



**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 43540-9740

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 the Evergreen Local School District (the District), Fulton County, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these 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 financial position-modified cash basis 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, 2004, and the respective changes in financial position-modified cash basis and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2005, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. 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.

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

Betty Montgomery
Auditor of State

March 29, 2005

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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, 2004. 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 2004 are as follows:

- In total, net assets increased \$629,065.
- General receipts accounted for \$10,709,619, or 53.05 percent 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 \$9,479,036 or 46.95 percent of total receipts of \$20,188,655.
- The District's major funds included the General, Bond Retirement and Ohio School Facilities Commission (OSFC) construction funds.
- The general fund had \$9,770,729 in receipts and other financing sources and \$9,561,392 in disbursements and other financing uses. In an effort to reverse deficit spending of previous fiscal years, the Board made spending cuts for fiscal year 2004. These cuts included a reduction of four teaching staff, reduction of classified staff hours, elimination of athletic shuttle transportation, elimination of separate preschool transportation at the beginning and end of the school day, and reduction in supplemental contracts awarded. These cuts reduced disbursements over \$275,000. Additional savings in disbursements were realized when negotiations with certified staff resulted in a 0 percent increase on base salary and administrative and non-union employees' salaries were frozen for fiscal year 2004. The general fund's fund balance increased \$209,337 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 no significant changes from FY 2003 and had \$1,446,353 in receipts and other financing sources and \$1,265,080 in disbursements. The debt service fund's fund balance increased \$181,273 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 percent by the District of \$11,765,639. The OSFC construction fund had \$7,663,387 in receipts and \$7,502,058 in disbursements. This amounted to an increase in receipts in the amount of \$3,212,002 and an increase in disbursements in the amount of \$6,593,415. These increases are attributable to the phase in which the renovation and construction projects went through. The OSFC construction fund's fund balance increased by \$161,329 from the prior fiscal year.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

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.

Fund financial statements provide a greater level of detail. The fund financial statements 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 2004. 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.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

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.

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2004. A comparative analysis is not provided because this is the first year for government-wide financial statements using the modified cash basis of accounting. An analysis will be provided in future years when prior year information is available.

Table 1
Net Assets – Modified Cash Basis
Governmental Activities

	2004
Assets:	
Current and Other Assets	\$ 8,233,509
<i>Total Assets</i>	\$ 8,233,509
 Net Assets:	
Restricted	\$ 7,272,903
Unrestricted	960,606
<i>Total</i>	\$ 8,233,509

Table 2 reflects the changes in net assets for fiscal year 2004. This is the first year of implementation of the GASB 34 OCBOA reporting format. Comparative figures are not available for fiscal year 2004. A comparative analysis will be provided in future years when prior year information is available.

Table 2
Change in Net Assets – Modified Cash Basis
Governmental Activities

	2003
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$ 1,027,952
Operating Grants	760,630
Capital Grants	7,690,454
<i>Total Program Revenues</i>	9,479,036

(Continued)

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

Table 2 (Continued)
Change in Net Assets – Modified Cash Basis
Governmental Activities

	<u>2003</u>
General Receipts:	
Property and Income Taxes	5,286,040
Grants and Entitlements	5,292,699
Interest	30,084
Miscellaneous	100,796
<i>Total General Receipts</i>	<u>10,709,619</u>
<i>Total Receipts</i>	<u>20,188,655</u>
 Disbursements:	
Instruction	5,969,956
Support Services:	
Pupils	480,240
Instructional Staff	552,353
Board of Education	43,778
Administration	767,879
Fiscal	257,976
Business	18,992
Operation and Maintenance of Plant	867,735
Pupil Transportation	843,325
Central	23,977
Non-Instructional	540,807
Extracurricular Activities	313,299
Capital Outlay	7,618,784
Debt Service Principal	558,833
Interest and Fiscal Charges	697,725
Refund of Prior Year Receipts	3,931
<i>Total Disbursements</i>	<u>19,559,590</u>
<i>Increase in Net Assets</i>	<u>\$ 629,065</u>

Program receipts account for 47 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 30 percent of all governmental disbursements. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for over 9 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 4 percent. Therefore, over 43 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.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

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 service 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. Comparisons to 2003 have not been presented since they are not available.

