditures due to increased taxes, an increase in enrollment, insurance proceeds that weren't spent and cautious spending.

**Debt Administration**

At June 30, 2005, the District has \$13,428,207 in general obligation and classroom facilities school improvement bonds for building improvements. Each bond was issued for a twenty-three year period with final maturity on December 1, 2022, and December 1, 2025. The bonds are retired from the bond retirement debt service fund.

At June 30, 2005, the District has \$255,000 of tax anticipation notes issued for building improvements. The final maturity is December 1, 2006. The notes are in anticipation of permanent improvement taxes. Payments are made from the bond retirement debt service fund after a transfer is made from the permanent improvement fund.

At June 30, 2005, the District has \$69,437 in HB 264 energy conservation bonds outstanding. The final maturity is December 1, 2006. The bonds are paid from the bond retirement fund after a transfer is made from the permanent improvement fund.

For further information regarding the District's debt, see the notes to the basic financial statements.

**Current Issues**

Due to the passage of the additional income tax and increased enrollment, the Board was able to reinstate most positions that were reduced in previous years for the 2005-2006 school year. The District joined the Ohio Schools Council Energy for Education program which should save 14% over previous pricing. These savings may be more than offset by increased natural gas prices.

In July 2005, the Series 1999 School Improvement Bonds issued to construct the new high school were refunded reducing the average interest rate by nearly 1%. Over the term of the bond the estimated savings is \$1.1 million. The mileage collected for this bond issue will be reduced by .73 mills because of this refunding.

In September 2005, the Board sold the former Middle School located in Metamora to Northwest State Community College. Northwest State received capital funding from the State of Ohio to renovate the building which will become a branch of their institution.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or request for additional information should be directed to: Denise Leu, Treasurer, Evergreen Local School District, 14544 County Road 6, Metamora, Ohio, 43540.

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 3,247,439</u>
Total Assets	<u><u>3,247,439</u></u>
<b>NET ASSETS</b>	
Restricted for Debt Service	1,062,420
Restricted for Capital Outlay	510,288
Restricted for Other Purposes	187,710
Unrestricted	<u>1,487,021</u>
Total Net Assets	<u><u>\$ 3,247,439</u></u>

*See accompanying notes to the Basic Financial Statements*

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 4,383,760	\$ 515,766	\$ 106,046	\$ -	\$ (3,761,948)
Special	1,223,067	70,997	366,948	-	(785,122)
Vocational	77,472	-	391	-	(77,081)
Other	477,520	-	-	-	(477,520)
Support Services:					
Pupils	518,836	-	148,102	-	(370,734)
Instructional Staff	548,847	-	22,196	-	(526,651)
Board of Education	73,666	-	-	-	(73,666)
Administration	748,953	-	-	-	(748,953)
Fiscal	288,606	-	-	-	(288,606)
Business	19,825	-	-	-	(19,825)
Operation and Maintenance of Plant	1,036,498	-	7,313	-	(1,029,185)
Pupil Transportation	1,077,149	-	-	-	(1,077,149)
Central	12,639	-	19,925	-	7,286
Operation of Non-Instructional Services	589,799	341,941	216,439	-	(31,419)
Extracurricular Activities	342,177	162,778	-	-	(179,399)
Capital Outlay	6,038,455	-	-	331,922	(5,706,533)
Debt Service:					
Principal	561,564	-	-	-	(561,564)
Interest and Fiscal Charges	676,383	-	-	-	(676,383)
Refund of Prior Year Receipts	588	-	-	-	(588)
<b>Total Governmental Activities</b>	<b>18,695,804</b>	<b>1,091,482</b>	<b>887,360</b>	<b>331,922</b>	<b>(16,385,040)</b>
<b>Totals</b>	<b>\$ 18,695,804</b>	<b>\$ 1,091,482</b>	<b>\$ 887,360</b>	<b>\$ 331,922</b>	<b>(16,385,040)</b>
<b>General Receipts</b>					
Taxes:					
Income Taxes					999,968
Property and Other Local Taxes					4,588,184
Grants and Entitlements not Restricted to Specific Programs					5,333,816
Gifts and Donations					62,404
Investment Earnings					89,642
Miscellaneous					315,595
Other Receipts:					
Accrued interest received on debt issuance					1,285
Rent					500
Refund of Prior Year Expenditures					7,576
<b>Total General Receipts</b>					<b>11,398,970</b>
<b>Change in Net Assets</b>					<b>(4,986,070)</b>
<b>Net Assets Beginning of Year</b>					<b>8,233,509</b>
<b>Net Assets End of Year</b>					<b>\$ 3,247,439</b>