Table 3
Governmental Activities – Modified Cash Basis

	Total Cost of Services 2004	Net Cost of Services 2004
Instruction	\$ 5,969,956	\$ 5,083,456
Support Services:		
Pupils	480,240	381,970
Instructional Staff	552,353	502,507
Board of Education	43,778	43,778
Administration	767,879	765,459
Fiscal	257,976	257,976
Business	18,992	18,992
Operation and Maintenance of Plant	867,735	860,612
Pupil Transportation	843,325	843,325
Central	23,977	4,052
Non-Instructional	540,807	(17,200)
Extracurricular Activities	313,299	146,808
Capital Outlay	7,618,784	(71,670)
Debt Service Principal	558,833	558,833
Interest and Fiscal Charges	697,725	697,725
Refund of Prior Year Receipts	3,931	3,931
<i>Total Disbursements</i>	\$ 19,559,590	\$ 10,080,554

The dependence upon tax receipts and unrestricted state entitlements for governmental activities is apparent. Over 85 percent of instruction activities are supported through taxes and other general receipts. For all governmental activities, support from general receipts is 52 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 government fund was the General, Bond Retirement, and Ohio School Facilities Funds. Total governmental funds had receipts and other financing sources of \$20,578,743 and disbursements and other financing uses of \$19,949,678. The net positive change of \$629,065 in fund balance for the year indicates that the spending cuts implemented for this fiscal year were successful at reversing the deficit spending of previous years.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

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 2004, the District amended its General Fund budget as needed. Final budgeted revenues, in the amount of \$9,632,517, were over original budgeted revenues of \$8,948,079. Of this \$684,438 difference, was primarily due to reporting open enrollment receipts at gross receipts, insurance proceeds for our fire at the Middle School and special education tuition.

Final expenditures were budgeted at \$10,005,002 while actual expenditures were \$9,584,896. The \$420,106 difference is a result of construction related expenditures which did not occur this year, middle school fire purchased services which were paid directly to the contractor, and decreased insurance premiums because the renewal date was changed which caused only six months premium payment this year. Budgets are also prepared conservatively, which causes budgets to exceed expenditures. Actual General Fund revenues were \$135,968 greater than expenditures due to increased taxes, an increase in enrollment, and cautious spending.

Debt Administration

At June 30, 2004 the District has \$13,397,954 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, 2004 the District has \$380,000 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, 2004 the District has \$126,002 in HB 264 energy conservation bonds outstanding. The final maturity is December 1, 2006. The bonds are paid from the bond retirement debt service 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

The Board has authorized reductions in staff to keep disbursements within receipts annually. This process was successful in fiscal year 2004. Disbursements will be monitored closely in fiscal year 2005. Reductions of seven certified staff and three full-time aide positions will aid in accomplishing this goal in fiscal year 2005. Additionally, transportation service has been combined into one morning and one afternoon run.

For the first time since 1989, the District had an issue on the ballot for additional operating funds. In March 2004 the .75 percent income tax levy for five years passed. The income tax levy will take effect January 1, 2005. Only a small payment will be received in fiscal year 2005.

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 renovation of the middle school was complete in April 2004 and the new elementary school was completed in December 2004.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

On February 21, 2004 a fire occurred at the Evergreen Middle School. Fortunately, the building was not occupied at the time of the fire. Through the hard work of many contractors, the school was in session on February 25, 2004. Only three classrooms remained unusable. Except for a \$1,000 deductible, the fire loss was totally covered by insurance. As scheduled, the students moved to the newly renovated middle school on April 19, 2004. Due to the fact that we vacated the building where the fire occurred, we did not repair the three unusable classrooms. We received an insurance settlement of \$265,000 since we did not repair the building to its pre-fire condition.