See accompanying notes to the Basic Financial Statements

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>OSFC Exceptional Need Construction Project</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 1,487,021	\$ 1,062,420	\$ 422,836	\$ 275,162	\$ 3,247,439
<i>Total Assets</i>	<u>\$ 1,487,021</u>	<u>\$ 1,062,420</u>	<u>\$ 422,836</u>	<u>\$ 275,162</u>	<u>\$ 3,247,439</u>
<b>FUND BALANCES:</b>					
Reserved for Encumbrances	99,870		325,209	90,715	515,794
Unreserved, Undesignated, Reported in:					
General Fund	1,387,151	-	-	-	1,387,151
Special Revenue Funds	-	-	-	139,776	139,776
Debt Service Funds	-	1,062,420	-	-	1,062,420
Capital Projects Funds	-	-	97,627	44,671	142,298
<i>Total Fund Balances</i>	<u>\$ 1,487,021</u>	<u>\$ 1,062,420</u>	<u>\$ 422,836</u>	<u>\$ 275,162</u>	<u>\$ 3,247,439</u>

*See accompanying notes to the Basic Financial Statements*

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	General Fund	Bond Retirement Fund	OSFC Exceptional Need Construction Project	All Other Governmental Funds	Total Governmental Funds
<b>RECEIPTS</b>					
Property and Other Local Taxes	\$ 3,147,235	\$ 1,135,273	\$ -	\$ 305,676	\$ 4,588,184
Income Tax	999,968	-	-	-	999,968
Intergovernmental	5,261,771	131,991	293,635	865,701	6,553,098
Interest	57,311	-	31,718	613	89,642
Tuition and Fees	586,763	-	-	-	586,763
Rent	500	-	-	-	500
Extracurricular Activities	14,786	-	-	147,992	162,778
Gifts and Donations	27,618	-	-	34,786	62,404
Customer Sales and Services	-	-	-	341,941	341,941
Miscellaneous	285,879	-	-	-	285,879
<i>Total Receipts</i>	<u>10,381,831</u>	<u>1,267,264</u>	<u>325,353</u>	<u>1,696,709</u>	<u>13,671,157</u>
<b>DISBURSEMENTS</b>					
Instruction:					
Regular	4,235,681	-	-	148,079	4,383,760
Special	839,451	-	-	383,616	1,223,067
Vocational	77,472	-	-	-	77,472
Other	477,520	-	-	-	477,520
Support Services:					
Pupils	338,769	-	-	180,067	518,836
Instructional Staff	516,801	-	-	32,046	548,847
Board of Education	73,666	-	-	-	73,666
Administration	676,167	-	-	72,786	748,953
Fiscal	260,610	22,050	-	5,946	288,606
Business	19,825	-	-	-	19,825
Operation and Maintenance of Plant	969,279	-	-	67,219	1,036,498
Pupil Transportation	1,077,149	-	-	-	1,077,149
Central	-	-	-	12,639	12,639
Operation of Non-Instructional Services	-	-	-	589,799	589,799
Extracurricular Activities	268,061	-	-	74,116	342,177
Capital Outlay	-	-	5,757,316	281,139	6,038,455
Debt Service					
Principal	-	561,564	-	-	561,564
Interest	-	676,383	-	-	676,383
<i>Total Disbursements</i>	<u>9,830,451</u>	<u>1,259,997</u>	<u>5,757,316</u>	<u>1,847,452</u>	<u>18,695,216</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	551,380	7,267	(5,431,963)	(150,743)	(5,024,059)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	190,273	-	25,300	215,573
Proceeds from Sale of Capital Assets	29,716	-	-	-	29,716
Refund of Prior Year Expenditures	1,356	-	6,204	16	7,576
Advances In	17,225	-	-	47,962	65,187
Transfers Out	(25,300)	-	-	(190,273)	(215,573)
Refund of Prior Year Receipts	-	-	-	(588)	(588)
Advances Out	(47,962)	-	-	(17,225)	(65,187)
Accrued interest received on debt issuance	-	1,285	-	-	1,285
<i>Total Other Financing Sources (Uses)</i>	<u>(24,965)</u>	<u>191,558</u>	<u>6,204</u>	<u>(134,808)</u>	<u>37,989</u>
<i>Net Change in Fund Balances</i>	526,415	198,825	(5,425,759)	(285,551)	(4,986,070)
<i>Fund Balance at Beginning of Year</i>	960,606	863,595	5,848,595	560,713	8,233,509
<i>Fund Balance at End of Year</i>	<u>\$ 1,487,021</u>	<u>\$ 1,062,420</u>	<u>\$ 422,836</u>	<u>\$ 275,162</u>	<u>\$ 3,247,439</u>