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 Linda Kidwell, Treasurer, Evergreen Local School District, 14544 County Road 6, Metamora, Ohio, 43540.

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**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2004**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 8,233,509</u>
<i>Total Assets</i>	<u>8,233,509</u>
NET ASSETS	
Restricted for Debt Service	863,595
Restricted for Capital Outlay	6,190,659
Restricted for Other Purposes	218,649
Unrestricted	960,606
<i>Total Net Assets</i>	<u><u>\$ 8,233,509</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2004**

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 4,313,570	\$ 415,922	\$ 56,027	\$ -	\$ (3,841,621)
Special	1,129,166	110,395	303,988	-	(714,783)
Vocational	117,429	-	168	-	(117,261)
Other	409,791	-	-	-	(409,791)
Support Services:					
Pupils	480,240	-	98,270	-	(381,970)
Instructional Staff	552,353	-	49,846	-	(502,507)
Board of Education	43,778	-	-	-	(43,778)
Administration	767,879	-	2,420	-	(765,459)
Fiscal	257,976	-	-	-	(257,976)
Business	18,992	-	-	-	(18,992)
Operation and Maintenance of Plant	867,735	-	7,123	-	(860,612)
Pupil Transportation	843,325	-	-	-	(843,325)
Central	23,977	-	19,925	-	(4,052)
Operation of Non-Instructional Services	540,807	335,144	222,863	-	17,200
Extracurricular Activities	313,299	166,491	-	-	(146,808)
Capital Outlay	7,618,784	-	-	7,690,454	71,670
Debt Service:					
Principal	558,833	-	-	-	(558,833)
Interest and Fiscal Charges	697,725	-	-	-	(697,725)
Other Financing Sources and Uses					
Refund of Prior Year Receipts	3,931	-	-	-	(3,931)
<i>Total Governmental Activities</i>	<u>\$ 19,559,590</u>	<u>\$ 1,027,952</u>	<u>\$ 760,630</u>	<u>\$ 7,690,454</u>	<u>(10,080,554)</u>

General Receipts

Taxes:	
Income Taxes	926,005
Property and Other Local Taxes	4,360,035
Grants and Entitlements not Restricted to Specific Programs	5,292,699
Gifts and Donations	28,479
Investment Earnings	30,084
Miscellaneous	50,544
Transfers	-
Other Receipts:	
Rent	400
Refund of Prior Year Expenditures	21,373
<i>Total General Receipts</i>	<u>10,709,619</u>
<i>Change in Net Assets</i>	<u>629,065</u>
Net Assets Beginning of Year	<u>7,604,444</u>
<i>Net Assets End of Year</i>	<u>\$ 8,233,509</u>

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
JUNE 30, 2004**

	General Fund	Bond Retirement Fund	OSFC Exceptional Need Construction Project	All Other Governmental Funds	Total Governmental Funds
ASSETS:					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 960,606	\$ 863,595	\$ 5,848,595	\$ 560,713	\$ 8,233,509
<i>Total Assets</i>	<u>\$ 960,606</u>	<u>\$ 863,595</u>	<u>\$ 5,848,595</u>	<u>\$ 560,713</u>	<u>\$ 8,233,509</u>
FUND BALANCES:					
Reserved for Encumbrances	\$ 151,067	\$ -	\$ 1,668,841	\$ 179,056	\$ 1,998,964
Reserved for Bus Purchases	32,890	-	-	-	32,890
Unreserved, Undesignated, Reported in:					
General Fund	776,649	-	-	-	776,649
Special Revenue Funds	-	-	-	218,649	218,649
Debt Service Funds	-	863,595	-	-	863,595
Capital Projects Funds	-	-	4,179,754	163,008	4,342,762
<i>Total Fund Balances</i>	<u>\$ 960,606</u>	<u>\$ 863,595</u>	<u>\$ 5,848,595</u>	<u>\$ 560,713</u>	<u>\$ 8,233,509</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 YEAR ENDED JUNE 30, 2004**