See accompanying notes to the Basic Financial Statements



**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL COMPARISONS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Property and Other Local Taxes	\$ 3,050,794	\$ 3,146,551	\$ 3,147,235	\$ 684
Income Tax	1,011,011	1,011,011	999,968	(11,043)
Intergovernmental	5,037,718	5,179,626	5,261,771	82,145
Interest	20,000	24,000	57,311	33,311
Tuition and Fees	507,523	574,300	586,763	12,463
Rent	-	-	500	500
Extracurricular Activities	12,500	12,500	14,786	2,286
Gifts and Donations	28,000	29,000	27,618	(1,382)
Miscellaneous	201,000	287,000	285,879	(1,121)
Total Revenues	<u>9,868,546</u>	<u>10,263,988</u>	<u>10,381,831</u>	<u>117,843</u>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular	4,361,180	4,323,785	4,256,198	67,587
Special	830,869	895,937	874,915	21,022
Vocational	121,960	80,768	77,632	3,136
Other	383,300	488,000	477,517	10,483
Support Services:				
Pupils	253,811	399,557	339,123	60,434
Instructional Staff	541,365	523,879	517,782	6,097
Board of Education	78,054	77,476	100,744	(23,268)
Administration	732,301	709,279	676,539	32,740
Fiscal	230,731	261,435	261,589	(154)
Business	17,909	20,000	19,825	175
Operation and Maintenance of Plant	1,159,694	1,075,268	980,658	94,610
Pupil Transportation	969,075	1,100,412	1,079,738	20,674
Extracurricular Activities:				
Academic Oriented Activities	60,273	75,459	80,286	(4,827)
Sport Oriented Activities	163,266	200,165	181,456	18,709
School and Public Service Co-Curricular Activities	5,603	6,906	6,319	587
Total Expenditures	<u>9,909,391</u>	<u>10,238,326</u>	<u>9,930,321</u>	<u>308,005</u>
Excess of Revenues Over (Under) Expenditures	(40,845)	25,662	451,510	425,848
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Sale of Capital Assets	-	35,000	29,716	(5,284)
Refund of Prior Year Expenditures	8,000	8,000	1,356	(6,644)
Advances In	-	20,000	17,225	(2,775)
Transfers Out	-	(25,300)	(25,300)	-
Advances Out	-	(49,000)	(47,962)	1,038
Total Other Financing Sources (Uses)	<u>8,000</u>	<u>(11,300)</u>	<u>(24,965)</u>	<u>(13,665)</u>
Net Change in Cash Basis Fund Balances	(32,845)	14,362	426,545	412,183
Fund Balance at Beginning of Year	809,519	809,519	809,519	-
Prior Year Encumbrances Appropriated	151,087	151,087	151,087	-
Fund Balance at End of Year	<u>\$ 927,761</u>	<u>\$ 974,968</u>	<u>\$ 1,387,151</u>	<u>\$ 412,183</u>