	General Fund	Bond Retirement Fund	OSFC Exceptional Need Construction Project	All Other Governmental Funds	Total Governmental Funds
RECEIPTS					
Property and Other Local Taxes	\$ 2,981,629	\$ 1,084,795	\$ -	\$ 293,611	\$ 4,360,035
Income Tax	926,005	-	-	-	926,005
Intergovernmental	5,165,547	127,545	7,550,637	787,304	13,631,033
Interest	29,593	-	112,675	491	142,759
Tuition and Fees	526,317	-	-	-	526,317
Rent	400	-	-	-	400
Extracurricular Activities	12,350	-	-	154,141	166,491
Gifts and Donations	28,479	-	-	-	28,479
Customer Sales and Services	-	-	-	335,144	335,144
Miscellaneous	50,544	-	75	-	50,619
<i>Total Receipts</i>	<u>9,720,864</u>	<u>1,212,340</u>	<u>7,663,387</u>	<u>1,570,691</u>	<u>20,167,282</u>
DISBURSEMENTS					
Instruction:					
Regular	4,249,161	-	-	64,409	4,313,570
Special	834,874	-	-	294,292	1,129,166
Vocational	116,041	-	-	1,388	117,429
Other	409,791	-	-	-	409,791
Support Services:					
Pupils	381,969	-	-	98,271	480,240
Instructional Staff	496,052	-	-	56,301	552,353
Board of Education	43,778	-	-	-	43,778
Administration	700,509	-	-	67,370	767,879
Fiscal	244,760	8,522	-	4,694	257,976
Business	18,992	-	-	-	18,992
Operation and Maintenance of Plant	854,403	-	-	13,332	867,735
Pupil Transportation	843,325	-	-	-	843,325
Central	-	-	-	23,977	23,977
Operation of Non-Instructional Services	-	-	-	540,807	540,807
Extracurricular Activities	240,154	-	-	73,145	313,299
Capital Outlay	-	-	7,502,058	116,726	7,618,784
Debt Service					
Principal	-	558,833	-	-	558,833
Interest	-	697,725	-	-	697,725
<i>Total Disbursements</i>	<u>9,433,809</u>	<u>1,265,080</u>	<u>7,502,058</u>	<u>1,354,712</u>	<u>19,555,659</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>287,055</u>	<u>(52,740)</u>	<u>161,329</u>	<u>215,979</u>	<u>611,623</u>

(Continued)

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN MODIFIED-CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

	General Fund	Bond Retirement Fund	OSFC Exceptional Need Construction Project	All Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)					
Transfers In	-	234,013	-	100,987	335,000
Refund of Prior Year Expenditures	21,373	-	-	-	21,373
Advances In	28,492	-	-	26,596	55,088
Transfers Out	(100,987)	-	-	(234,013)	(335,000)
Refund of Prior Year Receipts	-	-	-	(3,931)	(3,931)
Advances Out	(26,596)	-	-	(28,492)	(55,088)
<i>Total Other Financing Sources (Uses)</i>	<u>(77,718)</u>	<u>234,013</u>	<u>-</u>	<u>(138,853)</u>	<u>17,442</u>
<i>Net Change in Fund Balances</i>	209,337	181,273	161,329	77,126	629,065
Fund Balance (Deficit) at Beginning of Year	<u>751,269</u>	<u>682,322</u>	<u>5,687,266</u>	<u>483,587</u>	<u>7,604,444</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 960,606</u>	<u>\$ 863,595</u>	<u>\$ 5,848,595</u>	<u>\$ 560,713</u>	<u>\$ 8,233,509</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL COMPARISON
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Property and Other Local Taxes	\$ 2,932,933	\$ 2,980,794	\$ 2,981,629	\$ 835
Income Tax	898,558	881,000	926,005	45,005
Intergovernmental	4,940,174	4,983,484	5,165,547	182,063
Interest	52,952	27,000	29,593	2,593
Tuition and Fees	86,940	464,769	526,317	61,548
Rent	-	-	400	400
Extracurricular Activities	-	12,500	12,350	(150)
Gifts and Donations	35,552	32,000	28,479	(3,521)
Miscellaneous	970	250,970	50,544	(200,426)
<i>Total Revenues</i>	<u>8,948,079</u>	<u>9,632,517</u>	<u>9,720,864</u>	<u>88,347</u>
EXPENDITURES				
Current:				
Instruction:				
Regular	4,410,973	4,372,300	4,304,869	67,431
Special	1,006,757	911,098	854,645	56,453
Vocational	114,150	116,197	121,802	(5,605)
Other	82,309	383,300	409,791	(26,491)
Support Services:				
Pupils	252,890	252,890	382,890	(130,000)
Instructional Staff	520,417	540,876	496,540	44,336
Board of Education	95,549	87,028	52,814	34,214
Administration	765,549	745,502	703,055	42,447
Fiscal	224,382	230,044	245,447	(15,403)
Business	17,909	17,909	18,992	(1,083)
Operation and Maintenance of Plant	905,079	1,200,292	891,095	309,197
Pupil Transportation	828,175	915,024	862,802	52,222
Extracurricular Activities:				
Academic Oriented Activities	65,303	63,673	65,355	(1,682)
Sport Oriented Activities	167,733	163,266	169,628	(6,362)
School and Public Service				
Co-Curricular Activities	5,603	5,603	5,171	432
<i>Total Expenditures</i>	<u>9,462,778</u>	<u>10,005,002</u>	<u>9,584,896</u>	<u>420,106</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(514,699)</u>	<u>(372,485)</u>	<u>135,968</u>	<u>508,453</u>
OTHER FINANCING SOURCES (USES):				
Refund of Prior Year Expenditures	-	19,163	21,373	2,210
Advances In	-	15,000	28,492	13,492
Transfers Out	(100,000)	(101,000)	(100,987)	13
Advances Out	(10,000)	(30,000)	(26,596)	3,404
<i>Total Other Financing Sources (Uses)</i>	<u>(110,000)</u>	<u>(96,837)</u>	<u>(77,718)</u>	<u>19,119</u>
<i>Net Change in Cash Basis Fund Balances</i>	<u>(624,699)</u>	<u>(469,322)</u>	<u>58,250</u>	<u>527,572</u>
Fund Balance at Beginning of Year	672,579	672,579	672,579	-
Prior Year Encumbrances Appropriated	78,690	78,690	78,690	-
<i>Fund Balance at End of Year</i>	<u>\$ 126,570</u>	<u>\$ 281,947</u>	<u>\$ 809,519</u>	<u>\$ 527,572</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
JUNE 30, 2004**

	Private Purpose Trust	Agency
ASSETS		
Current Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 4,835	\$ 41,104
<i>Total Assets</i>	4,835	41,104
NET ASSETS		
Restricted - expendable	4,835	-
Unrestricted	-	41,104
<i>Total net assets</i>	\$ 4,835	\$ 41,104

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, 2004

	<u>Private Purpose Trust</u>
ADDITIONS:	
Gifts and contributions	\$ 1,000
Interest	30
Miscellaneous	205
	<hr/>
<i>Total additions</i>	1,235
	<hr/>
DEDUCTIONS:	
Payments in accordance with trust agreements	1,106
	<hr/>
<i>Total deductions</i>	1,106
	<hr/>
<i>Changes in net assets</i>	129
Net assets beginning of year	4,706
	<hr/>
<i>Net assets end of year</i>	<u>\$ 4,835</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Evergreen Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Evergreen Local School District is a local school district as defined by § 3311.03 of Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The board oversees the operations of the District's four instructional/support facilities.

Reporting Entity

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

Oversight responsibility includes such aspects as appointment of governing body members, budget review, approval of property tax levies, outstanding debt secured by District full faith and credit or revenues, and responsibility for funding deficits. On this basis, there were no organizations subject to the District's oversight responsibility which required incorporation into the financial statements.