See accompanying notes to the Basic Financial Statements

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>ASSETS</b>		
Current Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 4,267	\$ 42,874
Total Assets	4,267	42,874
 <b>NET ASSETS</b>		
Restricted - expendable	4,267	-
Unrestricted	-	42,874
Total net assets	\$ 4,267	\$ 42,874

*See accompanying notes to the Basic Financial Statements*

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Private Purpose Trust</u>
<b>ADDITIONS:</b>	
Gifts and contributions	\$ 1,500
Interest	20
Miscellaneous	<u>262</u>
Total additions	<u>1,782</u>
<b>DEDUCTIONS:</b>	
Payments in accordance with trust agreements	<u>2,350</u>
Total deductions	<u>2,350</u>
Changes in net assets	(568)
Net assets beginning of year	<u>4,835</u>
Net assets end of year	<u><u>\$ 4,267</u></u>

*See accompanying notes to the Basic Financial Statements*

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**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1967 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 130 square miles. It is located in Fulton and Lucas counties and includes the entire Villages of Berkey (Lucas County), Lyons and Metamora (Fulton County), all of Amboy, Chesterfield, and Royalton (Fulton County) and Richfield (Lucas County) townships, and portions of Fulton and Pike (Fulton County), and Harding, Spencer, and Sylvania (Lucas County) townships. The School District is the 267th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 61 classified employees, 75 certified teaching personnel, and 13 administrative employees who provide services to 1330 students and other community members. The School District currently operates three buildings.

The reporting entity is composed of the primary government and other organizations that are included to insure the financial statements are not misleading.

**A. Primary Government**

The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Evergreen Local School District, this includes general operations, food service, and student related activities of the School District.

**B. Joint Venture**

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the modified cash basis of accounting, the School District does not report assets for equity interests in joint ventures.

The School District participates in three jointly governed organizations and three public entity risk pools, and is associated with two related organizations. These organizations are the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northern Buckeye Education Council's Employee Insurance Benefit Program, the Northern Buckeye Education Council Worker's Compensation Group Rating Plan, the Northwest Ohio Educational Council Self Insurance Pool, Evergreen Community Library, and a parochial school. These organizations are presented in Notes 16, 17 and 18 to the basic financial statements.

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The School District does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide financial 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(s) is eliminated to avoid "doubling up" receipts and disbursements. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the School District's general receipts.

**Fund Financial Statements**

During the fiscal 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**B. Fund Accounting**

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

Governmental

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The School District's major funds are the General Fund, Bond Retirement Fund, and OSFC Exceptional Need Construction Project.

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

Bond Retirement Fund – The Bond Retirement Fund is used to account for receipts designated to be used for debt service and related disbursements for bond principal, interest and related costs.

OSFC Exceptional Need Construction Project – The OSFC Exceptional Need Construction Project is used to account for receipts to be used for the acquisition or construction of capital facilities under the Ohio State Facilities Commission Exceptional Need program.

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

Fiduciary Funds

Fiduciary funds account for cash and investments where the District is acting as trustee or fiscal agent for other entities or individuals. Fiduciary funds include investment trust funds, private-purpose trust funds and agency funds. Trust funds account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for college scholarships for students.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various student-managed activities.

**C. Basis of Accounting**

The School District's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of 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 amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the object level for the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the object level within the General Fund and at the function and object level within all other funds are made by the School District Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

**E. Cash and Investments**

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005, the School District invested in nonnegotiable certificates of deposit, a money market fund, and STAR Ohio. Investments are reported at cost, except for the money market fund and STAR Ohio. The School District's money market fund investment is recorded at amount reported by The State Bank & Trust at June 30, 2005. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.