The School District is associated with organizations which are defined as jointly governed organizations, a related organization, and insurance purchasing pools. These organizations include 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 Workers' 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 18 and 19 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the modified cash-basis of accounting.

This basis of accounting is similar to the cash receipts and disbursements basis. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

If the district utilized generally accepted accounting principles, the fund financial statements for governmental funds would use the modified accrual basis of accounting.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

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

Fund Financial Statements

Fund financial statements report more detailed information about the School District. The focus of governmental financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate nonmajor funds in a single column. Fiduciary funds are reported by type.

C. 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 Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable cash is assigned to the various governmental funds according to the purposes for which it may or must be used. Expenditures are assigned to the fund from which they are paid. The difference between governmental fund assets and liabilities is reported as fund balance. 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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

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 fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are 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.

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

E. Cash, Cash Equivalents, and Investments

The District deposits and invests cash from all funds except the OSFC Exceptional Need Construction Project Fund in a common pool. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

The District values investments and cash equivalents at cost. For presentation on the financial statements, the District classifies investments of the cash management pool as cash equivalents. During fiscal year 2004, investments were limited to Star Ohio and certificates of deposit.

Following state statutes, the Board of Education has by resolution specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$29,593; interest in the OSFC Exceptional Need Construction Fund amounted to \$112,675; and interest in the amount of \$491 was credited to other District funds.

F. Property, Plant, and Equipment

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

G. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the modified cash basis of accounting used by the School District.

H. 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

I. Inter-fund Activity

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report inter-fund transfers as other financing sources (uses). The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

The fund statements report interfund loans as advances when made or repaid. These amounts are eliminated in the statement of activities. Note 17 lists unpaid advances receivable and payable.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

K. 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 and bus purchases.

L. Net Assets

The statements report restricted net assets when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use.

The School District first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

NOTE 3 - RESTATEMENT OF FUND BALANCE

The School District previously reported under generally accepted accounting principles. Effective July 1, 2003, the School District is reporting under the method described in Note 2. Beginning balances were restated on the basis of accounting in Note 2. All revenue and expense adjustments due to accrual basis of accounting were adjusted as follows:

	General Fund	Bond Retirement Fund	OSFC Exceptional Need Construction Project	All Other Governmental Funds	Total Governmental Funds
Fund balance reported under GAAP basis at June 30, 2003	\$ 276,905	\$ 782,642	\$ 5,191,591	\$ 751,482	\$ 7,002,620
Adjustments:					
Revenue accruals	(3,530,233)	(1,128,848)	(7,906,599)	(651,545)	(13,217,225)
Expense accruals	4,004,597	1,028,528	8,402,274	383,650	13,819,049
Fund balance restated on the Modified Cash Basis	<u>\$ 751,269</u>	<u>\$ 682,322</u>	<u>\$ 5,687,266</u>	<u>\$ 483,587</u>	<u>\$ 7,604,444</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

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

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

1. United States Treasury 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;
2. 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;
3. 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;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.
8. Under limited circumstances corporate debt interest rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

During the fiscal year 2004, the School District's investments were limited to STAR Ohio. 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, 2004. During the fiscal year, all investments of the School District had a maturity value of five years or less.

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

A. Deposits

At fiscal year end, the carrying amount of the School District's deposits was \$7,846,842 and the bank balance was \$7,938,408. Of the bank balance, \$304,636 was covered by federal depository insurance and \$7,633,772 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

B. Investments

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. The \$432,606 carrying value in the STAR Ohio represents the fair value at June 30, 2004.

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 8,279,448	\$ -
Investments:		
STAR Ohio	(432,606)	432,606
GASB Statement No. 3	\$ 7,846,842	\$ 432,606

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

NOTE 5 - LONG TERM OBLIGATIONS

Changes in long-term obligations of the School District during fiscal year 2004 were as follows:

	Outstanding 6/30/2003	Additions	Deletions	Outstanding 6/30/2004
Tax Anticipation Notes	\$ 500,000	\$ -	\$ 120,000	\$ 380,000
General Obligation Bonds	14,108,384	118,133	438,833	13,787,684

Bond debt outstanding at June 30, 2004 includes Energy Conservation Bonds totaling \$126,002 (interest rates at June 30, 2004 were 5.3 percent to 5.65 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.