**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2005 was \$57,311; interest in the OSFC Exceptional Need Construction Fund was \$31,718, and interest in the amount of \$613 was credited to other district funds.

**G. Inventory and Prepaid Items**

On the modified cash-basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased.

**H. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**I. Interfund Receivables/Payables**

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. The fund statements report inter-fund loans as advances when made or repaid. These amounts are eliminated in the statement of activities. Note 8 lists unpaid advances receivable and payable.

**J. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's modified-cash basis of accounting.

**K. Employer Contributions to Cost-Sharing Pension Plans**

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**L. Long-term Obligations**

These modified-cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments.

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other government. Net assets restricted for other purposes include resources restricted for food service operations, athletic programs and federal and state grants restricted to cash disbursement for specified purposes. The School District policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**N. Fund Balance Reserves**

The School District reserves those portions of fund equity legally segregated for a specific future use or which are not available for appropriation or disbursement. The District has reserved fund equity for encumbrances.

**O. Inter-fund Transactions**

Transfers between governmental activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**NOTE 3 – COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund	\$ 99,870
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**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 5 – DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 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 held by the School District can be deposited or invested in the following securities:

United States Treasury bills, bonds, notes, 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;

Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

Bonds and other obligations of the State of Ohio or Ohio local governments;

Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

The State Treasurer's investment pool (STAR Ohio).

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.

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 5 – DEPOSITS AND INVESTMENTS – (Continued)**

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,132,567 of the School District's bank balance of \$3,330,053 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**B. Investments**

As of June 30, 2005, the School District had the following investment:

	<u>Carrying Value</u>	<u>Less than 1 Year</u>
STAR Ohio	\$ 154,258	\$ 154,258

STAR Ohio carries a rating of AAAM by Standard and Poor's. The School District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating.

**NOTE 6 – PROPERTY TAXES**

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

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

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

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 6 – PROPERTY TAXES – (Continued)**

Tangible personal property tax receipts received in calendar year 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. 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 School District prior to June 30.

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

The assessed values upon which the fiscal year 2004 taxes are based are as follows:

	2004 Second-Half Collections		2005 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 124,271,140	82.84%	\$ 127,243,860	83.03%
Industrial/Commercial	6,464,480	4.31%	6,487,510	4.23%
Public Utility Real Property	55,860	.04%	58,290	.04%
Public Utility Personal Property	12,288,020	8.18%	12,933,200	8.44%
General Personal Property	<u>6,938,610</u>	<u>4.63%</u>	<u>6,526,208</u>	<u>4.26%</u>
Total Assessed Value	<u>\$ 150,018,110</u>	<u>100.00%</u>	<u>\$ 153,249,068</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 47.88		\$ 47.88	

**NOTE 7 – INCOME TAXES**

The School District levies a voted tax of 3/4 percent for general operations on the income of residents and of estates. The tax was effective in 1990, and is a continuing tax. An additional 3/4 percent income tax was passed by voters in 2004, effective beginning 2005 for five years, for general operations. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the General Fund.

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 8 – INTERFUND RECEIVABLE/PAYABLES**

Unpaid interfund cash advances at June 30, 2005, were as follows:

<u>Interfund Payable</u>	<u>Interfund Receivable General</u>
<i>Governmental Activities</i>	
Vocational Education Enhancement	\$ 4,956
Title I	23,725
Title V	1,269
Title IV-A	2,069
Title II-A	5,894
Title II-D	680
Total	\$ 38,593

The interfund transactions between the general fund and state and federal grant funds were made because cash requests were not received in the month requested. These are expected to be repaid within one year.

**NOTE 9 – RISK MANAGEMENT**

**A. Property and Liability**

The District maintains comprehensive insurance coverage through Northwest Ohio Educational Council Self Insurance Pool, an insurance purchasing pool (Note 17), for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully considered.

Coverage provided by Northwest Ohio Educational Council	
General Liability:	
Per Occurrence	\$ 1,000,000
Total per Year	3,000,000
Coverage provided by Northwest Ohio Educational Council	
Blanket Property Insurance (\$1,000 deductible)	45,925,519
Coverage provided by Northwest Ohio Educational Council	
Auto Coverage	
Liability	1,000,000
Auto Medical Payment	5,000

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

**B. Workers' Compensation**

For fiscal year 2005, the School District participated in the Northern Buckeye Education Council's Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP.

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 9 – RISK MANAGEMENT – (Continued)**

The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. Loss Control Systems provides administrative, cost control and actuarial services to the GRP.

**C. Employee Medical Benefit**

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool (Note 17) consisting of school district within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council (NBEC) for the benefits offered to its employees which include health, dental, vision and life insurance. NBEC is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

**NOTE 10 – DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent 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 fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, 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 DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 10 – DEFINED BENEFIT PENSION PLANS – (Continued)**

A DBP or CP member with five or more years of 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 DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2005, 2004, and 2003, was \$605,656, \$600,200, and \$484,984, respectively. The full amount has been contributed for fiscal years 2005, 2004 and 2003. Contributions for the DCP and CP for the fiscal year ended June 30, 2005, were \$652,245 made by the School District and \$391,347 made by plan members.

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2005 was 14 percent of annual covered payroll; 9.09 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, was \$210,922, \$202,299, and \$201,303, respectively. The full amount has been contributed for fiscal years 2005, 2004 and 2003.

**C. Social Security System**

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



**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 11 – POST-EMPLOYMENT BENEFITS**

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

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$46,589.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005 (latest information available). For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000, and STRS had 115,395 eligible benefit recipients (latest information available).

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, the School District paid \$93,982 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Net Health care costs for the year ending June 30, 2005 were \$178,221,113. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next years a projected net health care cost of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. SERS has approximately 58,123 participants currently eligible to receive health care benefits.

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 12 – NOTES PAYABLE AND LONG TERM DEBT**

The changes in the School District's notes payable during fiscal year 2005 were as follows:

	Outstanding <u>6/30/2004</u>		<u>Additions</u>		<u>Deletions</u>		Outstanding <u>6/30/2005</u>
Tax Anticipation Notes	\$ 380,000	\$	-	\$	125,000	\$	255,000

Tax anticipation notes totaling \$500,000 were issued on September 18, 2002 and mature annually through 2006.

Changes in long-term obligations of the School District during fiscal year 2005 were as follows:

	Outstanding <u>6/30/2004</u>		<u>Additions</u>		<u>Deletions</u>		Outstanding <u>6/30/2005</u>
General Obligation Bonds	\$ 13,787,684	\$	146,524	\$	436,564	\$	13,497,644

Bond debt outstanding at June 30, 2005, includes Energy Conservation Bonds totaling \$73,079 (interest rates at June 30, 2005, were 5.65 percent to 6.15 percent). The Energy conservation bonds were issued in 1993, 1994, and 1996, and will mature in December 2004, 2005, and 2006.

On May 4, 1999, a bond issue for the purpose of renovating, rehabilitating, adding to, constructing, furnishing, equipping and otherwise improving school facilities acquiring and improving their sites was passed. Series 1999 School Improvement Bonds were issued September 8, 1999, for \$11,999,954 with interest rates ranging from 3.75 to 5.625 percent. The bond issue included serial, term, and capital appreciation bonds. Current interest serial bonds mature annually from 2000 through 2014. Current interest terms bonds mature in 2019 and 2024. Capital appreciation bonds mature in 2006, 2007, and 2008. The maturity amount of the capital appreciation bonds is \$1,275,000.