Tax anticipation notes totaling \$500,000 were issued on September 18, 2002 and mature annually from 2003 through 2006.

Total expenditures for interest for the above debt for the period ended June 30, 2004 was \$697,725.

The scheduled payments of principal and interest on debt outstanding at June 30, 2004 are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2005	\$ 561,564	\$ 676,385	\$ 1,237,949
2006	565,501	656,442	1,221,943
2007	668,937	1,021,183	1,690,120
2008	505,000	1,042,624	1,547,624
2009	505,000	1,061,870	1,566,870
Thereafter	11,361,682	5,989,508	17,351,190
<i>Total</i>	<u>\$ 14,167,684</u>	<u>\$ 10,448,012</u>	<u>\$ 24,615,696</u>

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

NOTE 6 - INCOME TAXES

In 1990, the voters of the Evergreen Local School District passed a 3/4 percent school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2004, the District recorded income tax receipts of \$926,005 in the General Fund.

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all property, public utility property, and tangible personal (used in business) property located in the area served by the School District. Real property tax revenues received in calendar year 2004 represent the collection calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, 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 revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003, and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20.

Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, the June 2004 tangible personal property tax settlement was not received until July 2004.

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

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

	2003 Second-Half Collections		2004 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	119,663,440	82.08%	124,271,140	82.84%
Industrial/Commercial	6,223,720	4.27%	6,464,480	4.31%
Public Utility Real Property	58,060	0.04%	55,860	0.04%
Public Utility Personal Property	12,920,300	8.86%	12,288,020	8.18%
General Personal Property	6,916,350	4.75%	6,938,610	4.63%
Total Assessed Value	<u>\$ 145,781,870</u>	<u>100.00%</u>	<u>\$ 150,018,110</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 47.88		\$ 47.88	

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, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

NOTE 8 - RISK MANAGEMENT

The District maintains comprehensive insurance coverage through Northwest Ohio Educational Council Self Insurance Pool, an insurance purchasing pool (Note 13), 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.

A. Property and Liability

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 (\$5,000 deductible)	\$ 41,7000,489
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 2004, the School District participated in the Northern Buckeye Education Council's Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 9). The intent

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

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.

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 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 9 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The 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 Ohio 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 stand-alone financial report that may be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

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 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 DCB. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefits 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
JUNE 30, 2004
(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, 2004, plan members were required to contribute 10 percent of their annual covered salary and the 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 District's required contributions for pension obligations for the DBP for fiscal years ended June 30, 2004, 2003, and 2002 were \$600,200, \$484,984 and \$482,044, respectively; 83 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan 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, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3676, or by calling (614) 222-5853.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute at an actuarially determined rate. The rate for fiscal year 2004 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 was \$202,299, \$201,303 and \$201,075 respectively; 85 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002.

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. As of June 30, 2004, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 10 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. Benefit provisions and the

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

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 participate 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 benefits 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 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount was \$46,169

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000, and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefits recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$24,500. For the District, the amount to fund health care benefits, including the surcharge, was \$108,652 for fiscal year 2004.

The surcharge, added to the unallocated portion of the 14 percent employer 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. Expenses for health care at June 30, 2004, were \$223,443,805, and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for the payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits. The portion of the employer contributions that were used to fund post-employment benefits can be determined by multiplying actual employer contributions times .35072, then adding the surcharge due as of June 30, 2004, as certified to the District by SERS.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. Employees with less than one year of service earn 10 vacation days per year. However, the accumulated leave cannot be used until after one year of service. The Superintendent and Treasurer are permitted to carry over vacation leave.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to a certified employee upon retirement is limited to one-fourth of the

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

accumulated sick leave to a maximum of 57.5 days. The amount paid to a non-certified employee upon retirements is limited to one-fourth of the accumulated sick leave to a maximum of 33 days. After five years of continuous service with the School District, a retiring non-certified employee is entitled to receive \$20 per day for his/her accumulation of unused sick leave between the 132nd and the 240th day.