On May 7, 2002, school district residents approved a \$2,182,000 bond issue to pay the local share of school construction of a new elementary and renovation of a middle school under the Ohio School Facilities Commission Exceptional Need Project. General obligation classroom facilities improvement bonds totaling \$2,182,000 were issued October 17, 2002, with interest rates ranging from 2 percent to 4.6 percent. The bond issue included serial, term, and capital appreciation bonds. Current interest serial bonds mature annually from 2003 through 2022. Current interest term bonds mature in 2025. Capital appreciation bonds mature in 2006, 2007, and 2008. The maturity amount of the capital appreciation bonds is \$240,000.

Total expenditures for interest for the above debt for the period ended June 30, 2005, was \$676,383.

The scheduled payments of principal and interest on debt outstanding at June 30, 2005, are as follows:

<u>For the Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	565,501	656,442	1,221,943
2007	627,212	685,730	1,312,942
2008	304,989	841,822	1,146,811
2009	84,942	1,061,870	1,146,812
2010	505,000	629,986	1,134,986
Thereafter	<u>11,665,000</u>	<u>5,359,521</u>	<u>17,024,521</u>
Total	<u>\$ 13,752,644</u>	<u>\$ 9,235,371</u>	<u>\$ 22,988,015</u>

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 13 – SET ASIDE REQUIREMENTS**

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside Cash Balance, June 30, 2004	\$ ( 165,665)	\$ -
Current Year Set-Aside Requirement	176,908	176,908
Current Year Offsets	-	(176,908)
Qualifying Disbursements	<u>(171,785)</u>	<u>-</u>
Cash Balance Carried Forward to FY 2006	<u>\$ (160,542)</u>	<u>\$ -</u>

Since the School District had qualifying disbursements during the year that reduced the set aside amount for textbooks and instructional materials to below zero, this extra amount may be used to reduce the set aside requirement of future years. However, the excess qualifying disbursements of the capital improvement set aside may not be used to reduce the capital improvement set aside requirement for future years.

**NOTE 14 – INTERFUND TRANSFERS**

Interfund cash transfers for the year ended June 30, 2005, were as follows:

<u>Transfer From</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Total</u>
Governmental Activities			
General Fund	\$ -	\$ 25,300	\$ 25,300
Permanent Improvement	<u>190,273</u>	<u>-</u>	<u>190,273</u>
Total	<u>\$ 190,273</u>	<u>\$ 25,300</u>	<u>\$ 215,573</u>

Transfers from the permanent improvement fund to the debt service fund were to make payments on energy conservation bonds and tax anticipation notes. The transfer from the general fund to the special revenue fund was used as part of the local share of an Education Management Information Systems (EMIS) grant.

**NOTE 15 – CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, 2005.

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 15 – CONTINGENCIES – (Continued)**

**B. Litigation**

The District is the defendant in 2 lawsuits arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a materially adverse effect on the accompanying combined financial statements and accordingly, no provision for losses has been recorded.

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The School District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, Lucas, Williams and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The NWOCA Assembly consists of a superintendent from each participating school district and a representative from the fiscal agent. The Assembly elects the Council. NWOCA is governed by a Council chosen from two representatives from each of the four counties in which the member school districts are located and the representative from the member school district serving as fiscal agent for NWOCA. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Robin Pfund, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (the Council) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, Lucas, Williams and Wood Counties. The Council is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member school districts and bylaws adopted by the representatives of the member school districts. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**C. Four County Career Center**

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from Fulton County educational service center. The Four County Joint Vocational School possesses its own budgeting and taxing authority. To obtain financial information write to Lois Knuth, Treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 17 – PUBLIC ENTITY RISK POOLS**

**A. Northern Buckeye Education Council's Employee Insurance Benefits Program**

The Northern Buckeye Education Council's Employee Insurance Benefits Program included health, dental, drug, and life insurance plans. The health, drug, vision, and dental plans are risk-sharing pools among approximately 28 members, and the life insurance plan is a group purchasing pool among 28 members. The purpose of the plans is for its members to pool funds or resources to purchase commercial insurance products and enhance the wellness opportunities for employees.

Each member pays a monthly premium amount, which is established annually by the Council, to the treasurer to comply with the terms of any contracts with any third-party claims administrator or insurance company. The insurance group is governed by a council consisting of two representatives from each of the four counties in which the member school districts are located. The degree of control exercised by any participating member is limited to its representation on the council.

In fiscal year 2005, the Evergreen Local School District contributed a total for all four plans \$1,138,196. Financial information can be obtained from Robin Pfund, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council's Worker's Compensation Group Rating Plan**

The School District participates in a group rating plan for workers' compensation as established under section §4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council's Worker's Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Educational Council (NBEC) as a group purchasing pool. The Plan is governed by the NBEC and plan participants. The Executive Director of the Council coordinates the management and administration of the program. Each year, the participating/members pay an enrollment fee to the WCGRP to cover the costs of administering the program. During the fiscal year ending June 30, 2005, the School District paid an enrollment fee of \$979 to WCGRP to cover costs of administering the program.

**C. Northwest Ohio Educational Council Self Insurance Pool**

The District participates in the Northwest Ohio Educational Council Self Insurance Pool (Pool), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Pool is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a board consisting of superintendents, treasurers, and others.

**NOTE 18 – RELATED ORGANIZATIONS**

**A. Non-public School**

Within the School District's Boundaries, one non-public school is operated by a religious organization. Current state legislation provides funding to this non-public school. These monies are received and disbursed on behalf of the non-public school by the Treasurer of the School District. The accounting for these school operations is reflected as part of the Special Revenue Funds of the School District.

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 18 – RELATED ORGANIZATIONS – (Continued)**

**B. Evergreen Community Library**

The library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Evergreen Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Evergreen Community Library, Patricia Dowling, located at 253 Maple Street, Metamora, Ohio 43540.

**NOTE 19 – OHIO SCHOOL FACILITIES COMMISSION**

In fiscal year 2002, the School District was approved for a grant from the Ohio School Facilities Commission for a \$14,447,639 building construction and renovation project. The project was financed by an \$11,765,639 grant from the Ohio School Facilities Commission. The local share was \$2,682,000 and was financed through issuance of bonds in the amount of \$2,182,000 and \$500,000 through a tax anticipation note against future proceeds of the permanent improvement levy. The bond issue is paid from the proceeds of a 1.15 mill tax levy approved by the voters of the District on May 7, 2002. The project was completed in fiscal year 2005.

**NOTE 20 – STATE SCHOOL FUNDING DECISION**

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

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

**NOTE 21 – SUBSEQUENT EVENT**

On July 12, 2005, Evergreen Local School District successfully refinanced a loan agreement that it entered into originally in September 1999, to pay for construction of the new high school. The new loan is set to be paid in full in 2024, which is exactly the same structure as the original loan. The interest rate on the old loan was approximately 5%. The new interest rate is approximately 4%.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT *AUDITING STANDARDS***

Evergreen Local School District  
Fulton County  
14544 County Road 6  
Metamora, Ohio 43540-9741

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Evergreen Local School District (the District), Fulton County, Ohio as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 20, 2006, wherein, we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated January 20, 2006, we reported other matters involving internal control over financial reporting.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

Evergreen Local School District  
Fulton County  
Independent Accountant's Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Required  
By District Auditing Standards  
Page 2

objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001.

We intend this report solely for the information and use of management and board of education. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

January 20, 2006



EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2005

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

FINDING NUMBER 2005-001

**Noncompliance Citation**

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements in a modified cash format which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2004-001	<b>OAC §117-2-3(B)</b> reporting on basis other than generally accepted accounting principles.	No	Finding has not been corrected and is repeated in this report as item 2005-001.





**Auditor of State  
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**EVERGREEN LOCAL SCHOOL DISTRICT**

**FULTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 9, 2006**