B. Health Care Benefits

The District provides medical, dental, vision, and life insurance to most employees through the Northern Buckeye Education Council Employee Insurance Benefits Program. Depending upon the coverage selected, the employees share the cost of the monthly premium with the Board.

NOTE 12 - STATUTORY RESERVES

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.

	Textbooks	Capital Improvements
Set-aside Balance, June 30, 2003	\$ (225,443)	\$ -
Current Year Set-Aside Requirement	176,673	176,673
Current Year Offsets	-	(176,673)
Qualifying Disbursements	(116,895)	-
Balance Carried Forward to FY 2005	\$ (165,665)	\$ -

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 13 - GROUP PURCHASING 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.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

In fiscal year 2004, the Evergreen Local School District contributed a total for all four plans \$1,064,493. Financial information can be obtained from Cindy Siler, 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, 2004, the School District paid an enrollment fee of \$965 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 14 - 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 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, 2004.

B. Litigation

The District is not a party to legal proceedings that would have a material effect on the financial condition of the District.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

NOTE 16 - CONTRACTUAL COMMITMENTS

As of June 30, 2004, the School District had the following contractual purchase commitments:

<u>Company</u>	<u>Amount</u>
Accel Fire Systems	\$ 2,660
Baker Shindler Contracting Company	3,264,929
Comte Construction Company	74,138
Dimech Services, Inc.	225,692
Findlay Telecom Ltd.	2,088
George Gradel Company	213,009
Industrial Power Systems	701,137
L. R. Babcock Inc.	23,181
Pomeroy IT Solutions	119,000
Romanoff Electric Company	20,857
Vulcan Enterprises Inc.	65,245
Woolace Electric	400,402

NOTE 17 - INTERFUND BALANCES

A. Interfund Advances

Unpaid interfund cash advances at June 30, 2004 were as follows:

<u>Interfund Payable</u>	<u>Interfund Receivable General Fund</u>
Governmental Activities	
Food Service	\$ 7,500
Vocational Education Enhancement	356
<i>Total</i>	<u>\$ 7,856</u>

The inter-fund transactions between the general fund and the food service fund were made in fiscal year 2001 to support the fund. The interfund transactions between the general fund and state grant funds were made because cash requests were not received in the month requested.

B. Interfund Transfers

Interfund cash transfers for the year ended June 30, 2004 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>			<u>Total</u>
	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Construction</u>	
Governmental Activities				
General Fund	\$ -	\$ 100,000	\$ 987	\$ 100,987
Permanent Improvement	234,013	-	-	234,013
<i>Total</i>	<u>\$ 234,013</u>	<u>\$ 100,000</u>	<u>\$ 987</u>	<u>\$ 335,000</u>

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

The District transferred cash from the general fund to the permanent improvement fund as partial payment on the locally funded initiative of the Ohio School Facilities Project. 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 construction fund was used as part of the local share of a Library Services and Technology Act (LSTA) grant.

NOTE 18 - RELATED ORGANIZATION

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 this schools operation is reflected as part of the Special Revenue Funds of the School District.

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 - 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 the Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

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, 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.

NOTE 20 - 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 will be financed by an \$11,765,639 grant from the Ohio School Facilities Commission. The local share is \$2,682,000 and is 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 will be paid from the proceeds of a 1.15 mill tax levy approved by the voters of the District on May 7, 2002. The project will be complete in fiscal year 2005.



**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 43540-9740

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 the District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 29, 2005, 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 opinion(s) 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 March 29, 2005, 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 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 2004-001.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

Evergreen Local School District
Fulton County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

March 29, 2005

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2004**

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

FINDING NUMBER 2004-001

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.

We recommend the District take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.



**Auditor of State
Betty Montgomery**

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800-282-0370
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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
MAY 5, 2005**